2016 ANNUAL REPORT

NamPower

Powering the Nation and beyond

CONTENTS

OVERVIEW OF OUR BUSINESS

OUR MANDATE

NamPower's mandate as expressed in the licences it holds under the Electricity Act of 2007 is to generate, transmit, supply and trade in electricity and to a limited extent distribute electricity.

VISION

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

MISSION

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

VALUES

NamPower's values express an 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 place priority on the safety of staff and the public at all times.

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

Teamwork
NamPower consists of people with many different skills, and experiences. We value each individual's contribution to our collective effort as we strive to work together for the good of our company and country.

Accountability
We accept responsibility for each of our jobs and roles and conduct ourselves in a manner consistent with the position entrusted to us.

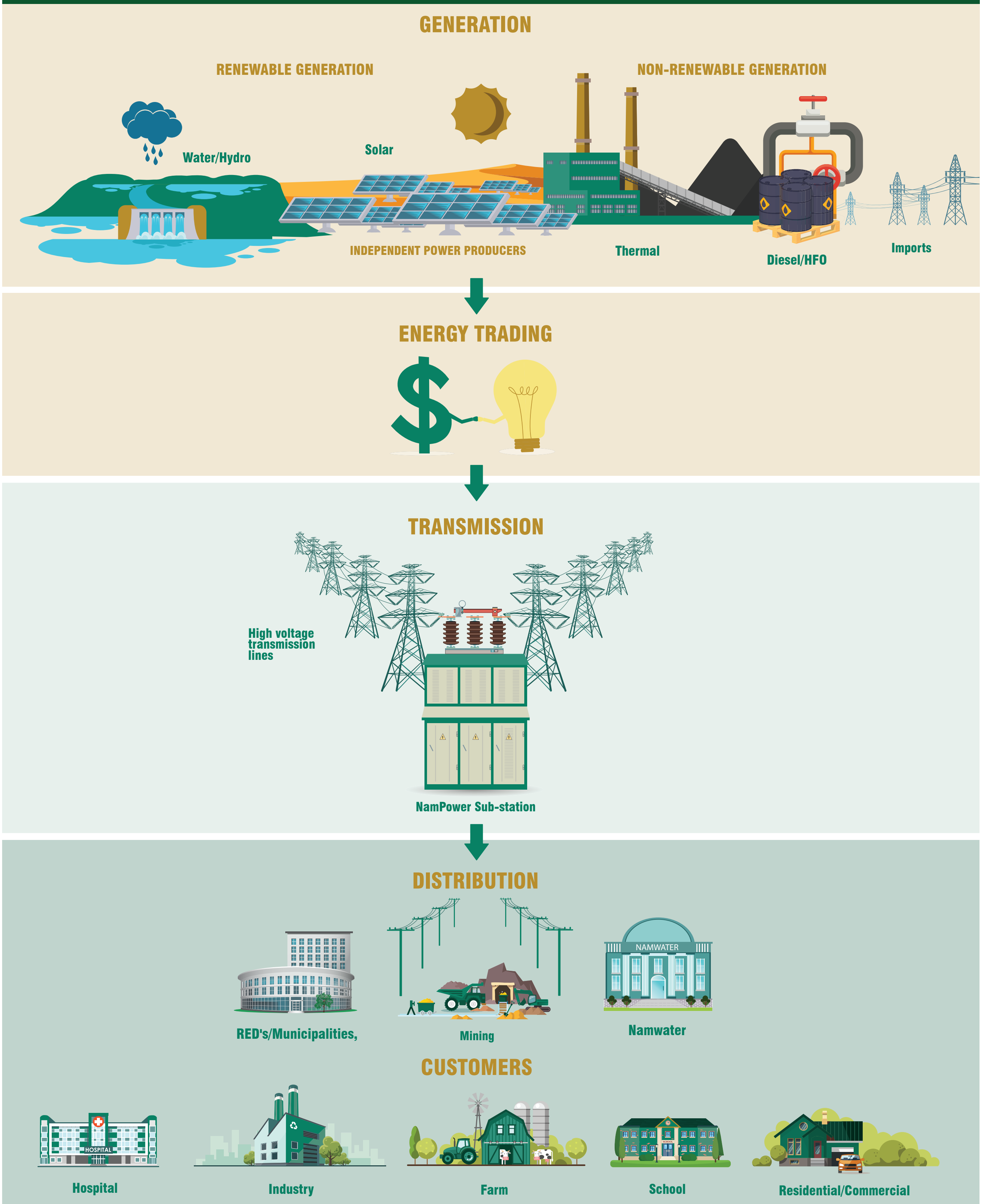
Empowerment
Every employee has the opportunity to be trained and developed, and to apply that knowledge in the workplace. We welcome feedback from all stakeholders and seek to learn from all situations.

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

Customer Focus
We value all customers, and fulfil our duties timeously and diligently with customer focus as our aim.

OVERVIEW OF OUR BUSINESS

OUR BUSINESS MODEL



OVERVIEW OF OUR BUSINESS

OUR OPERATING ENVIRONMENT

Namibia's Electricity Supply Industry

The Electricity Supply Industry (ESI) consists of generation, transmission and distribution as well as the importing and exporting of electricity.

The ESI's main role players are the Ministry of Mines and Energy (MME) as custodian of Namibia's energy sector; the Electricity Control Board (ECB) as regulator of the ESI; Namibia's electricity utility NamPower and the Regional Electricity Distributors (REDS) as the country's distribution licensees across the country.

NamPower is the direct supplier of electricity to the REDS and other redistributors such as large mines, a few municipalities and end-users who are located outside the licensed area of local authorities .

NamPower also fulfils the role of system operator and trader, which includes the important function of balancing the supply of electricity to the prevailing demand. In addition, it is the contracted party for imports of electricity from power utilities in the SADC region.

NamPower is a shareholder in the REDs, on the basis of the distribution assets and customers that it contributed to the REDs when they were formed, and its shareholding varies between 45% in the case of CENORED, to 33% in the case of Erongo RED.

External factors influencing our business

We are affected by a number of key external factors, which form the framework within which we operate. These are the shareholder mandate, the National Integrated Resource Plan, relevant legislation and regulations and the macro economic climate.

Types of Generating Plants

Namibia's power stations:

Power Station	Commissioned (Year)	Location	Type	Installed capacity (MW)
Ruacana	1975	Ruacana	Hydropower	347
Van Eck	1972	North of Windhoek	Coal-fired	120
ANIXAS	2011	Walvis Bay	Diesel	22.5
Paratus	1976	Walvis Bay	Diesel (HFO)	24

OVERVIEW OF OUR BUSINESS

National Integrated Resource Plan for Electricity

In an effort to address the increase in demand for electricity, and to complement the initiatives of NamPower, the Ministry of Mines and Energy is busy finalising the National Integrated Resource Plan, which is the electricity supply sector's development plan for the next 20 years and it will act as the sector's blueprint with regards to development in the country. The Plan spells out the electricity generation projects Namibia should pursue, to be able to meet the growing demand for electricity in the country. The MME is further engaged with the drafting of the Renewable Energy Policy, the Independent Power Producer Policy, and the National Energy Policy. These policies will shape the country's energy future as they are driven towards realising energy security in the country.

Legislation and Regulation

Namibia Power Corporation (NamPower) is the country's state-owned power utility. It is registered as a proprietary limited company under the Companies Act with Government as its sole shareholder.

It is regulated by the Electricity Control Board (ECB) under the Electricity Act of 2007 to generate, transmit, supply and trade in electricity, while also exporting, importing and to a limited extent distributing electricity to end-users who are located outside the licensed areas.

NamPower is governed by numerous laws and regulations with regard to its operations, including conditions relating to tariffs, expansion activities, environmental compliance, as well as regulatory and licence conditions, such as water usage and atmospheric emissions. The licensing conditions place strict limits on plant emissions to reduce the country's current and future environmental footprint.

Legislation that influences NamPower's governance includes the Electricity Regulation Act, 2006; Companies Act, 2008; Public Finance Management Act, 1999; National Environmental Management Act, 1998; National Water Act, 1998; Preferential Procurement Policy Framework Act, 2000; Occupational Health and Safety Act 1993; and Employment Equity Act, 1998. The King Code on Corporate Governance in South Africa (King III); the NamCode, Protocol on Corporate Governance in the Public Sector and various international guidelines directs the company on best practice in governance and reporting.

System Policies and Procedures

NamPower has embarked on a focused intervention to improve service delivery to its stakeholders through a business improvement/integrated management system. One of the key enablers for driving this intervention is the International Organisation for Standardisation (ISO) Integrated Management System (IMS) project, which will ultimately lead to the certification of NamPower on three International Standards:

- ISO 9001: 2015 (Quality Management Systems);
- ISO 14001: 2015 (Environmental Management Systems); and
- OSHAS 18001: 2007 (The Organisation and Occupational Health and Safety Assessment Series which is in the process to be adopted as the ISO 45011 Standard for Safety and Health Management Systems).

Certification on these three International Standards will facilitate ease of implementation and effectively address Safety, Health, Environment and Quality requirements. It will also address inefficiencies and integrate activities within the organisation with respect to processes, procedures and policies; benchmark the operations of the company against recognised international standards; positively contribute to the Fitch Rating and Investment Profile of NamPower; and document all processes and procedures, thereby preserving corporate memory.

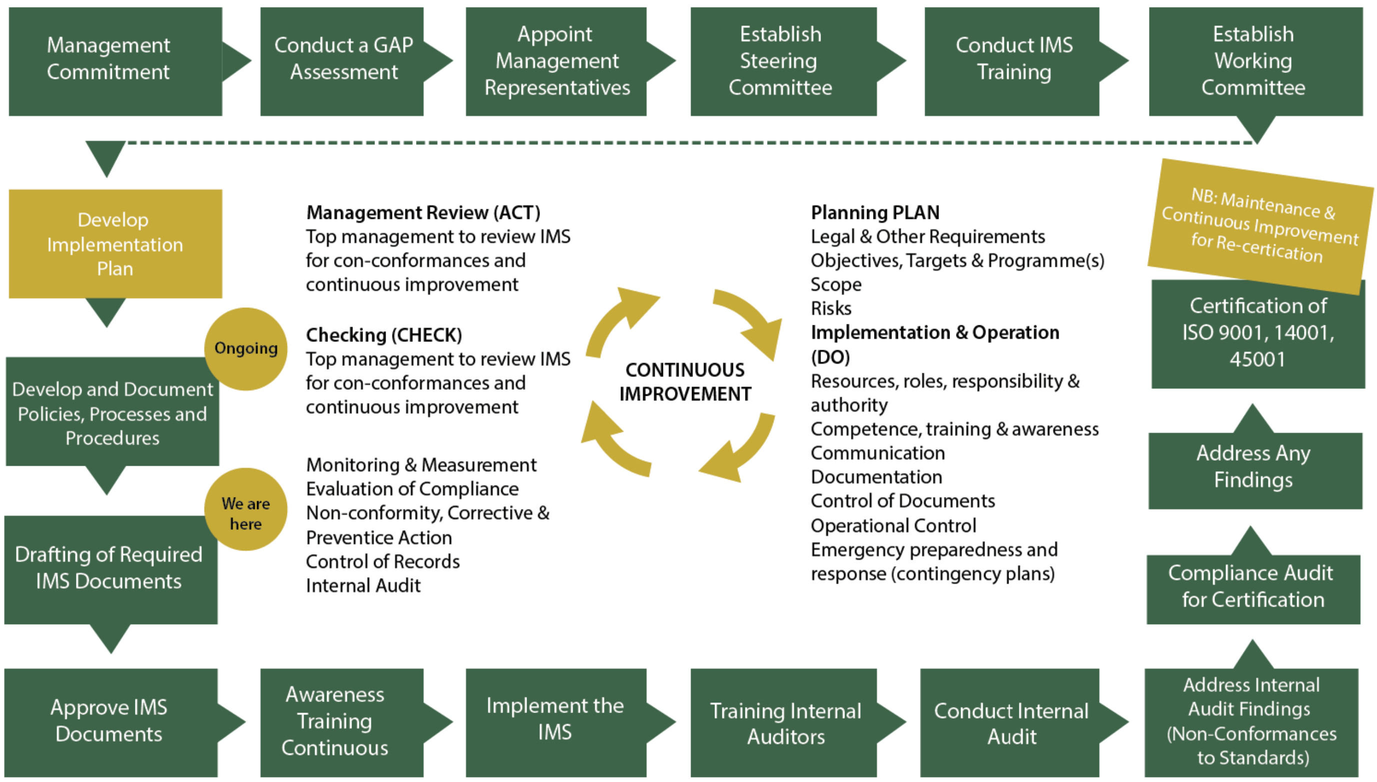
The International Standards Organisation is an international standard-setting body to which various national standards organisations from across the world are affiliated. The South African Bureau of Standards (SABS) and the Namibian Standards Institute are part of these national standards.

Numerous benefits will be enjoyed by the company once it receives a seal of compliance and certification on the three international standards.

In preparation of the implementation phase, internal capacity is being built through continuous training and awareness on all aspects of the project and the system.

Compliance audits and regular internal surveillance audits will be conducted to ensure that all business units are indeed compliant and ready for the certification phase. The final process will entail certification audits by an independent certification body that will perform a final compliance audit on NamPower. Should the certification body find that NamPower is fully compliant, it will then be awarded with certifications for the three standards. The certification process is envisaged to commence in September 2017.

ISO (IMS) ROAD TO CERTIFICATION



Balancing the Power System

Electrical energy cannot be stored in large quantities and must be generated at the exact moment and quantity when it is needed by consumers. At national level, electricity is generated primarily by using energy sources such as coal, water or diesel to drive a rotating generator. All generators connected to the electrical network and producing electricity for the national grid turn at the same speed of 50Hz, known as synchronous speed.

Large electrical turbine/generator units are designed to operate within a narrow range of rotating speed because of the enormous mechanical forces experienced by the turbine and the generator. It is important to keep the frequency of the system within a specified range and this function is fulfilled by Eskom as NamPower falls within the Eskom control area.

To protect the turbine/generator from damage, the generating unit will automatically disconnect itself from the power system as soon as the frequency falls outside the safe operating limits. If not properly managed, this could lead to cascading tripping of other generators, which could eventually lead to the complete collapse of the national grid.

The speed of the generator can easily be measured using the frequency of the power system, which is used to control the balance of power being generated and consumed at any given moment.

The National Control Centre carefully monitors and controls the real time national load requirement in order to balance the load requirements to the available real time generation. If there is insufficient capacity available to meet the expected demand, the National Control Centre will disconnect customers from the national grid, either automatically or through manual load shedding, to a level where the balance can be maintained.

Stakeholders and Partnerships

To ensure that current and future electricity needs in the country are met, healthy relationships with our stakeholders and partners is of utmost importance.

Government, the regulator, the SAPP, customers, funding institutions, suppliers and contractors among others collectively form part of the powerful role of ensuring security of supply in the country. The end-users too are equally important partners in supporting NamPower's demand side management and energy efficiency initiatives aimed at conserving electricity.

Finance

NamPower's Funding Model consists of equity, revenue and debt funding, with strong support from the government. NamPower's revenue requirement and resultant tariff are determined by the regulator, the ECB, through multi-year price-determinations. NamPower's credit rating is affected by its own financial position as well as the sovereign credit rating. Through the implementation of its five-year strategy and business unit plans, NamPower continues to address cost reductions, increased productivity and improved operational efficiencies.

Workforce

NamPower's operations are supported by a highly skilled workforce that executes the company's core operations and provides support services such as human resources management, information technology services, corporate communications and marketing and procurement, amongst others.

NamPower believes in the principle of investing in the youth of today to ensure a highly skilled and knowledgeable workforce for tomorrow. Training and development thus continue to receive prominence and a rigorous programme is in place to ensure equity in the workplace, with established skills development programmes to train young professionals including engineers, technicians, and artisans.

Procurement

NamPower recognizes that, in a climate of rapid change and stringent financial objectives, the company must manage the procurement function in a strictly controlled yet streamlined and effective manner. This will ensure that the procurement function takes advantage of available economies of scale, improves risk management in high-value, high-risk procurement activities; and positions the company to take advantage of emerging technologies. NamPower further prioritises its interests, while seeking to maintain and promote long term, mutually profitable and ethical supplier relationships.

Corporate Social Investment (CSI)

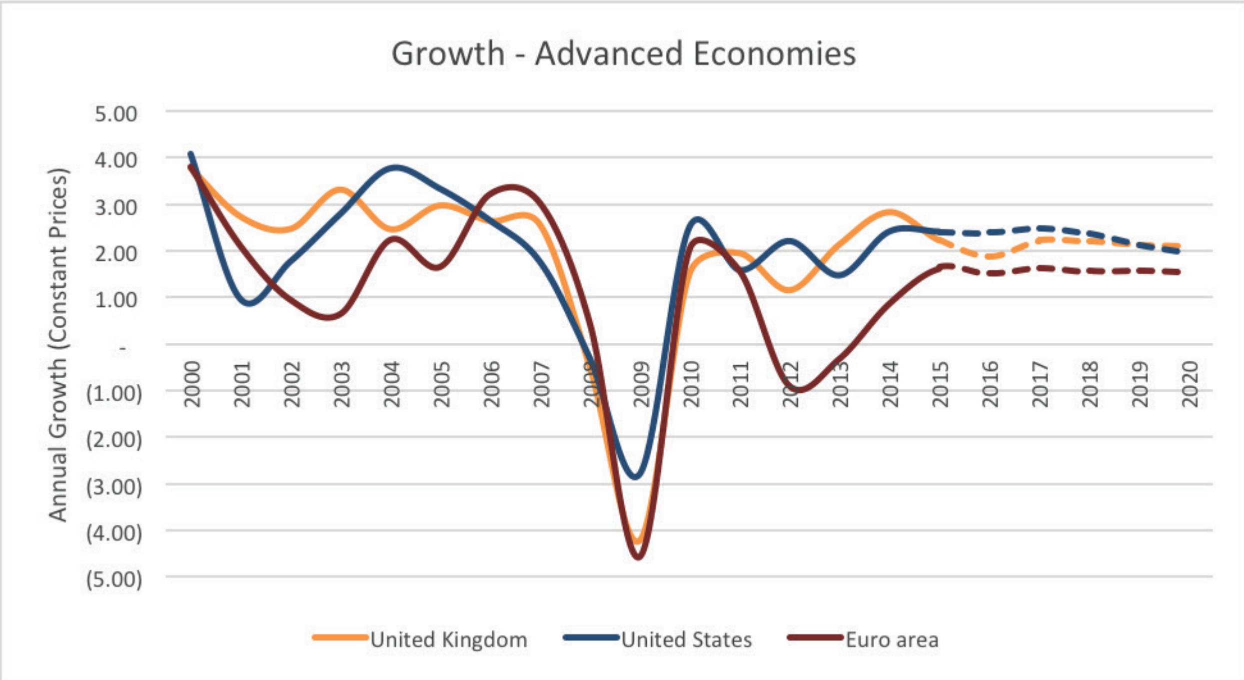
The NamPower Foundation is responsible for managing NamPower's corporate social investment programs. Through the Foundation, NamPower invests in the five focus areas namely: Education, Health and Social Welfare, Capacity Building and Skills Development, Community Development and Job Creation and Entrepreneurship Development.

ECONOMIC ENVIRONMENT

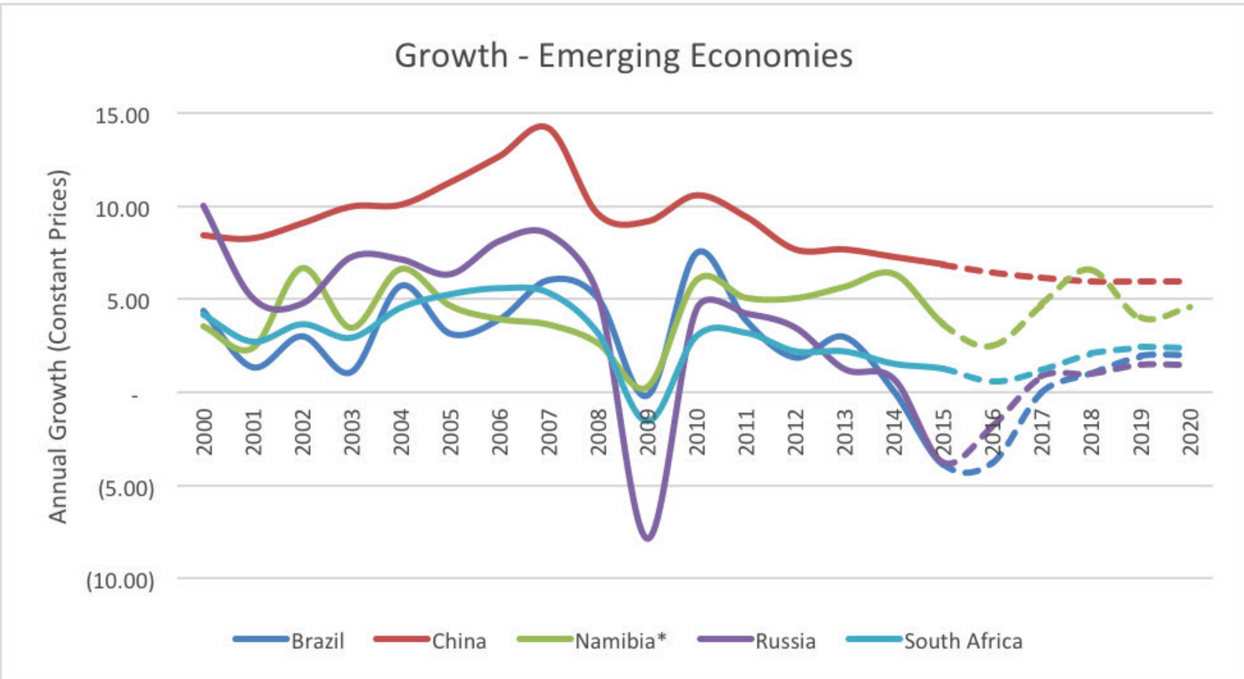
Global and Namibian economies

The global economy remains on a knife edge, with downward revisions to growth expectations becoming the norm, rather than the exception. Many advanced economies are struggling to regain their pre-global crisis growth and employment rates, while a number of emerging economies have seen major and painful short term adjustments over the past two years. The US economy remains relatively robust, with employment levels and growth slowly returning to long term trend levels. Europe remains fragile, with uncertainty much increased due to the recent vote by Britain to leave the European Union. In addition, many of the problems of the Eurozone remain boiling barely below the surface and most of which can be expected to resurface at some point in the next half decade. As such, little growth recovery is expected from key advanced economies in 2016 and 2017, with risks heavily slanted to the downside.

The major developing story, however, is the decline in economic growth in many emerging economies, witnessed over the past year. Throughout the post 2009 period of global recovery, large emerging market economies have been the core drivers of global growth. However, in the past year, many of these economies have started to falter, driven by various domestic issues, collapsing commodity prices and the exhaustion of fiscal and monetary policy space. As such, a number of large emerging market economies have seen contraction in 2015 and 2016. Notable amongst these are Brazil and Russia, while the economies of China and South Africa continue to see ever lower rates of growth.



Source: IMF WEO April 2016



Source: IMF WEO April 2016, *IJG Securities Economic Outlook 2016

Economic

Between 2009 and 2015, Namibia posted some of its strongest ever growth, with consecutive growth of between 5.1 and 6.3 percent, compounding each year over the six-year period. As such, the economy grew from a N$77.9 billion economy to a N$108.3 billion economy in real terms. This abnormally strong growth was driven by three key factors. Firstly, Namibia has been through a prolonged period of historically low interest rates, which drove unprecedented uptake of credit by the private sector. Secondly, major fiscal expansion from 2011 until early 2016, drove money into the pockets of the public, as well as major civil works programmes. Finally, the country experienced unprecedented levels of foreign direct investment into the country, driven by the consecutive construction of three foreign funded mines. These factors resulted in a consumption and construction boom, which saw a major expansion in the local economy.

Over this period, as is characteristic of such periods globally, demand for goods and services expanded rapidly, as household income was bolstered by strong economic growth. Services, particularly water and energy, experienced major demand increases, both from new industries and from more cash-flush households.

Subsequently, however, the macroeconomic environment in Namibia has started to deteriorate notably, as a combination of factors have come together to dampen growth and drive imbalances within the local economy. The unwinding of historically low interest rates, lower levels of Government spending, less foreign direct investment into the country, fewer Angolan retail tourists, a reduction in diamond output, weak commodity prices, drought, water supply constraints and inflation, are a notable few.

While no single factor (bar, perhaps, government spending) would have been likely to drive a major growth slowdown on its own, a combination of all of the above have resulted in the brakes being fast applied. As a result, the growth outlook for the current year is significantly worse than has been the case for a number of years.

The broad macroeconomic policy tools, namely fiscal and monetary policy, usually used to smooth the business cycle, have ended up amplifying it. The reason for this is that the hand of the monetary and fiscal policymakers was forced towards the end of 2015, with government running low on funds and South Africa driving up interest rates for the Common Monetary Area. This comes at an inopportune time, as government spending is being cut, and interest rates are rising, into economic weakness. There is no doubt that this situation could have been avoided through more prudent monetary and fiscal policy in recent years. However, given the current situation, such policy tightening is unquestionably, the right thing to do.

The growth slowdown is visible in a number of sectors of the local economy. Within the primary sectors, drought is likely to keep agricultural production low, while a decline in diamond output is likely to be partially offset by increased uranium output. The collapse in copper concentrate output as a result of the closure of the two copper concentrate mines in late 2015 will be offset by output from the new copper cathode mine, however, little growth is to be expected overall. In the secondary sector, little growth is expected in manufacturing, with water supply issues in the central area of Namibia driving the possibility of reduced beverage manufacturing. From a construction perspective, Namibia has already started the process of normalisation following a flurry of construction growth through 2013 and 2014. The construction of the Tschudi Copper Mine, the Otjikoto Gold Mine and the Husab Uranium Mine, coupled with enormous Government spending on infrastructure and extensive retail floor space development, drove a construction boom.

However, construction is transitory in nature, meaning that a large spike up in growth is felt/visible when construction starts, but a similarly large spike down is seen when construction is completed. In the tertiary sectors, the two main contributors to GDP, namely wholesale and retail trade, and public administration, are both likely to contract in 2016. Government spending is to decline by 1.1% in nominal terms, which when adjusted for inflation is likely to be approximately 7%. Due to higher interest rates, lower government spending, fewer people employed in construction and less Angolan retail activity in Namibia, the real value of wholesale and retail trade is unlikely to increase when compared to 2015.

Forecasts for growth in 2016 are highly varied, however given the above mentioned factors, it is all-but impossible that we will see growth in the range of that of the past six years. In reality, growth of over 2.5% would be considered successful in the current environment. Despite the apparent picture of gloom, every economy in the world experiences similar cyclicality in growth, and given the enormous growth in the Namibian economy over the past half-decade, this period of normalisation is far from abnormal. Moreover, unlike the growth constraints in the economy of our southern neighbour, Namibia's current growth constraints are largely transitory, rather than structural.

With Husab coming on-stream in 2017, and a number of base effects and expected improved rainfall being removed from the immediate outlook, the Namibian economy is expected to return to a path of positive growth.

The drought, a regional challenge, continues to wreak havoc with the regions energy generation capacity, as well above 50% of the region's generation capacity, excluding that of south Africa, is hydro, through dam and run-of-river plants. In this, Namibia is no exception, with the bulk of the country's domestic generation capacity being the Ruacana hydroelectric plant on the Kunene River. The same, however, is true of many of our neighbours, with Zambia, Zimbabwe and Mozambique all being hard—hit by the drought and its effect on power generation capacity. Thus, it has proved more challenging than normal to source surplus energy, at a reasonable price, from other countries in the region. Thus, most of the region has been required to implement demand side management projects to bring energy usage down, or have experienced orderly or disorderly load-shedding and blackouts. Namibia has so far been able to avoid blackouts, one of the few countries in the region to boast such an achievement.

In South Africa, a country also struggling with various energy issues, a prolonged period of low-or-no growth has helped to bring the rate of growth in demand for energy down. As a result, the local power utility, Eskom, has been granted some time to address some of the issues seen in 2015, and thus load-shedding has become far less common once again.

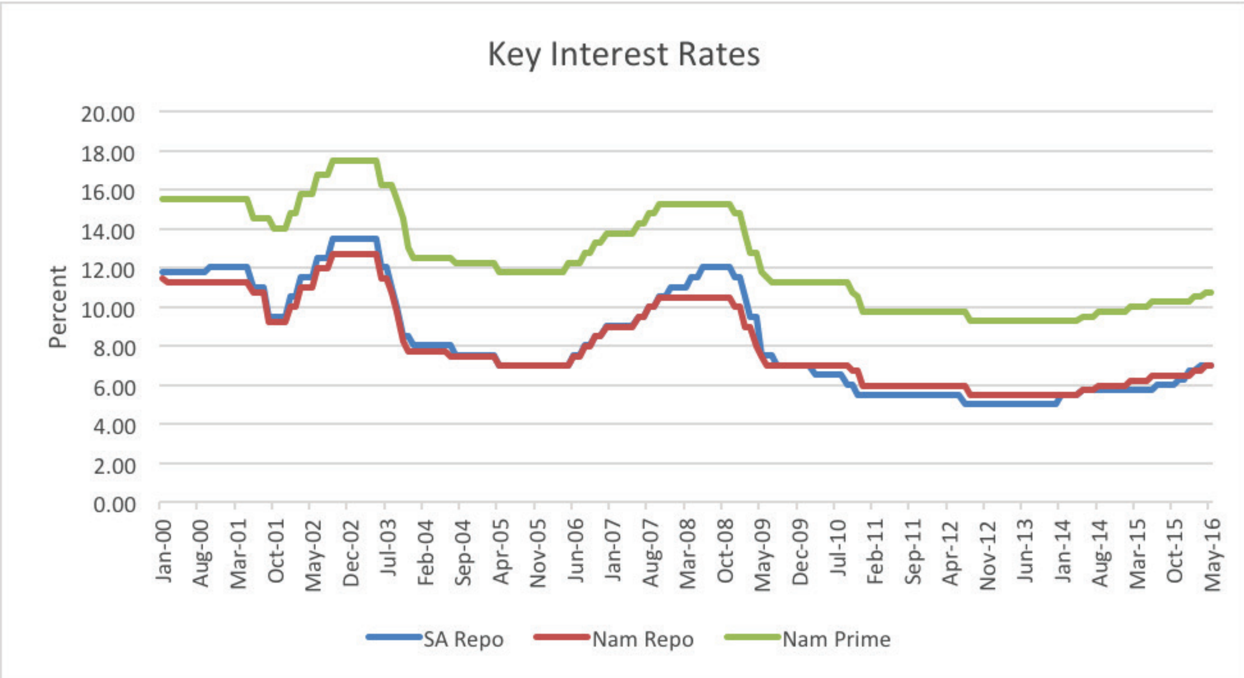
The same is true in Namibia, where a now slowing economy is expected to see a slowing of growth in demand for core service inputs, such as water and energy, with little more than organic expansion expected in the next two years, with very few step demand increases.

Interest Rates

Interest rates in South Africa and Namibia have been at or near historically low levels since the global financial crisis. Rates bottomed out in 2012 with the Namibia repo rate dropping to 5.5% during the year. Since then, the Bank of Namibia has administered six rate hikes of 25 basis points each. Thus, following a sustained period of expansive monetary policy, the tightening cycle has now come into full effect. The recent hikes in Namibia, however, have been driven by the South African Reserve Bank's position, rather than by domestic forces. Following extensive rand weakness through 2015, driving expectations of an inflation blowout, the South African Reserve Bank started hiking rates aggressively in early 2016. The Bank of Namibia was required to follow these hikes in order to ensure that the reserve position of the country remained tenable, and that capital outflows did not occur.

Going forward, it appears that we are approaching the top of the interest rate cycle, as a weak regional growth outlook, the improving rand and inflation outlooks, largely due to the Brexit vote and resultant lower-for-longer interest rate positions of the UK, US and Eurozone, mean more monetary space exists for interest rate easing.

Lower or at least more stable interest rates are likely to be positive for Namibia from the perspective of infrastructure development. In this regard, more stable interest rates are likely to help reduce the cost of funding for both private and public infrastructure projects, including those in the energy space.



Source: Bank of Namibia, South African Reserve Bank

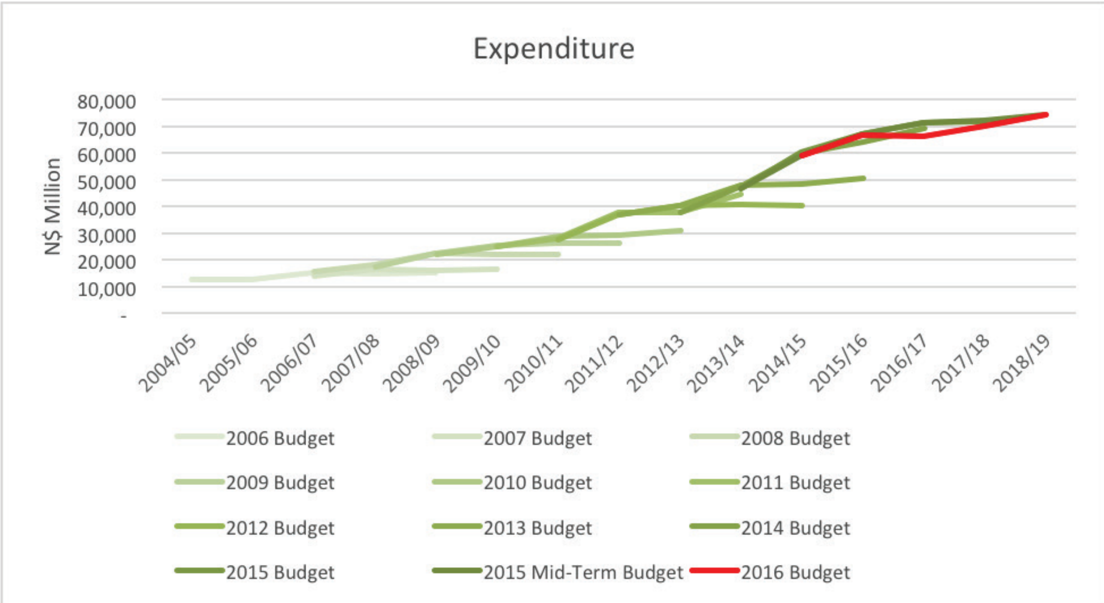
Government Spending

The fiscal position of Namibia has deteriorated somewhat over recent years, however, this has been from an exceptionally strong base. Even after a number of years of sizable budget deficits, Namibia continues to have one of the lowest public debt burdens, relative to GDP in the world. This is largely due to the fact that through the recent period of rapid growth in government debt, GDP has expanded at a similar rate, keeping the ratio fairly constant.

Throughout 2015, revenue collection experienced a slowdown, as is to be expected when the economy slows down. As a result, expenditure has been revised down in FY 2016/17, in order to ensure that the deficit does not balloon. As a result, government expenditure is going to decline from N$67 billion in 2015/16, to N$66 billion in 2016/17. This is a decline of just over 1% in nominal terms, but will likely exceed 7% in real terms. This will result in a forecasted deficit of 4.3%, which is to be funded both domestically and internationally.

The current fiscal position of the country remains somewhat precarious, more due to the rate at which the debt stock has grown, than its actual level. This means that further debt issuance needs to be, and is being, cautiously managed.

The implication of this situation is that greater prioritization can be expected in the future use of Government funds. Given the many demands on the funds of Government, it appears increasingly unlikely that Government will prioritise allocation of funds to projects or activities that can be privately funded. This is likely to be true of energy generation projects going forward, and as such greater innovation in energy generation financing can be expected.



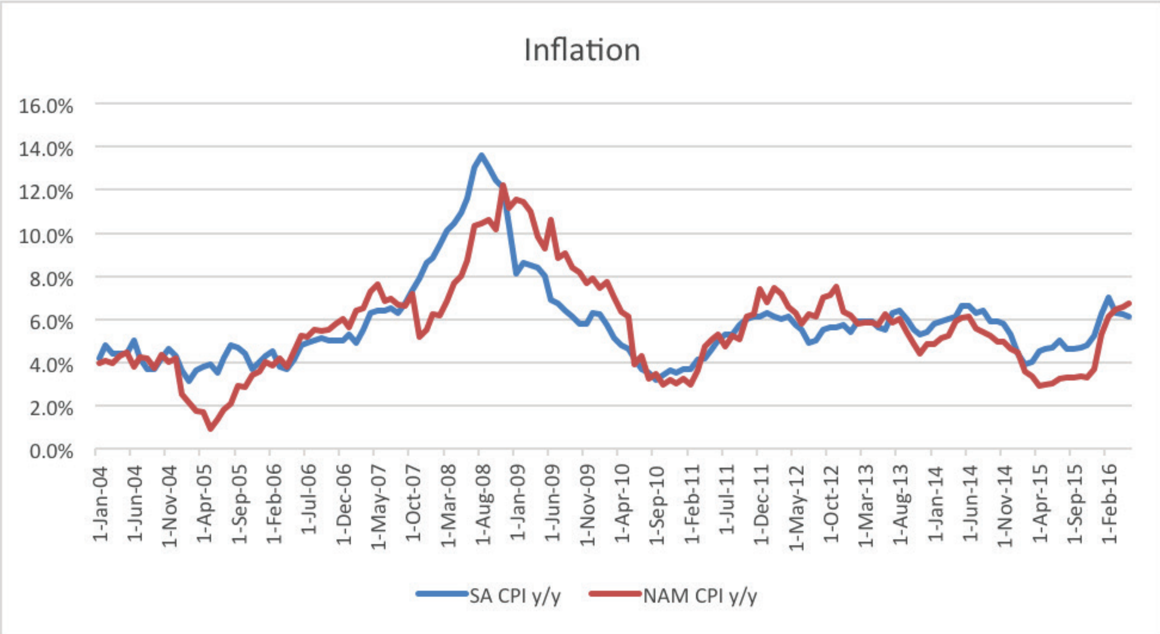
Source: Ministry of Finance

Inflation

Inflation expectations for the upcoming fiscal year are notably higher than was the case in 2015. There are a number of reasons for this. Firstly, major rand weakening through 2015 has driven up the cost of imports into the Common Monetary Area in rand terms. Secondly, oil prices, which fell dramatically through 2014 and 2015 now appear to be stabilising, and the pass-through of base effects is likely to see an upward rebasing in inflation. Thirdly, rand weakness and other factors have driven up costs for many services in the country, including many critical utilities such as electricity and water. Fourthly, drought and poor harvests in the region mean that food prices are likely to increase, particularly if basic grain imports are required; and lastly, increasing interest rates are likely to see some pass-through of increased borrowing costs to consumers, and reduce consumer disposable income.

The first half of 2016 saw notably higher inflation than was the case through 2015, primarily due to the aforementioned reasons, as well as a notable increase in rental inflation rates. The same inflation pickup was seen in both Namibia and South Africa, with South Africa's inflation moving out of the target of 3-6% band for the first time in over 18 months, prompting interest rate tightening from the South African Reserve Bank.

As a result of the above, the real value spend of consumers is likely to be reduced, as disposable incomes come under pressure.



Source: Namibia Statistics Agency, Stats SA

External position

The balance of payments of Namibia has remained under pressure for a number of years, driven particularly, by exceptional import volumes when compared to the historical norms of the country. In part, this is due to the abnormally high levels of construction activity that took place between 2012 and 2015, led by the construction of three mines, major public works programmes and retail floor space development. In addition to this, however, major fiscal and monetary expansion has also spurred private purchases of imported goods, as low interest rates, high government spending, wage settlements above inflation, and income tax cuts, buoyed the disposable income of local consumers. While the growth in imports has run rampant over recent years, export growth has been largely stagnant over the same period, and as a result, the current account has experienced huge deficits.

While the capital and financial account has been positive, on an annual basis, since 2008, the magnitude of the inflows has not been adequate to offset the net outflow on the current account, and as such the overall balance of payments was negative in 2014, and would have been highly negative in 2015 had it not been for external debt issuance by the Government. As a result of the major deterioration in the external position through 2015, the Ministry of Finance was forced to issue hard currency debt in order to protect the country's external position, as months of important cover fell well below the three-month prudential limit, to a low of 1.6 months in September 2015, presenting a very real rating downgrade risk to the country. As such, a sizable component of the external funds raised are to be ring-fenced to protect the external position. The end result is that the necessary action was taken to ensure that the balance of payments and currency peg remains supported in the short term, while longer term, growth in exports from new mines should see a trade balance recovery and a more stable balance of payments.

Energy imports remain a large contributor to the outflow on Namibia's balance of payments, and should the Namibia Dollar remain weak or weaken further, the cost of these imports, particularly those from Zambia, Zimbabwe and

Mozambique, can be expected to increase. On the other hand, however, the current efforts being undertaken to increase domestic energy generation capacity are likely to reduce the real value of imported energy. Over time, Namibia may even become a net exporter of energy, thus helping to balance the country's external position.

Conclusion

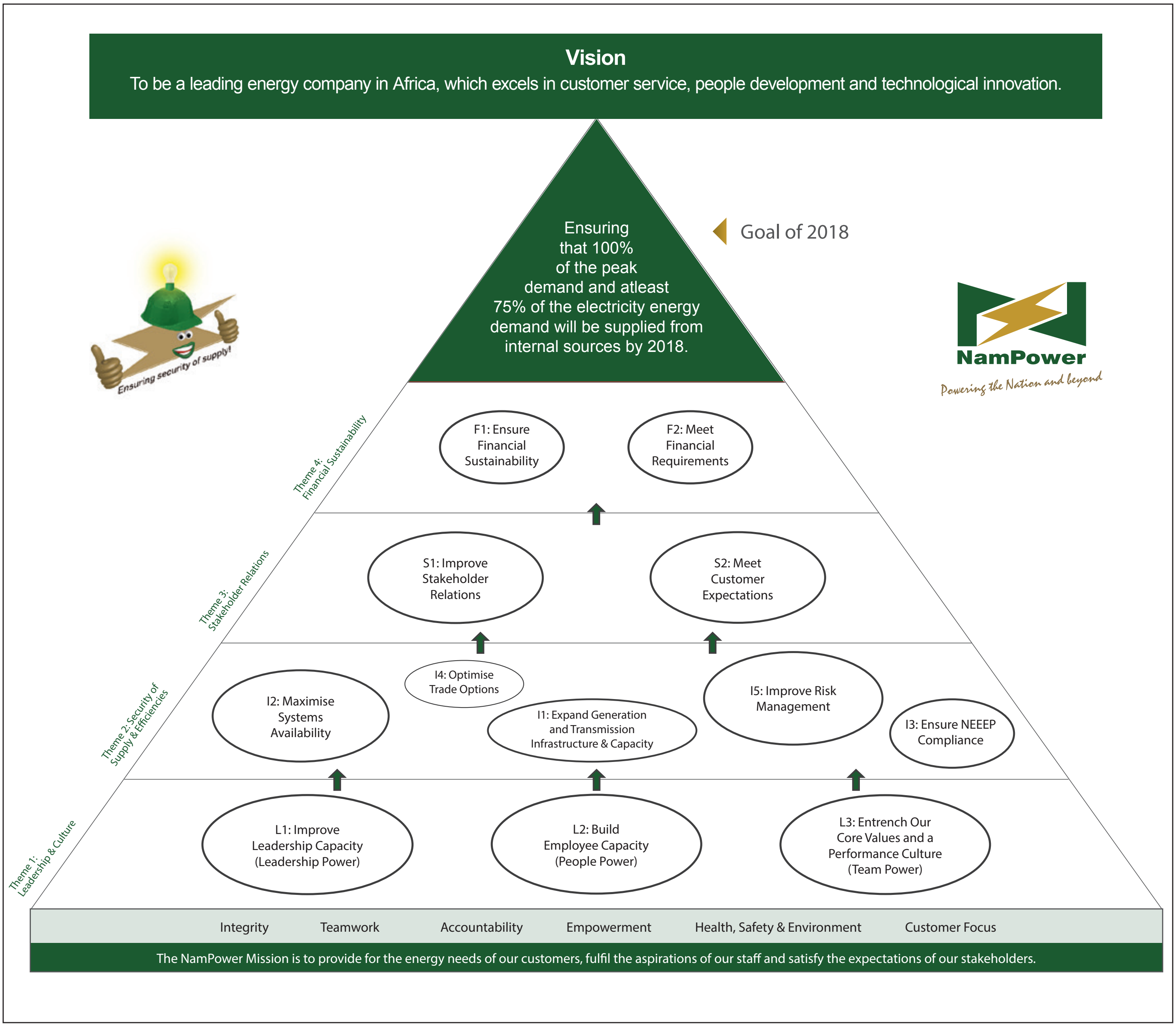
Namibia has made enormous social and economic progress since independence in 1990. At present it is experiencing a growth slowdown, driven by a number of factors, including increasing interest rates, lower government spending, less Angolan activity, lower commodity prices and drought. However, these challenges are not, for the most part, structural in nature. In reality, the economy has grown at some of the highest rates seen since independence over the past 5 years, has almost doubled in size in just 6 years (on a nominal basis), and is now going through a period of normalisation. We remain with some challenges, including infrastructure and education, however this is far from abnormal for a developing country. Moreover, there exists no reason to believe that we will stop making progress on these issues, as we have done, albeit slowly at times, over the past twenty-five years. Short term downswings are very normal, and Namibia stands ready to tackle this challenge and is expected to continue to grow strongly over the coming years.

To date, Namibia has managed to keep the lights on when most other regional countries have struggled to do so, and given the current plans and developments afoot, this is going to remain the case going forward.

Report supplied by IJG Securities.

OUR STRATEGY

NamPower Strategy Map 2014 - 2018



Four themes underpin NamPower's 2014 – 2018 Strategy as illustrated in the strategy map. These themes are supported by specific strategic objectives, measures and initiatives set 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 is in line with the 1998 White Paper on Energy Policy which is still the ruling expression of the (active) Government policy on energy.

Learning and Growth Perspective

The strategic objectives identified under the learning and growth perspective include strengthening leadership and introducing a 360 degree performance assessment model; developing employee capacity through training interventions based on competency and gaps identified in personal development plans and directing the corporate culture of the company towards a performance-driven culture. This will be done through strengthening teamwork, leading by example and living the corporate values, further implementing the performance management system and placing continued emphasis on safety in the workplace.

Internal Business Perspective (Security of Supply and Efficiencies)

This theme focuses on the core business of the company and central to this is ensuring security of supply. Hence, there is a critical need to bring new generation capacity onto the Namibian grid in the form of a base-load power plant capable of generating electricity on a 24-hour basis. In addition, IPPs have been identified as key role players in adding generation capacity and in the shorter-term a number of initiatives have been included under boosting STCS project to augment supply.

Such major investments calls for commensurate investments in the transmission system as laid out in the transmission master plan.

All NamPower systems need to be run at maximum output to ensure that the available power reaches customers at all times and included in this objective is the need to operate systems other than the power delivery systems also at a maximum.

Trading options will be optimised and will be a cornerstone of the STCS project, as trading will need to fill the gap left by insufficient local generation.

A corporate risk management plan to manage business risks at all times is also an important objective under the internal business perspective and should be elaborated and implemented.

Stakeholder Perspective (Stakeholder Relations)

Enduring and value-adding relationships with our stakeholder based on trust and integrity, encompassing good corporate governance and sound leadership principles, are essential components of effective stakeholder management.

NamPower especially depends on sound relationships with the MME and ECB to ensure a sensible energy future for the country, as well as to secure the financial wellbeing of the company through adequate tariffs and financial support towards the planned infrastructural projects.

There is an ever present need to adhere to sound corporate governance principles required under the Companies Act, the SOE supervisory authorities, the MME and NamPower's financiers.

Financial Perspective (Financial Sustainability)

NamPower needs to remain a financially healthy company in order to ensure security of supply and successfully implement major capital projects.

Essential requirements for ensuring financial sustainability include budget and cost control, achievement of cost reflective tariffs and the ability to cover debt service requirements among others.

Financial requirements related to future infrastructural projects are likely to be met by a combination of loans, government equity contributions and to some extent NamPower's own financial resources. This mix and ability to access external funding is critical in the realisation of current and future projects.

OUR STAKEHOLDERS

The NamPower Corporate Strategy and Business Plan emphasises the understanding of the needs of our stakeholders as a prerequisite to effective stakeholder relationship management and positive image building. In order to remain abreast of current opinions in terms of whether NamPower is meeting its intended mandate and strategic objectives, satisfying its customers and enjoying a good reputation, among others, the company commissions an external stakeholder perception survey (every second year) through an open tender process, to gauge the opinions of its various stakeholders. Leadership at national level, large and small customers, the general public, suppliers and opinion leaders are sampled during the survey. Results from the study give the company an idea about perceptions held by its stakeholders. Feedback from

REFLECTING ON OUR STAKEHOLDERS

INDUSTRY

Associations and industry experts

EMPLOYEES

Employees, Exco, Board

REGULATORS

Electricity Control Board (ECB)

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 Stateowned enterprises, Other Government Ministries and Agencies.

KEY CUSTOMERS

Industrial, mining, commercial, REDs, municipalities, town councils, farmers (where no REDs operate), Namwater

SUPPLIERS

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

ORGANISED LABOUR

Representative Union body

INTERNATIONAL/ REGIONAL RELATIONS

Multilateral institutions, Donor funding agencies, Cooperation agreements, Southern African Power Pool (SAPP)

MEDIA

Namibian, African and International

BUSINESS

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

CIVIL SOCIETY

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

OUR PERFORMANCE

Achievements

- Commissioning of Turbine Runner Replacement Project at Ruacana (Units 1 - 3)
- Secure and uninterrupted power supply (transmission availability 99.0% and generation plant availability 98.4%)
- Exceptional Transmission System Reliability measured against best practice standards
- Conclusion of 14 new PPAs with IPPs of 5 MW each
- Biomass feasibility study conducted shows potential for building a Biomass power station
- NamPower's credit rating was affirmed in 2015/16 as AA+Zaf.
- Majority of KPIs on target or higher

Improvements

- NamPower embarked on the ISO Integrated Management System focused on improving business processes and service delivery to its stakeholders
- Through the implementation of NEEEP, NamPower exceeded the target of 20% spend on PDN by 6%
- Active commercialisation of fibre optic assets
- Increased integration of renewables into power supply/savings strategies and systems

Challenges

- Expiry of PPAs with regional firm power suppliers
- Commissioning of base load generation plant to fill interim power supply gap
- Cost of electricity increased by 34% which was 27% above the budget

Disappointments

- Company made a loss before tax

MANAGING OUR RISKS

RISK MANAGEMENT

Risk management in NamPower is based on the effects of uncertainty on the attainment of our strategic objectives. Therefore successful risk management is highly dependent on clearly defined time-based objectives. The aim is not to identify every risk that NamPower faces, but to identify and mitigate those that are significant to our core function which is to ensure security of supply.

To entrench a risk management culture in NamPower, the company has implemented a risk monitoring system to respond appropriately to all significant risks. This is done throughout the entity through the corporate risk register, operational risk registers, project risk registers as well as through the implementation of the Integrated Management System of the ISO standards, which places an emphasis on risk based approach. Risks are reported upwards through a structured approach comprising of departmental risk champions and their committees, where after the risk reports are reviewed by management, they are then presented to the Board Audit and Risk Management Committee (ARMC). The report normally focuses on the top ten (10) priority risks within NamPower where the likelihood of occurrence and impact to the business are considered high.

The NamPower Board, through ARMC, manages strategic risks and business resilience in order to provide assurance of security to the employees, customers and stakeholders. This is done through the evaluation of the risk landscape to determine the corporate/strategic risk and operational risk profiles.

Achievements

NamPower has come a long way in terms of risk management. The company adopted the ISO 31000 Risk management principles and guidelines. It is now in the process of implementing an Integrated Management System (IMS) based on ISO 9001, ISO 14001 and OHSAS 18001 (to be replaced by the ISO 45001) standards, with a clear focus on risk approach. The ISO IMS development, implementation and continual improvement methodology complement the risk management framework. Hence, a procedure for Enterprise Risk Management has been developed to provide a consistent and standardised methodology for managing enterprise wide risks and opportunities.

Challenges

NamPower's enterprise business resilience suffered a setback due to three (3) major supply disruptions experienced in the country in the year under review. Even though these were testing times, it was also an opportunity for the company to improve its business resilience strategy to ensure robustness to respond to crises.

Future Outlook for Risk Management

One of the company's main strategy is to improve risk management and therefore the future outlook is to have risk management embedded in all activities and at all levels of the organisation. There are also plans of enhancing the role of risk champions at all levels and to ensure business continuity plans for all business units and sections are reviewed and are continuously updated.

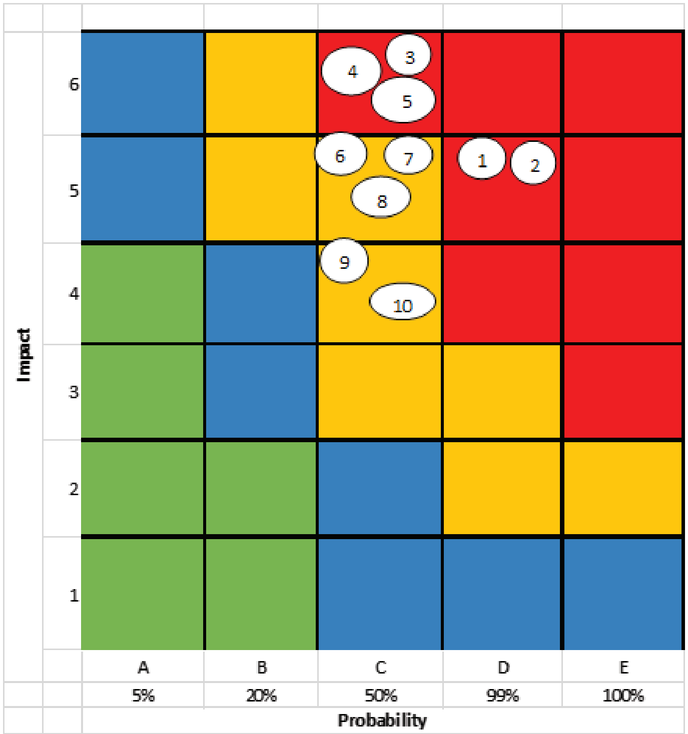
Corporate Risk Status

Institutional risk assessment is conducted annually to identify risks that will impact on the attainment of the company's objectives. These risks are then documented in the Corporate Risk Register and the control measures/ plans are monitored on a quarterly basis. Below is the Corporate Risk Matrix as at June 2016.

MANAGING OUR RISKS

The following are the high level strategic risks that have been identified:

- High cost of electricity supply **(Risk 3)**
- Cost/accessibility and security of funding **(Risk 4)**
- Inability to meet electricity demand **(Risk 5)**
- Execution of supply plan **(Risk 1)**
- Implementation of capital projects **(Risk 2)**
- Modified single buyer model/ unbundling **(Risk 6)**
- Introduction of the National Procurement Bill **(Risk 7)**
- Project risk registers **(Risk 8)**
- Capacitybuilding/skills development **(Risk 9)**
- Instability at executive level **(Risk 10)**



Corporate Risk Matrix as at 30 June 2016

Consequences					
6	III	II	I	I	I
5	III	II	II	I	I
4	IV	III	II	I	I
3	IV	III	II	II	I
2	IV	IV	III	II	II
1	IV	IV	III	III	III
	A	B	C	D	E
	Likelihood				

	Suggested Timing of Treatment	Authority for continued toleration of residual risk
I	Short term. Normally within 1 month.	Managing Director and Board
II	Medium term. Normally within 3 months.	Chief Officers, Divisional Heads, Senior Managers
III	Normally within 1 year	Divisional Heads, Senior Managers, Managers
IV	Ongoing control as part of management system.	All staff

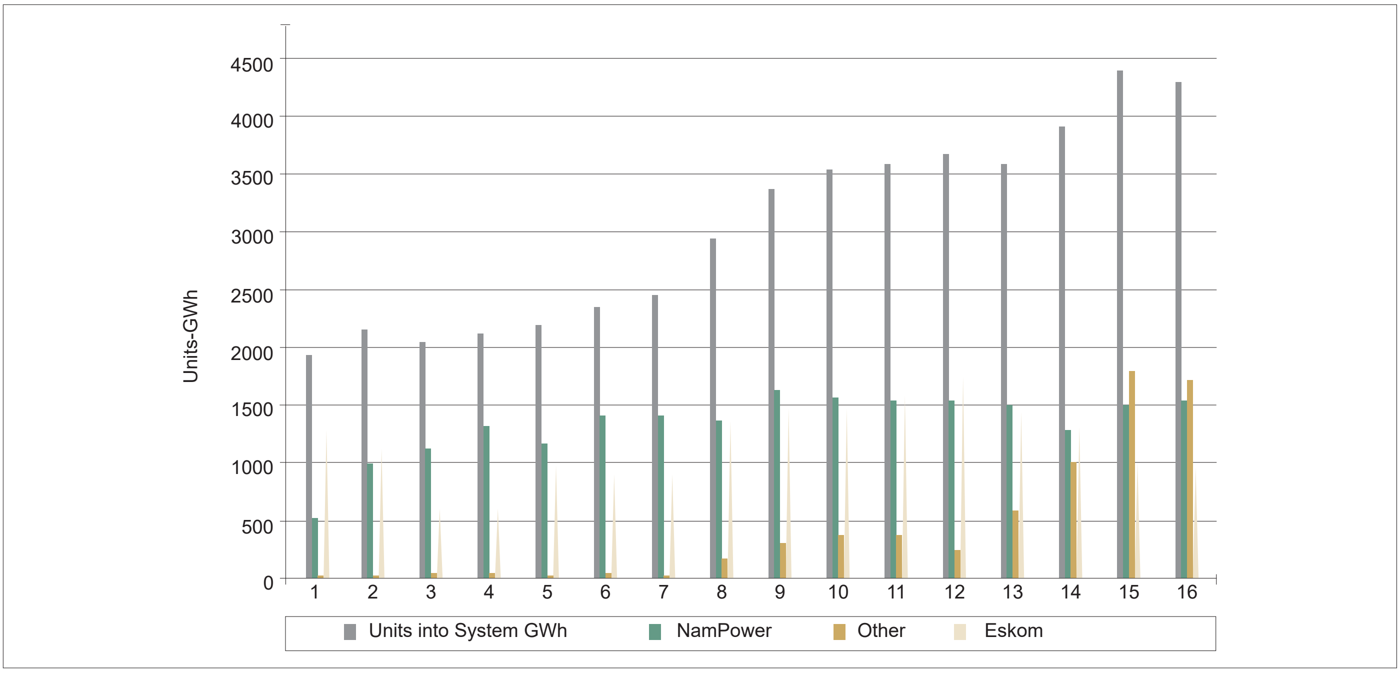
GROUP KEY STATISTICS

		2016	2015	2014
1.	Total revenue (N$'000)	5,005,992	4,480,514	3,967,840
2.	Taxation (N$'000)	(1,786,841)	(181,431)	(141,250)
3.	Capital Expenditure (N$'000)	503,836	790,522	738,126
	- Property, plant and equipment	503,109	788,845	737,563
	- Intangible assets	727	1,677	563
4.	Coal Cost - Per Ton (N$)	1,587	1,528	1,517
5.	Average Price per unit sold (Cents)	134.6	122.7	109.5
6.	Number of electricity customers	2,871	2,829	2,792
7.	System Maximum (Hourly demand) (MW)			
	- Excluding Skorpion	608	597	554
	- Including Skorpion	667	657	629
8.	Units into System (GWh)	4,505	4,274	4,384
	NamPower (Pty) Ltd	1,421	1,536	1,498
	ZESCO	334	422	420
	Eskom	1,956	982	1,091
	ZESA	55	702	962
	ZPC	349	59	-
	EDM	23	35	-
	Aggreko	301	517	413
	STEM	55	20	-
	Omburu Sun Energy (Pty) Ltd (Innosun)	12	2	-
9.	Units sold (GWh)	4,008	3,870	3,827
	Customers in Namibia	3,324	3,169	3,028
	Skorpion Zinc mine	440	474	571
	Orange River	145	139	145
	Exports	99	88	84
10.	Installed Capacity (MW)	1,093	1,092	1,087
	- Ruacana	350	337	332
	- Van Eck	120	120	120
	- Interconnector	600	600	600
	- Anixas	23	23	23
	- Paratus	-	12	12
11.	Transmission Lines			
	- 400 kV (km)	988	988	988
	- 350 kV (km)	953	953	953
	- 330 kV (km)	522	522	522
	- 220 kV (km)	3,206	3,013	2,910
	- 132 kV (km)	2,257	2,318	2,142
	- 66 kV (km)	3,635	3,537	3,608
12.	Distribution Lines			
	- 33 kV (km)	11,654	11,614	11,510
	- 22 kV (km)	4,945	4,890	4,891
	- 19 kV (SWER) (km)	4,396	4,407	4,392
	- 11kV (km)	1,119	1,096	1,151
13.	Employees	1,040	998	956

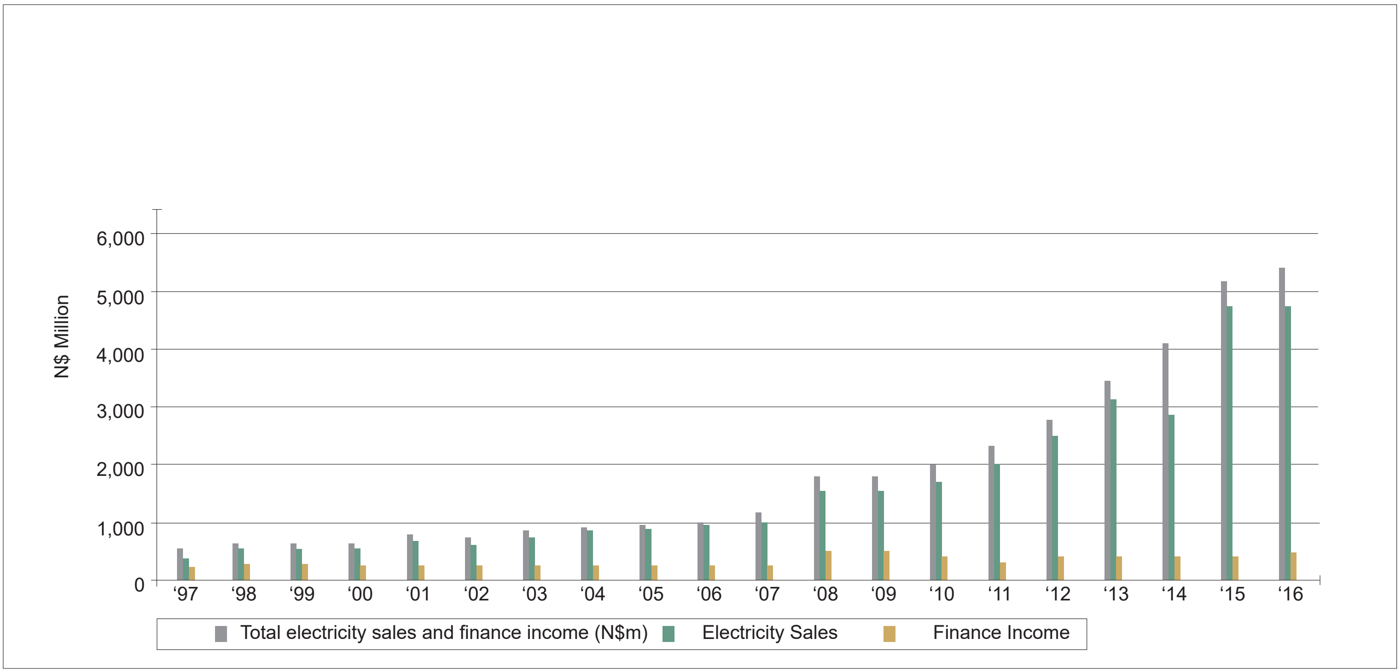
Abbreviations:

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

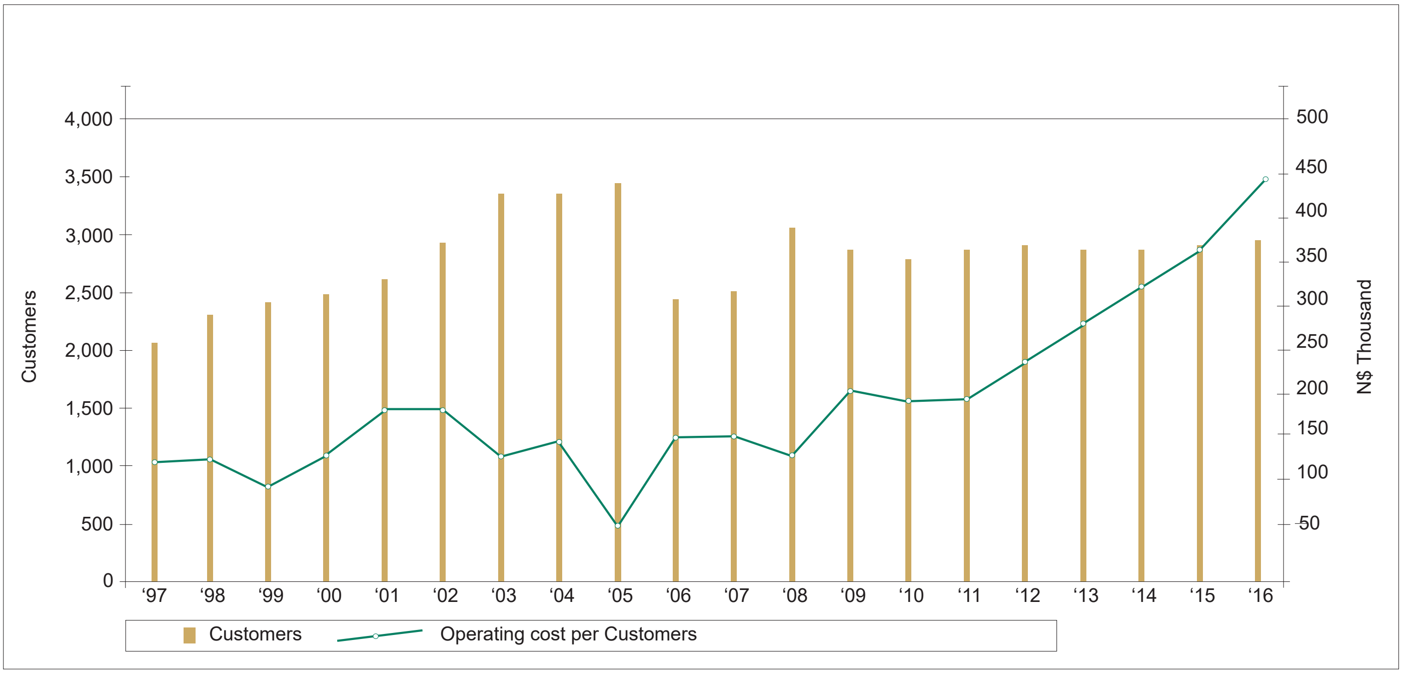
UNITS INTO SYSTEM



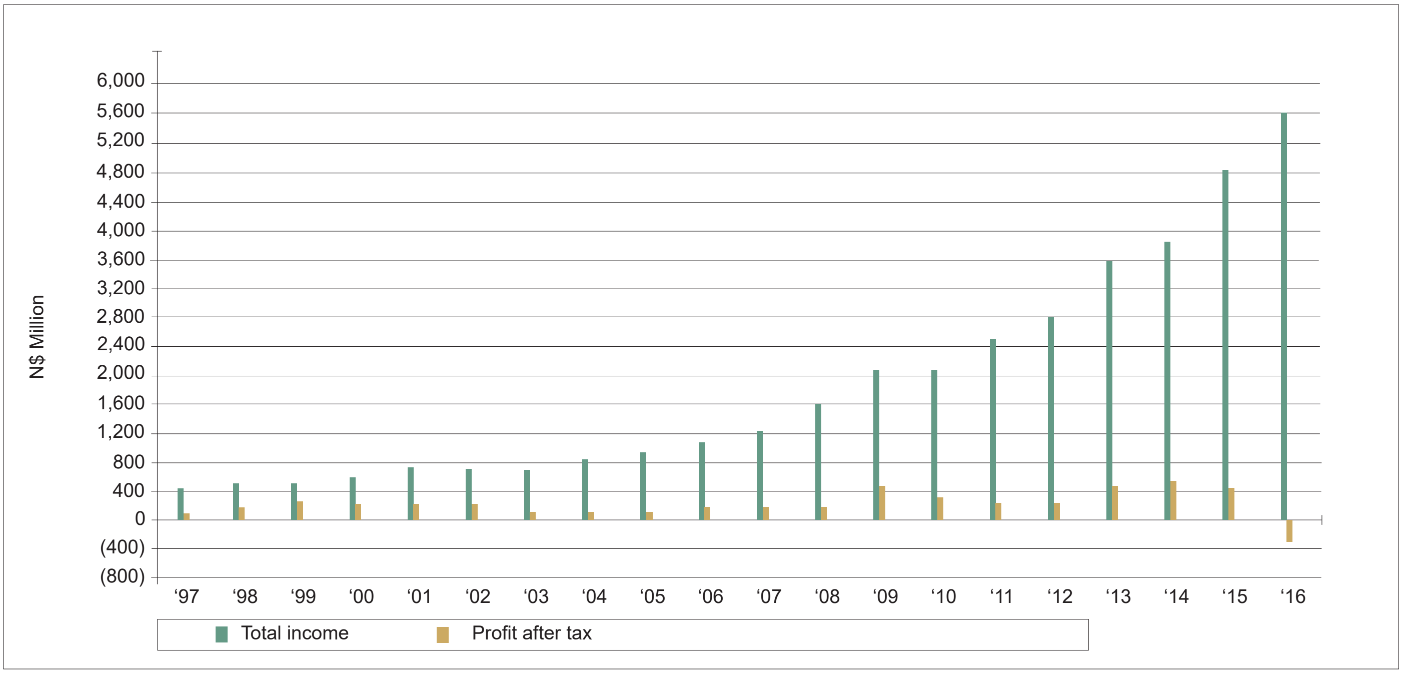
ELECTRICITY SALES AND FINANCE INCOME



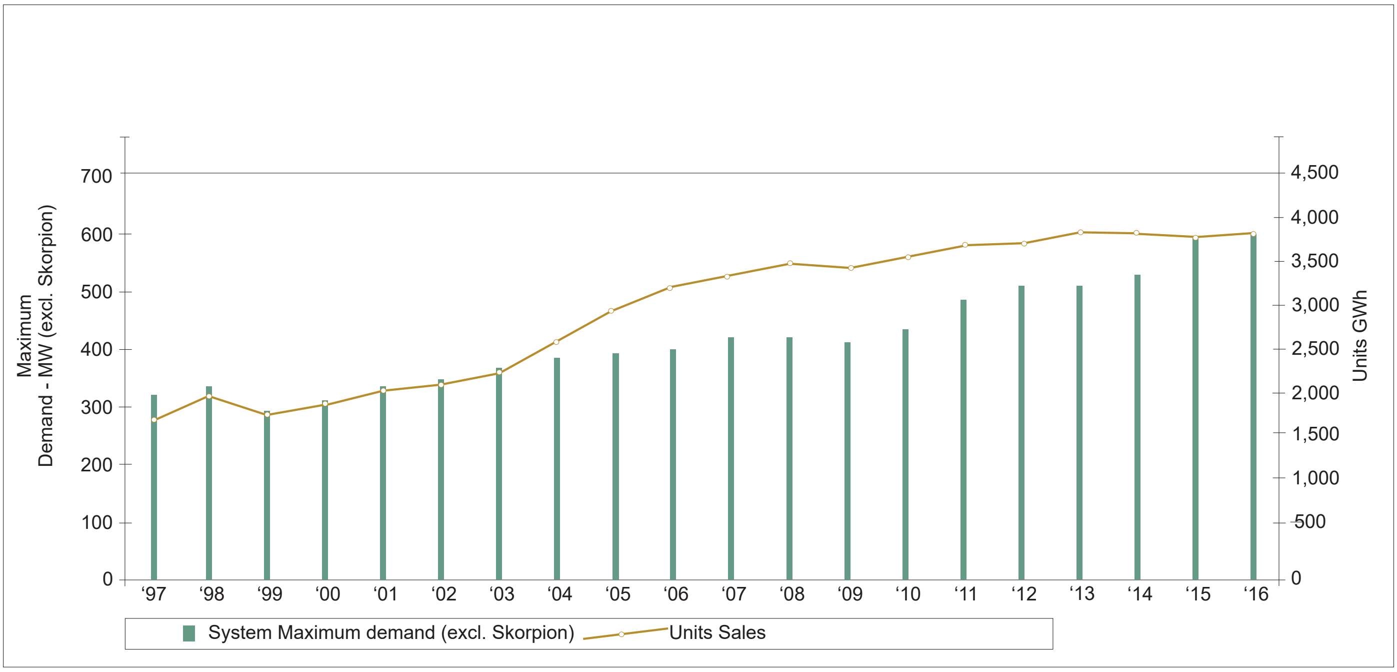
CUSTOMERS AND OPERATING COST PER CUSTOMER



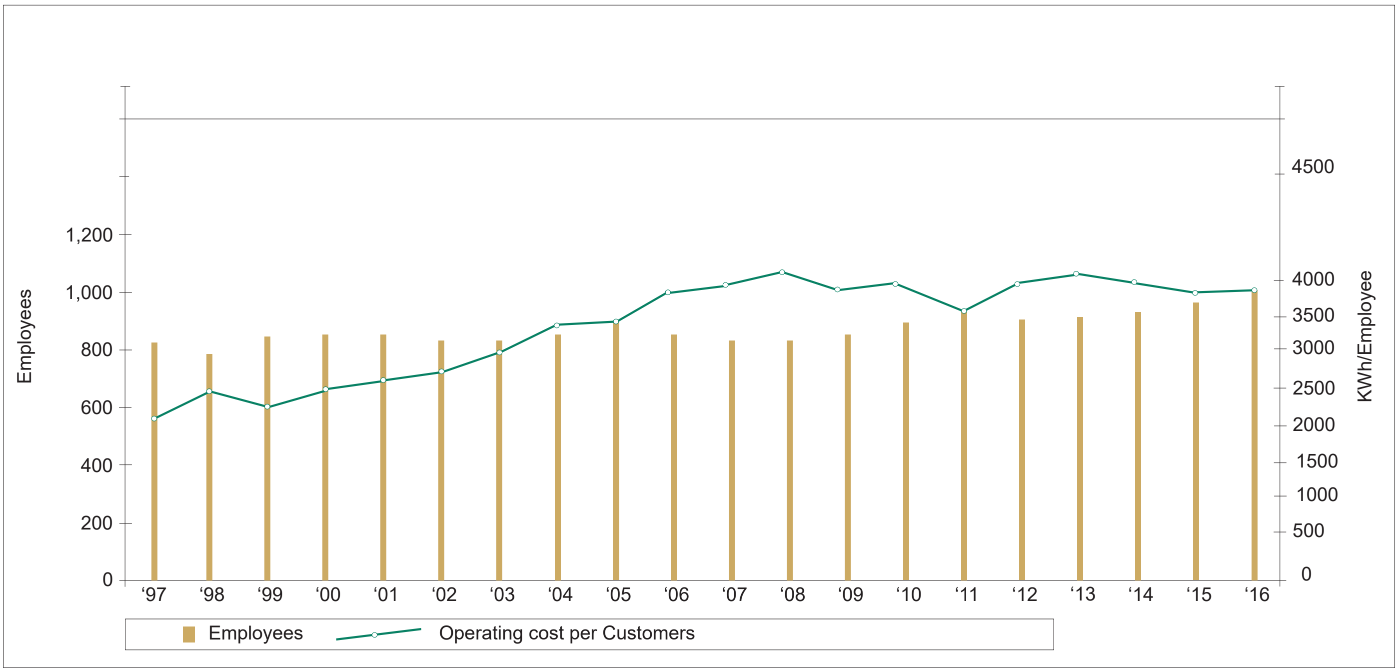
TOTAL INCOME AND PROFIT AFTER TAX (N$ MILLION)



SYSTEM MAXIMUM DEMAND (EXCL. SKORPION) AND UNIT SALES



EMPLOYEE PERFORMANCE



CORPORATE STRUCTURE

MINISTRY OF MINES AND ENERGY

Hon. Obeth Kandjoze
Minister of Mines and Energy

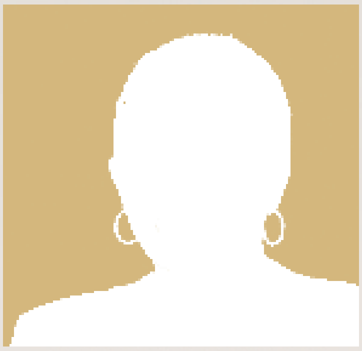
Hon. Kornelia Shilunga
Deputy Minister of Mines and Energy

Mr. Simeon Negumbo
Permanent Secretary of Mines and Energy

CORPORATE STRUCTURE

NAMPOWER BOARD OF DIRECTORS

Ms. Maria Nakale (Chairperson)



She has a BCom, MCom (Corporate Finance) and MBA Degrees from the Universities of South Africa, Cape Town and Stellenbosch respectively.

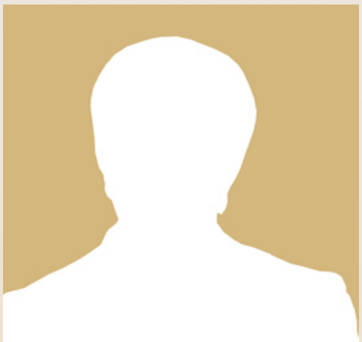
She was appointed as a Director to the Board on 1 January 2011 and as Chairperson from April 2013. She was reappointed as Chairperson on 1 January 2014 for another term. She also serves as a director in other companies both in the public and private sector.

Adv. Werner Boesak (Board Member)

He holds a Bachelors of Law degree from the former University of Natal, and studied towards a Masters in Mineral Law and Policy at the renowned Centre for Petroleum, Mineral Law and Policy (CEPMLP), at the University of Dundee in Scotland. He was appointed to the Board on 1 January 2014.

He serves on the following Board committees: Audit and Risk Management Committee and Board Tender Committee.

Ms, Selma-Penna Utonih (Board Member)

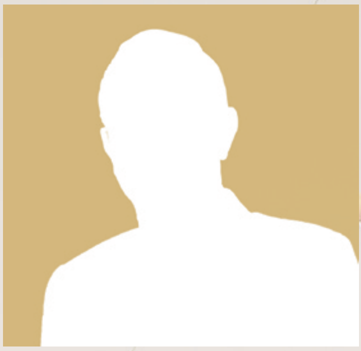


She holds a MSc. Electrical Engineering (Institute of Technology in Plzen, Czech Republic), MBA (Maastricht, Netherlands), Diploma in Teaching Methodology in Turin, Italy and Teachers Certificate, Ongwediva Teachers Training College. She has been serving as a Director on the NamPower Board for the past two years and was re-appointed on 1 January 2014 for another term. She has in addition, served on many professional energy committees. She serves on the following Board committees: Audit and Risk Management Committee, Remuneration and Nomination Committee, Board Tender Committee and the Investment Committee.

Mr. Penda Kiiyala (Board Member)

He holds a Bachelors degree in Political Science (USA), a postgraduate diploma in DevelopmentPolicy (UK), an MA in International Relations (UK), a certificate in Senior Management Development Programme (University of Stellenbosch), and an MBA in General and Strategic Management (Holland). He has been serving as a director on the NamPower Board for the past ten years and was re-appointed on 1 January 2014 for another term. He serves on the following Board committees: Remuneration and Nomination Committee and the Investment Committee.

NAMPOWER BOARD OF DIRECTORS (continued)



Mr. Pedro Maritz (Board Member)

Practising for more than 40 years as a Professional Engineer in Namibia, he holds Bachelor and Honours degrees in Civil Engineering from the University of Pretoria.

He has been serving as a director on the NamPower Board for the past ten years and was re-appointed on 1 January 2014 for another term.

He serves on the following Board committees: Remuneration and Nomination Committee and the Board Tender Committee.

Ms. Patty Kuruaihe-Martin (Board Member)

She holds a BCom Accounting degree and two Honours BCom degrees specialising in Accounting, Auditing and Tax obtained from the University of Western Cape and the University of KwaZulu Natal respectively. She has completed the Executive Partners Development Programme with the Gordon Institute Business School. She was appointed to the Board on 1 January 2014.

She serves on the following Board committees: Audit and Risk Management Committee (Chairperson) and the Investment Committee.

Mr. Kahenge Simson Haulofu (Managing Director)

He holds a B.Sc. Degree with honours in Civil Engineering from Tampere University of Technology in Finland.

He was appointed as the Managing Director of NamPower on 1 July 2016.

He forms part of the Remuneration and Nomination Committee of the Board.

CORPORATE STRUCTURE

EXECUTIVE COMMITTEE

Back row:

Reiner Jagau (Chief Officer, Power Systems Development), Bertholdt Mbuere (Divisional Manager, Energy Trading), Rinus Carstens (Acting Divisional Manager, Generation), Isac Tjombonde (Chief Officer, Corporate Services) Braam Vermeulen (Divisional Manager, Transmission)

Front row:

Gerson Rukata (Acting Chief Officer, Technical), Lucia Hiveluah (Head NamPower Foundation), Kahenge Simson Haulofu (Managing Director), Selma Shaanika (Acting Chief Officer, Finance), Christo Bezuidenhoudt (Senior Manager, Internal Audit)

ENSURING SECURITY OF SUPPLY IN A CHALLENGING ENVIRONMENT

Ensuring security of supply amidst immense challenges was not an easy task, and in all the years that I have been serving on the Board, the year under review was the most difficult in terms of managing business operations and ensuring security of supply. Yet, and remarkably so, exceptional transmission system reliability of 99.0 per cent was recorded in the year under review, with 98.4 per cent recorded for generation plant availability. For that we have the dedicated and committed workforce to thank, who banded together and rose to the challenge of upholding NamPower's long history of being a reliable and trustworthy power utility.

Unfortunately, issues of corporate governance and leadership structures in the organisation affected the business operations negatively and shook the good reputation of NamPower. Negative media coverage did not help the situation and merely fuelled a sense of instability among the workforce.

In restoring the company's reputation, a strong and committed leadership team, at Board and Management levels with the wisdom and insight to direct and propel the company forward and strategically position it to achieve our national goals and imperatives is a prerequisite for future success. This will also require open and honest lines of communication fostered between decision makers, not forgetting that stakeholders are vital partners in finding amicable solutions to the challenges NamPower is faced with.

Fulfilling our mandate of ensuring security of supply has come at a very high cost. This is not sustainable in the long run, and therefore to lessen the reliability on imports which poses a strategic risk, and to curtail the flight of capital, we need to invest in our own local base-load power generation plant as a matter of urgency. Of the total 4505 GWh units of electricity into the Namibian system during the year under review, 68% (2015: 64%) was imported

CHAIRPERSON'S STATEMENT

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During the period under review, NamPower's financial status was greatly affected due to extraordinary items that occurred on our balance sheet, the increased cost of electricity, and the severe drought having affected the generation capacity of NamPower's flagship hydro power station at Ruacana.

Despite an increase in revenue, the gross profit margin fell from 40% achieved in 2015 to 28%, and the company made a loss before tax amounting to N$551 million comparing to a profit of N$666 million achieved in 2015. The Group made a loss before tax of N$515 comparing to a profit of N$706 achieved in 2015.

Included in the loss before tax is the depreciation charge for the year amounting to N$735 million (2015: N$531 million) which increased as a result of a growth in our core asset base (power stations, transmission systems, aircraft fleet, land and buildings which were revalued effective 1 July 2015. Two other significant contributing factors to the recorded losses were the impairment loss in respect of trade receivables that amounted to N$235 million (2015: Nil) and the impairment loss on assets revalued of N$378 million (2015: Nil).

The impairment loss on assets revalued is not undertaken on an annual basis and therefore unlikely to be repeated in the next financial year.

In our quest to help ensure an equitable distribution of national resources, consistent with the principles of transparency and efficiency, we have introduced the NamPower Equitable Economic Empowerment Policy (NEEEP) in the year under review. NEEEP outlines the criteria for providing Previously Disadvantaged Namibians (PDNs) with greater access to the company's procurement activities in an effort to create business opportunities for the majority of marginalized Namibians. As mentioned during our roadshows when we introduced the policy to our stakeholders, procurement activities related to NEEEP formed part of our strategic intent with clear targets set for each period. Our objective was to procure 20% of our goods and services from previously disadvantaged Namibian owned companies. We have exceeded this target by 6% since a total percentage of 26% of the total value of goods and services procured during the year under review was sourced from PDNs. I can therefore mention that great strides have been made and I would urge the business community to embrace the business opportunities offered by NamPower and engage with us on proposed improvements. We will continue to review this policy so that through its implementation we can optimally achieve the intended objectives that we envisage to achieve through this policy and make significant social and financial impacts to the economy at large, and your ordinary Namibia citizen in particular.

75%

of the electricity energy demand will be supplied from internal sources by

2018

Outlook

NamPower is determined to forge ahead and to address the challenges it faces. This will require strong resolve, strong leadership, good corporate governance and risk management, financial sustainability, excellent processes and systems, sound stakeholder relationships and support from government, and last but not least, a dedicated, skilled and loyal workforce. Fortunately, NamPower has a very strong foundation which is not easily shaken, and will move forward on these key aspects from a position of strength.

NamPower also needs to remain financially stable so that it can fulfil its mandate of ensuring security of supply. Investment needs to be made in developing local generation capacity and expanding the national grid, and therefore funding needs to be sourced other than financing these major national infrastructural projects with our own reserves. The overriding strategic goal set in the 2014 – 2018 corporate strategy and business plan remains "ensuring that 100% of the peak demand and at least 75% of the electricity energy demand is supplied from internal sources by 2018".

Meanwhile, NamPower has to work hard on intensifying the implementation of shorter-term generation projects while pursuing longer-term capital intensive ones, and in this regard numerous initiatives have been put in place and are being implemented very effectively; one of which includes the Demand Side Management Program.

We believe that strategic partnerships are important role-players in increasing generation capacity and make a meaningful contribution towards Namibia becoming an industrialised economy. We embrace the good relationships we enjoy with our key stakeholders and will make every effort to maintain the status quo.

During the year under review NamPower concluded 14 new Power Purchase Agreements (PPA) with Independent Power Producers (IPP) of 5 MW each in the renewable energy sector. The other 13 IPP's are expected to be fully operational during the 2017 financial year.

Effective risk management remains a key focus area and will continue to be strengthened in full compliance with all national and international laws and regulations pertaining to our core business, professional standards and best practices. There is also a need to reflect on our organisational structure and ensure that it is still appropriate in supporting our mandate and responsive to market dynamics and developments. Therefore, the project on organisational review will be undertaken during the next financial year.

The board remains well aware of the fact that NamPower remains a key contributor towards the achievement of national goals as set out in the White Paper on Energy Policy and government development plans, and will do everything in its power to fulfil its mandate.

APPRECIATION AND CONCLUSION

On behalf of the Board of Directors, I would like to extend my appreciation and thanks to our shareholder, the Government of the Republic of Namibia and all our stakeholders for their continued support. We value your support and invite you to continue engaging with us on matters of energy development.

I would further like to extend a note of appreciation to the Honourable Minister of Mines and Energy, Hon Obeth Kandjoze and his team for their support and guidance. I would equally want to express our gratitude to the Honourable Minister of Public Enterprise, Hon. Leon Jooste and his team for the fruitful engagements we had during the period under review.

I wish to also thank Ms Hanri Jacobs and Mr. Simson Haulofu for their commitment in serving NamPower in the capacity of acting Managing Director during the year under review.

To the employees of NamPower, thank you for your commendable contribution to the performance of the organisation over the years. We the Board of Directors, commend your tireless efforts in ensuring that the lights are always on.

MANAGING DIRECTOR'S REPORT

CREATING VALUE

On the brink of celebrating its 20 year anniversary, NamPower can proudly state that it has not rested on its laurels over the last twenty years. The value the company has made to all sectors of the economy and the people of Namibia cannot be quantified, but I am sure that it made a difference to the lives of many.

Despite a very challenging year, NamPower continued to add value by directly investing in building its total asset base standing at N$29,8 billion; maintaining high standards in terms of its transmission network; and keeping the engines moving in all sectors of the economy.

We also created value for more than 2,000 suppliers and their employees; and continued to improve the living standards of our communities in which we serve by investing more than N$6 million in numerous social projects throughout Namibia. During the year under review, NamPower spent about N$ 9.2 million alone in providing bursaries to young aspiring learners in various fields of study.

Our strategic Overview

If we are to continue creating value for our shareholder, our investors, employees, customers, other stakeholders and the country at large over the short and long term, our strategy has to effectively address and mitigate a number of key risks and challenges and exploit definable opportunities. In particular, we have to build our own generating plant on Namibian soil as a capital investment for future generations and free ourselves from the dependency on having to rely on imports, which is unsustainable in the long run.

Our 2014 – 2018 Corporate Strategy and Business Plan, through the four themes of: learning and growth; security of supply and efficiencies; stakeholder relations; and financial sustainability continue to steer the company towards its audacious 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". I shall briefly elaborate on each perspective with more detailed information provided in this report.

Learning and Growth

True to its commitment of fulfilling the aspirations of its employees and enhancing their skills, knowledge and competencies, NamPower invested an amount of N$8.9 million on education, training and development in the year under review. Talent management and retention strategies to retain and support its employees are also in place and which complements the attraction and acquisition of skills sets required externally.

More emphasis needs to be put on gender representation in the company with more women to be represented at management level. The targets need to be revised and met in the coming years.

Good progress is being made towards directing the corporate culture of the company towards a performance-driven one and developing an employee value proposition in order to build morale and focus our employees on common goals to achieve consistent high performance and optimisation of our operations.

NamPower has done a great deal of hard work in the recent past to protect the health and safety of our people, not just our employees, but everyone who interacts directly with us.

Likewise, we remain steadfast in protecting the environment in which we operate and in this respect numerous initiatives are undertaken as highlighted in this report under the section safety, health, environment and wellness.

Security of Supply and Efficiencies

Our investment in generation and transmission infrastructures is a catalyst for economic growth and development, and despite the challenges we face, the technical and operational areas of the business remain strong, with great potential for new generation capacity to come on board.

However, it is unlikely that any base-load power station being planned for can start feeding power into the national grid by 2019. By that time, a few import agreements would have lapsed (by mid-2017) requiring additional generation capacity and steps have to be taken to supplement the shortage. New generation capacity coming on line from the Van Eck and Paratus rehabilitation projects in the next financial year, various renewable energy plants in the pipeline, and demand side management energy savings initiatives will all most definitely contribute to ensuring security of supply. The fact remains however, as repeatedly emphasized, that local generation capacity in the form of a base-load power station is essential for long-term security of supply.

With major investments in generation comes the need to expand and upgrade the transmission system as laid out in the transmission master plan. To this effect, numerous transmission projects were successfully completed, significantly increased power supply to various towns as part of the projects earmarked in the Transmission Master Plan and more fully described in this report. Maintenance and refurbishment of existing assets also continued to receive high priority to ensure security of supply on the transmission network.

NamPower's fibre optic network has expanded tremendously over the past five years, with numerous transmission stations having been equipped with fibre optic, and many to follow in the coming years. Great potential exists for NamPower's fibre optic assets to be utilized for the benefit of the country and the Southern African region. This is being investigated along with the commercial viability it presents to the company.

Trading options also needs to be optimised and will be a cornerstone of the short-term critical supply (STCS) project, as trading will need to fill the gap left by insufficient local generation.

Our business processes are being improved upon with the implementation of the ISO Integrated Management System gaining impetus. The investment in the system is well worth it and will go a long way towards enhancing efficient serving delivery to our stakeholders.

A corporate risk management plan to manage business risks at all times is also an important objective and so is ensuring that the percentage of total procurement spend on NEEEP (PDN) compliant enterprises continues on a positive trend.

Stakeholder Perspective (Stakeholder Relations)

There is an ever present need to adhere to sound corporate governance principles, required under the Companies Act; the SOE supervisory authorities; the Ministry of Mines and Energy and NamPower's financiers.

NamPower has over the years succeeded in forging solid relationships built on trust and integrity encompassing good corporate governance and sound leadership principles. To survive and grow, effective stakeholder management is essential and while it could be said that part of the year under review was marred by some enmity and discord at leadership levels, management shall work in unity as a team to uphold the valuable image and reputation of NamPower.

Financial Perspective (Financial Sustainability)

In order to maintain sustainable value to all sectors of the economy and the people of Namibia, NamPower needs to maintain a healthy balance sheet.

To do so will require budget and cost control, achievement of cost reflective tariffs and the ability to cover debt service requirements among others.

Financial requirements related to future infrastructure projects are likely to be met by a combination of loans, government equity contributions and to some extent NamPower's own financial resources. This mix and ability to access external funding will be critical.

Group loss after tax amounted to N$286 million comparing to profit of N$531 million achieved in the prior year, mainly due to the cost of imported electricity, the prevailing drought and the depreciation charge, largely beyond the direct control of the company. What is however, more in our direct control is for leadership and all role players to make concerted efforts to develop the country's own base-load power station to meet future energy needs.

Outlook

The delivery of the outcomes targeted in the 2014 – 2018 Corporate Strategy and Business Unit Plans will be supported by the efficient allocation of resources to ensure that we deliver on the key performance areas and indicators and ultimately on our mandate.

In the coming year we will focus on the optimisation of operating costs including manpower costs, enhanced stakeholder relationships, good corporate governance driven by sound leaderships principles with increased accountability, a capital intensive funding plan for the construction of much needed generation capacity and the implementation of our transmission master plan.

We shall further continue to maintain our assets at high levels of efficiency and systems integrity, focus on operational efficiency and energise our workforce in pursuit of excellence.

NamPower has long set the standard for corporate governance among state-owned enterprises in Namibia, and continues to treat this responsibility with the same seriousness and commitment as it brings to the job of powering the nation.

Conclusion

I wish to acknowledge the hard work and loyalty of all NamPower employees. At times, the working environment was not always conducive to high staff morale due to negative media coverage. Yet, the men and women of NamPower rallied together and kept the lights on in our country; something most of us take for granted sometimes.

May we approach the coming year with equal enthusiasm and optimism and set high standards for ourselves and NamPower; a company we and our country can be extremely proud of amidst trying circumstances this year.

Let us then continue to work hard in realisation of the immense and collective responsibility we have in creating value to our nation, its people and our stakeholders.

CORPORATE SCORECARD 2015/16

In order to monitor and evaluate progress made towards set objectives, a Plan-Do-Review tool was adopted which is completed at Business Unit and Corporate levels twice a year. This process is aimed at identifying obstacles and challenges that may obstruct the successful implementation of the strategy and coming up with corrective measures to fast track the process.

For the year under review, the Plan-Do-Review was completed at corporate level as reflected in the Corporate Scorecard.

On the next page is the graphic of performance against targets for the year under review:

Perspectives	Objectives: KPA	Measurements: KPI	Actual Performance Jun.2016
THEME 4: FINANCIAL SUSTAINABILITY (Financial Perspective)	F1: Ensure Financial Sustainability	% Budget Variance CAPEX	59%
		% Budget Variance OPEX	-20%
		% Budget Variance Operating Projects	46%
		% of Cost Reflective Tariffs	129.73 (101.5%)
		DSCR Ratio	2.78 times
		EBITDA (% Turnover)	6%
	F2: Meet Financial Requirements	Credit Rating (zaf)	AA-Zaf
		Cost of New Funding	-90 bps (KFW)
THEME 3: STAKEHOLDER RELATIONS (Customer Perspective)	S1: Improve Stakeholder Relations	% Overall Stakeholder Satisfaction Rating	74%
	S2: Meet Customer Expectations	% Customer Satisfaction	76%
THEME 2: SECURITY OF SUPPLY AND EFFICIENCIES (Internal Business Perspective)	I1: Expand Generation and Transmission Infrastructure Capacity	Kudu Implementation Milestones (FC)	Not Yet
		Mega Watt Available	471,5MW
		New Transmission Lines Constructed (km)	43km
	I2: Maximise Systems Availability	% TX Availability	99.0%
		%GX Availability	98.4%
		IT Services Uptime	99.95%
		% Compliance with Scheduled Maintenance	89%
	I 3: Ensure NEEEP Compliance	% of total procurement spend on NEEEP (PDN) compliant enterprises	26%
	I 4: Optimise Trade Options	Cents per kWh	83.43
	I 5: Improve Risk Management	Quarterly Update of Corporate Risk Register	100%
THEME 1: LEADERSHIP AND CULTURE (Learning & Growth Perspective)	L1: Improve Leadership Capability (Leadership Power)	Achievement on 360° Leadership Assessment	67%
	L2: Develop Employee Capacity (People Power)	% of training/developmental Activities as per Development Plans*	80%
	L3: Entrench our Core Values and Performance Culture (Team Power)	% Achievement on Employee Surveys	72%
		% Implementation of Annual Internal Communication Plan	85%
		Lost Time Injury Frequency Rate (LTIFR)	0.70
	11 Objectives	**24 Indicators**	

= Below Target	= Above Target
= On Target	= Exceptional

NARRATIVE SUMMARY OF PERFORMANCE

KPA: Ensure Financial Sustainability

% Budget Variance CAPEX

41% of CAPEX Projects was spent for the period ended June 2016, leaving a balance of 59% not utilised due to a delay in projects implementation. Rating: 1 (Below Target).

% Budget Variance OPEX

120% was spent on Operating Expenses (Opex), which is a 20% overspend on the budgeted amount resulting in a rating of (1) Below Target. The overspending is attributed to fluctuations in foreign exchange, especially the US Dollar coupled with the extension of the Aggreko contract which was not included in the budget. In addition, an impairment loss on debtors amounting to N$235 million was recorded during the year under review.

% Budget Variance Operating Projects

Only 54% of the approved Operating Project budget was spent, meaning 46% of the budget was not spent. This was due to delays in the implementation of projects, which are attributable to a number of causes.

% on Cost Reflective Tariffs

NamPower annually submits an updated Tariff Model and subsequent application with supporting documents to the Electricity Control Board (ECB) for the determination of NamPower generation and transmission tariffs

Upon negotiations, the ECB approves revenue requirements to allow NamPower to recover revenue during the financial year. Revenue is recovered by means of different tariff charges towards customers.

For the period ended June 2016, NamPower recorded an average price of 129.73 c/kWh which is 101.5% of the ECB approved tariff. Rating: 4 (Exceptional).

DSCR Ratio

NamPower's Debt Service Coverage Ratio for the year end was 2.78 times, against a Target of 1.5 times. There has been a reduction in the cash generated from operations and a very high cost of electricity during the period under review. The June 2016 results were mainly influenced by an extremely volatile exchange rate weakness and the extension of expensive electricity from Aggreko. Rating: 4 (Exceptional).

EBITDA (% Turnover)

EBITDA (as a percentage of turnover) was recorded at 6% for 2015/2016, against a target of 20%. The major contributor is the higher cost of energy during the financial year under review. Rating 1 (Below Target).

KPA: Meet Financial Requirements

Investment Grade

NamPower's credit rating was affirmed in 2015/16. Its National Long-term rating as AA+(zaf) (Foreign Currency Long-term rating remained at BBB-). NamPower is still rated at investment grade. The Credit Rating is however highly dependent on Government support and its credit rating. Fitch ratings placed in September 2016 a negative outlook on the sovereign rating. Due to the 'Parent and Subsidiary Rating Linkage' criteria, NamPower was also placed on a negative outlook due to Fitch's assessment of its legal, operational and strategic ties with the state. Rating: 4 (Exceptional).

% Cost of New Funding

The cost of funding was secured at a very favourable rate. A loan from KFW which was disbursed in December 2015 was used for the Gerus-Oshikoto transmission line, the West Coast Transmission Expansion project and the Runner Replacement project at Ruacana Power Station. Rating: 4 (Exceptional).

KPA: Improve Stakeholder Relations % Overall Stakeholder Satisfaction Rating

This KPI is rated using the results of the stakeholder perception survey conducted in 2015. The survey is conducted every second year as it is not feasible to conduct such an exercise every year. After getting feedback from stakeholders, time is needed to review the feedback and address identified issues. The survey engages various stakeholders such as the distribution customers, transmission customers, opinion leaders, funding institutions, suppliers, the media and the public. An average of 74% was obtained from the stakeholders' perception survey. Rating: 2 (On Target).

KPA: Meet Customer Expectations

% Customer Satisfaction

The company scored a 3 (Above Target) for customer satisfaction in the stakeholder perception survey. For this KPI, the focus was on only two categories of stakeholders, namely the transmission and distribution customers. The company scored an average of 76%. Rating: 3 (Above Target).

KPA: Expand Generation and Transmission Infrastructure

Kudu Implementation Milestones (FC)

There has been slow progress in the implementation of the Kudu Power Project, although an ambitious milestone of Financial Close (FC) at the end June 2016 was set. The milestone was not achieved due to the fact that a number of key issues with regards to the realisation of the Kudu Power project are beyond NamPower's control. Rating: 1 (Below Target)

Megawatts Available

NamPower recorded a total 471.5MW from its power generation plants (ANIXAS, Paratus, Van Eck and Ruacana power stations) against a target of 469.6MW available capacity. Rating: 2 (On Target).

New Transmission Lines Installed (km)

NamPower recorded 43km of transmission lines constructed against a target of 100km. The rating is based on deliverables of completed transmission lines as well as the percentage completion of lines under construction and is calculated as per the S-Curve. Rating: 1 (Below Target).

KPA: Maximise Systems Availability

% Transmission availability

An average availability of 99.0% was recorded for all transmission lines for the period under review. The transmission availability score was mostly impacted by both planned and unplanned outages. Rating: 3 (Above Target).

% Generation Plants Availability

An average availability of 98.4% of all power stations was recorded. Rating: 4 (Exceptional).

IT Systems Uptime

The Information Services department extracts and records all its offered services on a minute-to-minute basis throughout the year. The average up-time for all the services for the period ended June 2016 was 99.95%. On the Wide Area Network (WAN) up-time, the department is highly dependent on Telecom Namibia. Rating: 4 (Exceptional).

% Compliance with scheduled maintenance

Transmission and Generation business units recorded 91% and 86% respectively for compliance to scheduled maintenance. This gives the business units an average score of 89%. Rating: 3 (Above Target).

KPA: Ensure NEEEP Compliance

% of Total Procurement spend on NEEEP compliant enterprises

In order to reinforce the implementation of the NamPower Equitable Economic Empowerment Policy, NEEEP was incorporated as an indicator in the Corporate Strategy and Business Plan following the approval for that by the Board of Directors in September 2014. From 1 July 2015 – 30 June 2016 a total amount of N$845 million was spent on non-electricity suppliers of which 26% was spent on PDNs against a target of 20% for the said financial year. Rating: 3 (Above Target).

KPA: Optimise Trading Options

Cent per kWh

NamPower recorded an average energy price of 83.43 cents/kWh against a target of 114.37 cents/kWh. The biggest contributor to this score was the smart import optimisation. Rating: 4 (Exceptional).

KPA: Improve Risk Management

Quarterly update of Corporate Risk Register

Risk assessment was conducted both at Corporate and Business Unit levels, resulting in the development of Operational and Corporate risk registers. Emerging risks are identified and mitigating actions put in place. The Corporate Risk Register is updated on a quarterly basis, and this was done as planned. Going forward, a lag measure will be developed to measure the outcome of risk management in the company. Rating: 4 (Exceptional).

KPA: Improve Leadership Capability (Leadership Power)

This objective was measured by the percentage achievement of the 360° leadership assessment. The KPI was rated using last year's survey results because the result for this year's survey are not yet out. Last year's target and target ranges were used in this regard. The average score on Leadership, under the categories "Ethics and Integrity" in Deloitte's Best Company to Work for survey was used and this score was converted to percentage. The target for this KPI was 65%, and the Corporate achieved 67%. Rating: 2 (On Target).

KPA: Develop Employee Capacity (People Power)

This objective was measured by the percentage of employees who attended training as indicated in their Personal Development Plans (PDPs). In 2013, NamPower started the process to move from the in-house computerized version of Performance Management to the SAP module of Performance Management. There are however still some challenges to get the PDP information from the SAP System. The human resources and IT sections are working on this matter. Rating: 2 (On Target).

KPA: Entrench Our Core Values and Performance Culture (Team Power)

% Achievement on Employee Surveys

This KPI was measured through the Deloitte Best Company to Work For survey, where sampled employees were asked to rate the Company on different competencies. This KPI was rated using last year's survey results because the results for this year's survey are not yet out. Thus, last year's target and target ranges were used. The overall score from the survey is 72% against a target of 55%. Rating: 3 (Above Target).

% Completion on Annual Internal Communication Plan

The Internal Communication Plan has been reviewed and is awaiting sign off. Rating: 2 (On Target)

Lost Time Injury Frequency Rate (LTIFR)

This KPI measures the Lost Time Incident Frequency Rate (LTIFR). The target for the year under review is a ratio of 0.11. For the period under review, the LTIFR was recorded at 0.7 which is below target according to the Target Ranges on the scorecard. There were 7 injuries recorded.

Rating 1 (Below Target)

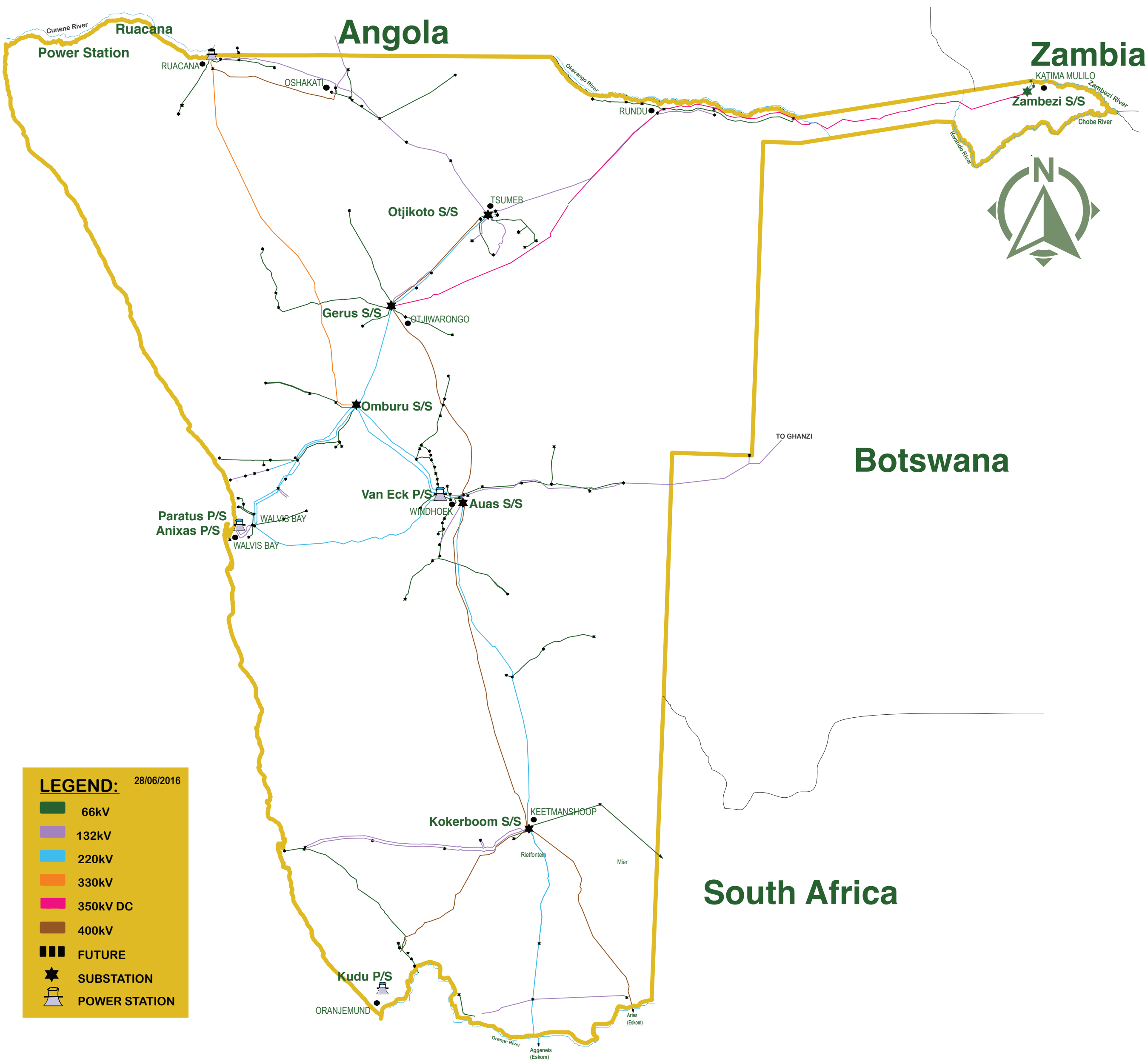
Formula: Total employees X 8hours per day x 5days per week X 4 weeks per month x 12 months per year / total lost time injuries x 200 000.

OUR OPERATIONS - TRANSMISSION

Introduction

NamPower owns, operates and maintains a world class transmission system and network of 66 kV to 400 kV overhead lines. The utility has over the years continued to maintain and develop its transmission system to accommodate future demand for electricity as well as expected future generation and imports of electricity.

During the year under review, NamPower continued to maintain high standards of technical excellence by being innovative, customer focused and proactive.



Fibre Optic Commercialization

The NamPower Transmission Business Unit is made up of six operational areas, as outlined below:

Supply Business

Responsible for interacting with key customers regarding the commercial and technical requirements as set out in power supply agreements (PSAs), which include among others, connecting customers to the system.

System Operations

Serves as NamPower's system operator. The National Control Centre, which is manned 24/7 for the real-time monitoring of the transmission and generation systems, is the central point where all operations are coordinated from. System operations is aimed at optimising the safety of operating personnel, the safety of equipment and continuity of supply to customers. The National Control Centre also implements the energy trading power flow schedules on generators and interconnectors to members of the South African Power Pool.

Engineering Services: Protection, Telecommunication Metering and Control (PTM&C), Asset Maintenance Division (AMD), Power System Construction (PSC)

These three key areas of operations are responsible for the construction of new assets, the commissioning and maintenance of all primary and secondary equipment.

System Security and Planning

Responsible for the planning, design and protection of the power system, to ensure a stable and reliable present and future transmission network. Its operations also include the forecast of system peak demand.

Wire Business

Serves as the Transmission asset owner (lines, substations and specialised devices) with the main focus of compiling the scope and design of new Transmission projects and to ensure that the current system is operated and maintained at world standard best practices.

Network Operations

Responsible for first line maintenance and all operational activities required on the Transmission and Distribution systems under NamPower control (outside of the Regional Electricity Distributor areas).

System Demand

During the period under review, a new maximum demand of 608.133 MW/h (without Skorpion) and 667.497 MW/h (with Skorpion) was registered (on 14 June 2016), 1.89% higher than the previous record of 596.842 MW/h, registered on 2 June 2015.

01:00 Monday - 00:00 Friday	
Weekday Maximum	608.113
Weekday Minimum	228.399
01:00 Saturday - 00:00 Sunday	
Weekend Maximum	553.350
Weekend Minimum	278.309

Table 1: System Minimum and Maximum Demands (excluding Skorpion)

System Performance

Consistent with international best practice, system performance parameters are measured according to IEEE Standard 1366-1998, with a main focus on the Customer Average Interruption Duration Index (CAIDI), the System Average Interruption Frequency Index (SAIFI), and the System Average Interruption Duration Index (SAIDI). Table 2 below depicts the transmission system performance during 2015/16.

It is evident from Table 2 that on average the performance of the transmission system for the period under review can be rated as exceptional. System reliability (SAIFI) was exceptional as the frequency of customer interruptions on the NamPower system remained extremely low (the average NamPower customer could expect less than one interruption (0.20)). The average restoration time (CAIDI) as compared to the previous reporting period, increased from 2.31 to 4.96 minutes of loss of supply. This was as a result of two(2) major system disturbances that were experienced in the country during the period under review. This has also contributed to the increase in Unscheduled System Minutes Losses (USML)

Unscheduled System Minute Losses (USML) (minutes)	Scheduled System Minute Losses (SSML) (minutes)	System Average Interruption Duration Index (SAIDI) (minutes)	System Reliability (SAIFI)	Average restoration time (CAIDI)
53.16	37.51	0.80	0.20	4.96

Table 2 : Transmission system performance data

Transmission Master Plan

The increase in demand, generation and wheeling capacity requires upgrading of Namibia's transmission backbone. NamPower commissioned a Transmission Master Plan in 2012, with projects that will be implemented at an estimated cost of N$7.5 billion. A number of transmission projects have already been completed as part of this programme while others are currently under implementation.

The NamPower Transmission Master Plan is updated on an annual basis to ensure that the company remains abreast of the evolving electricity needs of the country and that network expansions are executed accordingly.

During the year under review the Master Plan was adapted for the period 2016-2020, as follows:

Major Projects (2016-2020)	Year to be completed	kV
Kunene - Omatando development	2017/2018	400kV (operated at 330kV initially)
Ruacana 330/132kV development	2017/2018	330/132kV
Ohama 132/66kV substation development	2017/2018	132/66kV
Kavango East strengthening	2017/2018	132kV
Gerus - Otjikoto 400(220)kV development	2016/2017	400kV (operated at 220kV initially)
Auas - Gerus 400kV development	2019/2020	400kV
West Coast 220kV strengthening	2016/2017	220kV
Kuiseb - Walvis Bay 132kV upgrade	2016/2017	132kV
Aussenkehr upgrade to 132kV (phase 3)	2017/2018	132kV
Backbone developments for strengthened Eskom integration or Kudu deep connection	2019/2020	400kV

Table 3: 2016-2020 Major Transmission Projects

Transmission project commissioning status (2015/2016)

The following Transmission projects were commissioned during the period under review:

Project	Status
Lithops 220kV substation with 220kV lines to Khan, Rossing, Walmund, Kuiseb	Energised in March/April 2016
Walvisbay 132kV substation supply to Erongo Red	Energised in June 2016
Grootfontein 5MW PV	Energised in June 2016
Otjikito Manheim Supply upgrade to CENORED	Energised in May 2016
Swakopmund substation 30 MVA Upgrade	Energised August 2015

Increased Supply to Walvis Bay

NamPower has upgraded part of the Kuiseb Transmission Station from 66kV to 132kV. The second phase of the upgrade has commenced and will be concluded during the next financial year. Two new 132kV transmission lines from Kuiseb to Walvis Bay, including a new 132/11kV transmission station providing the Port of Walvis Bay with a firm 80MVA supply were commissioned.

New Husab Mine Supply

The Lithops 220/132/33kV transmission station near the Husab Uranium Mine was successfully commissioned. The 33kV extensions are currently underway for Erongo RED to reinforce its distribution network and to provide a dedicated supply to the new Namwater Swakopmund South Pumping Scheme.

Swakopmund Substation 30 MVA Upgrade

The Swakopmund Substation supply has been upgraded to 30MVA and all 11 kV switchgear were replaced to cater for the increase in the Erongo Red Swakopmund demand.

Grootfontein Substation

The HOPSOL Otjozondjupa REFIT Photo Voltaic plant has been successfully integrated at Grootfontein Substation.

Fibre Optic Commercialization

NamPower is in the process of creating a framework under which its fibre optic assets can be further utilized for the benefit of Namibia and the Southern African region at large, whilst at the same time furthering commercial viability for the company. Market studies and demand analyses were completed during the year under review, indicating promising opportunities in this regard. NamPower is currently in the process of engaging stakeholders, after which the implementation process can be expected to commence.

Contact Centre Expansion

With NamPower serving the public, it saw the need to upgrade its contact centres. The new system has been specified to allow for the quick and efficient serving of customers, and at the same time provide information visibility to the operators attending to the contact centres. Full integration into NamPower's business processes and quality control mechanisms have been a core design feature from the very beginning. The project is in progress and the new system is scheduled to be fully available by early 2017.

Phone Billing Management

Another cost saving effort has been made with improved phone billing management. With NamPower being a relatively large corporate entity, it generates a vast number of voice calls and associated phone billing data. This data includes but is not limited to things such as network selection, call duration, numbers dialled, routes taken, official vs private calls, network route utilization and call statistics. Advanced systems have been implemented to manage this immense amount of data, providing a valuable platform for cost recovery and technical planning.

Southern African Power Pool (SAPP) Network Establishment

NamPower's fibre optic network, which it manages itself, has been central in enabling the data network for the Southern African Power Pool (SAPP). NamPower's fibre optic network reliably connects South Africa, Lesotho, Swaziland, Namibia, Zambia and Zimbabwe.

Modern Protection, Automation Control PAC Systems for Several Transmission Stations

Since 2008, NamPower has actively been moving towards modern protection, automation and control (PAC) systems within its substations. These are mainly based on the IEC 61850 set of standards.

A vital part of this modernisation is rugged and reliable substation data networks for all stations that are utilizing advanced PAC components. These networks do away with tons of copper cabling and are the enabler for advanced PAC functions inside a transmission station. Time and effort was put into building such networks of industrial reliability into NamPower's substations. These sets of standards were fully implemented at the new and recently commissioned Walvis Bay Substation. NamPower is a leader in this technology regionally. International technical papers were recently presented on the implementation of these standards in NamPower.

Operating Projects

Annually, NamPower embarks on a number of operating projects with the aim of planning for continuous maintenance or refurbishment of existing assets. The aim is to ensure that assets remain reliable, available and in good condition in order to ensure security of supply on the transmission network. The process looks at among others substation equipment, line refurbishments, buildings and other related infrastructure.

As part of a continuous line inspection and maintenance programme, live line maintenance works were performed on the 400kV Auas – Kokerboom line. Namibia does not have full redundancy on its 400kV backbone and therefore the only feasible way to conduct proper maintenance is to use live line working techniques. This is an ongoing process to ensure the 400kV backbone remains reliable. Similar works (but performed with the line switched off) are continuously performed on the 220kV lines and other lower voltage levels.


NamPower

OUR OPERATIONS – RENEWABLE ENERGY

Introduction

NamPower embraces the principle of increasing renewable energy technologies as part of the energy supply mix in Namibia and supports the key objectives set out in the draft Renewable Energy Policy.

NamPower manages a system with more than 50% of its energy being imported from the region and the remainder being generated mainly by the Ruacana hydro power plant, which depends on the seasonal run-of-the river.

As the capacity of intermittent renewable sources is increasing, a balance needs to be found to manage supply and demand in real time, and the intermittency of their outputs. Future renewable energy sources will need to cater for storage, to enable these supplies to be dispatched mainly during peak demand periods.

Looking to the future, the Renewable Energy Policy will serve to provide guidance to the government and to NamPower on how to develop the renewable energy sector and scale up the contribution of power from renewable sources in the country's energy mix. In addition such renewable energy projects could be de-centralised and even serve isolated places to ensure that nobody in Namibia is left behind.

It will address the problem of inadequate access to electricity (especially in rural areas), the challenge of extending affordable energy services to underserved populations and the need for self-sufficiency and energy independence. It should also enable all market participants to better understand challenges and opportunities and also the envisaged pipelines of renewable energy projects.

Renewable Energy Feed-In Tariff (REFIT) programme

The REFIT program is designed to accelerate investment in renewable energy technologies by offering long-term contracts to renewable energy Independent Power Producers (IPPs), typically based on the cost of generation of each technology.

The Capacity of 70 MW is expected to be generated through the REFIT programme which translates into 14 IPPs each generating 5 MW. Thus far, only a few IPPs have started with construction of their respective power plants. One of the 14 refit projects was commissioned during 2015/16 financial year and the rest are expected to be commissioned within the next 18 months.

Independent Power Producers (IPPs)

IPPs play an important role in Namibia's energy sector with most of the distributed generators (especially renewables) being owned and operated by IPPs. A number of PPAs have been entered into between NamPower and various IPPs. This allows independent companies to invest into Namibia's energy sector with no exposure to the Namibian Treasury or any Forex or commodity exposure NamPower would ordinarily have to face for fossil fuel operated power stations. The entry of IPPs furthermore allows NamPower to concentrate on larger projects where financing and execution is more complicated and associated Government guarantees are required.

Power Purchase Agreements concluded

NamPower has concluded negotiations for a Power Purchase Agreement and Transmission Connection Agreement for both Diaz Power (wind power generation of 44 MW at Lüderitz) and GreeNam (solar PV of 10MW at Hardap and 10MW at Kokerboom sites in the south).

37 MW Solar PV Plant

NamPower issued a tender for a 37 MW solar PV plant at its Hardap transmission station near Mariental. NamPower will have up to 19% shareholding in the Project Company which requires that NamPower secures the land, undertakes geotechnical studies, obtains environmental clearance and provides the transmission connections. IPPs participating in the tender process are expected to accommodate mandatory undiluted PDN shareholding of at least 30%. The anticipated implementation schedule from tender award is 12 months.

Ruacana Auxiliary supply

NamPower issued a tender to add PV generation at its Ruacana hydro plant to supplement the auxiliary supply requirements of the power station. Construction is expected to be completed mid 2017.

Wind Map

NamPower and NUST are working jointly to establish regional wind atlases for 11 identified sites throughout Namibia. NamPower has made an investment in two world class wind masts which have been erected in Luderitz and Walvis Bay facilitating data collection. This will provide valuable bankable data to be made available in the public domain together with the various indicative Wind atlases for the other 9 sites identified.

Development of a Biomass power station

The draft National Integrated Resource Plan (NIRP) includes an allocation of biomass power stations of up to 200 MW. It further recognises that small sized biomass plants using invader bush are considered to present a very good opportunity for private investment.

NamPower's supply runs confirm the outcome of the NIRP as well as the grid stability studies identifying opportunities for Biomass plants to form part of the key contributors to the security of supply mix in Namibia. Furthermore, grid stability studies conducted, highlighted the need for a dispatchable technology which can add inertia and sustain high ramp up rates, in order to support the national grid and accommodate the intermittency of power expected from the high capacity of solar PV and wind projects committed and expected to be built within the next two years.

NamPower identified three optimal sites for the construction of the first Biomass power station in Namibia.

Good progress has been made in the period under review, with respect to the key tasks being executed as part of the feasibility study, which include:

- Techno-economic analysis of the Biomass Project to confirm the technology selection, processes, capital estimates and economic parameters;
- Environmental and socio-economic assessment;
- Geo-technical survey;
- Preparation of specifications and tender documentation;
- Investigation and sourcing of the required permits and licences;
- Initiation and completion of the land procurement process and procurement of land;
- Development of commercial agreements; and
- Development of funding strategy and funding documents.

NamPower is working in close collaboration with a de-bushers group, which has created the Namibia Biomass Industry Group (NBiG).

The NBiG has already confirmed the biomass resource, the harvesting process and equipment, and the ability to deliver a fuel resource to specifications suitable for a Biomass power plant. A detailed macro-economic study identifying and confirming the macro economic benefits of, among others, harvesting and processing invader bush for electricity generation has also been conducted. This is in addition to a strategic environment assessment to establish guidelines and Enviromental Management Plans (EMPs) for harvesting projects of various sizes.

NamPower exchanged heads of terms on a typical project, financed fuel supply agreement with NBiG and commenced discussions to conclude key terms by the end of 2016.

CSP Feasibility Study

Initial studies identified 31 000 km2 potential areas for Concentrated Solar Power (CSP) development and 250 GWe potential. CSP can be load-sized and located close to load centres to match local demand and save substantial transmission losses. The NIRP included an allocation to CSP with storage as part of the supply mix options in Namibia to meet its demand. Grid stability studies conducted by NamPower highlighted the need for a dispatchable technology which can add inertia and sustain high ramp up rates, in order to support the national grid and accommodate the intermittency of power expected from the high capacity of solar PV and Wind projects committed and expected to be built within the next two years.

Numerous activities have been undertaken to pave the way for the construction of the first CSP plant near Arandis:

- One year of ground measurement data has been collected at Arandis, Auas and Kokerboom sites. Clean up, data verification, and the production of bankable data based on the first year of ground measurement is expected mid-September 2016.
- The macroeconomic study is at an advanced stage and is expected to be concluded in November 2016.
- The environmental study has been conducted with the report to be submitted to the Ministry of Environment and Tourism end August 2016 for approval and issuance of the Environmental Clearance Certificate (EIA and EMPs).
- The site selected for the first powerstation development is located on state land and is within the #Gaingu Conservancy and !Oe-#Gân Traditional Authority areas. An MoU was signed between NamPower, the !Oe-#Gân Traditional Authority and the #Gaingu Conservancy members in October 2015. Procurement of the land and transfer into NamPower's name is in progress.
- The transmission connection has been resolved and agreed with NamPower Transmission.
- The Water Supply Application has been submitted to NamWater and meetings held have confirmed the availability of adequate water supply for the project, based on dry cooling technology.
- Geotechnical and hydrological studies have been conducted on the site east of Arandis.
- Class C project costing and modelling has been concluded to provide information on cost and affordability.
- The Techno-Economic Adviser has been appointed.
- Namibia has engaged with the South African IPP Office to utilise the process and documents used in the Renewable Energy Independent Power Producer Procurement Programme (REIPPP) for adaptation and use in Namibia.

The following activities are planned for the next reporting period:

- Obtain GRN approvals to proceed with Project Implementation;
- Finalise Project Agreements and prepare tender documentation;
- Finalise the Generation licence and application
- Procure IPP partners to NamPower and funders to implement the project.

Demand Side Management (DSM)

NamPower's DSM program consisting of the roll-out of 1 Million LEDs and the utilisation of embedded generation facilities with large customers known as VPS (Virtual Power Stations) is being implemented.

OUR OPERATIONS – ENERGY TRADING

Introduction

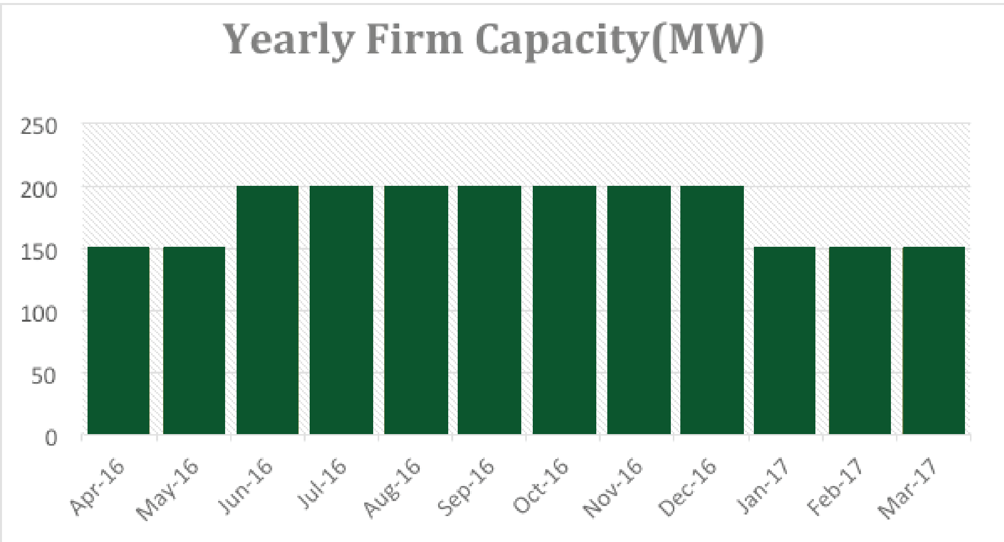
NamPower is an active member of the Southern African Power Pool ('SAPP') and continues to purchase and sell power in the SAPP Day-Ahead Market (DAM) to supplement its supply requirements. Historically, with surplus generation available in the region, NamPower could rely on relatively high levels of imports to ensure security of supply. However, the demand-supply balance in the region has changed significantly over the past decade due to a number of reasons such as climate change. Countries in the region are focusing on developing domestic power generation capacity.

Although a number of generation plants are planned, most of these base power plants will start generating only after 2019. Furthermore a number of import agreements will lapse by mid-2017, requiring more generation capacity for Namibia, prior to commissioning of a base load power plant. A number of renewable energy plants are also expected to go on line before 2019.

Power Supply Agreements

ESKOM

A bilateral Agreement between NamPower and Eskom is scheduled to come to an end in March 2017 but the negotiations to extend the contract for a longer period of five (5) years have started. In the bilateral contract, NamPower receives a yearly firm power of 150MW for the periods 1 April 2016 – 31 May 2016, 1 January 2017 – 31 March 2017 and 200MW for the period of 1 June 2016 to 31 December 2016. NamPower then supplements its requirements by getting a non-firm energy on Day-Ahead basis.



Graph 1: *Yearly Firm Capacity*

ZESCO

Following a declaration of the Force Majeure by ZESCO in 2015 to reduce the contractual capacity by 20% (meaning that the contracted capacity reduces from 50MW to 39MW) due to the drought that has affected the whole region, NamPower continues to receive a firm supply of 39MW from ZESCO through the Zambezi Link Interconnector. The performance of this agreement is reliable to date and, continues except during periods when there are transmission constraints.

NAMPOWER/ZESA,ZPC

NamPower continues to receive 80MW firm supply from ZPC (which is a subsidiary of ZESA). This energy is sourced from Kariba Hydro power station and is available at a load factor of 50%.

EDM

NamPower continues to receive power from EDM on a non-firm Power Purchase Agreement day ahead arrangement.

POWER SUPPLY FOR THE PERIOD (JULY 2015 TO JUNE 2016)

Imports

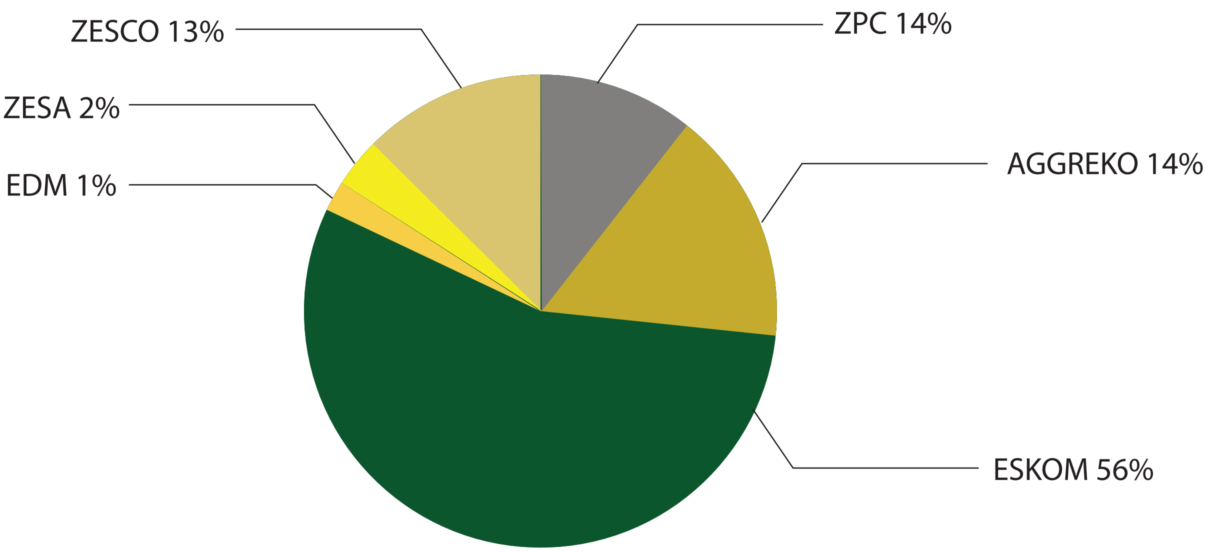


Figure 1: Total Imports for the period of (July 2015 to June 2016)

Local GX

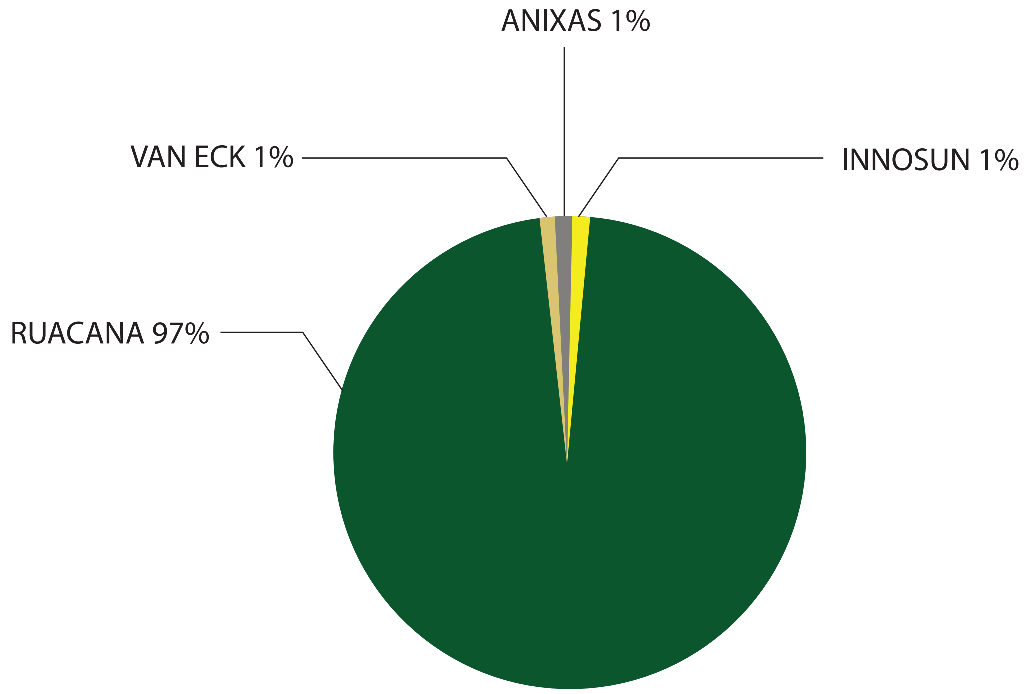


Figure 2: Total Local Generation for the period of (June 2015 to July 2016)

Local GX vs Imports

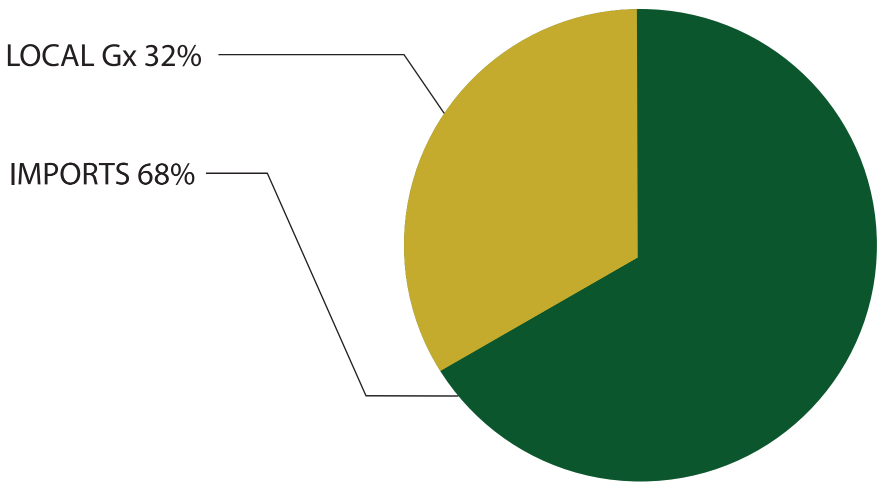


Figure 3: Imports vs Local Generation for the period of (July 2015 to June 2016)

SAPP DAM SALES VS PURCHASES

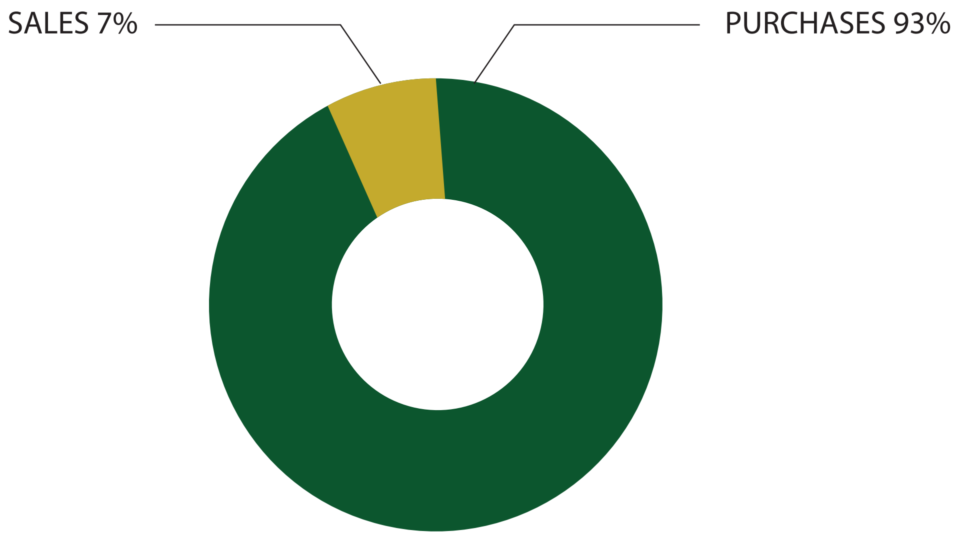


Figure 4: Sales vs Purchases from SAPP DAM for the period of (July 2015 to June 2016)

Introduction

NamPower is mindful of the fact that a balanced mix of generation options, incorporating both conventional and renewable energy technologies, and the application of demand side management, makes up the most optimal long-term future electricity supply choice for Namibia.

REHABILITATION WORKS AT VAN ECK POWER STATION

The Van Eck Power Station Rehabilitation Project which was started in 2012 continues. The rehabilitation work at the station is expected to be completed during the 2016 – 2017 financial year . Teething problems continue to be experienced in the rehabilitation process, impacting on the power station's reliability. These problems are however being attended to as the units generate power. During the winter of 2016 two units were running to support and stabilize the Namibian Transmission Network due to the outage on the Auas Static VAR Compensator upgrade. Due to the resonant frequency phenomenon on the Namibian Transmission Network, at least one Unit was required to run continuously at Van Eck Power Station to compensate for the Mega VAR's required for system stability.

NamPower will depend on the Van Eck Power station greatly going forward in order to meet the country's mid-merit and peaking supplies, especially during the winter and dry seasons of the Kunene River which will impact on the generation capacity of the Ruacana Power Station. All 4 units at Van Eck Power Station are scheduled to be available for full operation during the first quarter of 2017. It is expected that three of the 30 MW units will be able to supply power at all times.

NamPower is further busy investigating the possibility of supplementing the steam coal fuel of Van Eck Power Station with an alternative fuel. Tests are in the process of being conducted in order to determine whether or not the proposed alternative can be used sustainably in conjunction with or as a replacement of the steam coal.

RUACANA POWER STATION

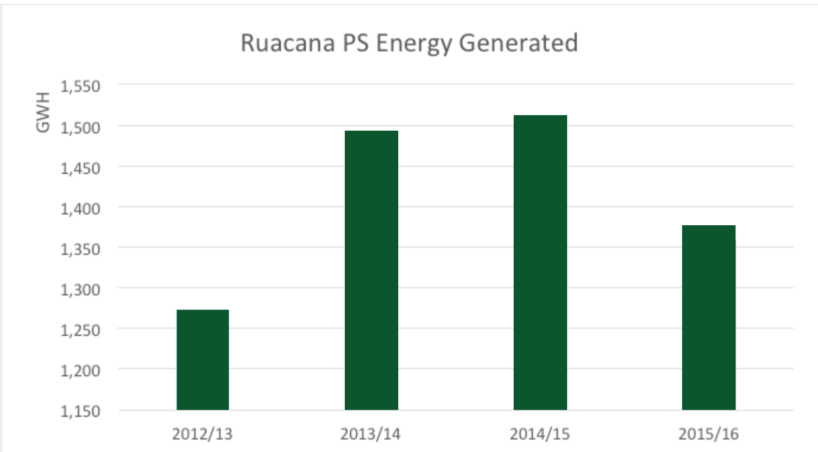


Figure 1: Energy into System

OUR OPERATIONS – GENERATION

Electricity generated at Ruacana Power Station during the year under review declined by approximately 10% due to planned outages to accommodate the turbine refurbishment project. A lower than average river flow was also experienced during the dry season (June – Nov 2015).

Refurbishment work on Units 3 and 2 continued during the period under review. The work on Unit 3 commenced in May 2015 and was completed in October 2015 whilst Unit 2 was completed in April 2016. The commissioning of Unit 2 was however delayed due to a faulty generator circuit breaker during initial synchronization. The turbine runner performance on all units matched expectation with a five (5) MW improvement in power output, 7 - 10 % improvement in efficiency and significant reduction in vibration levels. The Power Station auxillary consumption has also reduced by 400KW during peak operation regime due to the elimination of the aerations which were required to reduce vibration levels at certain turbine power output levels. The Turbine Refurbishment project covered runners replacement, governor and Penstock Inlet Valve (PIV) upgrades. Most of the turbine refurbishment work was completed, with the successful commissioning of Unit 2, with the exception of Unit 1 where the governor upgrade is scheduled for the low flow season (August – November 2016).

ANIXAS/PARATUS POWER STATIONS

After 40 years of service, the Paratus power station at Walvisbay was disconnected from the grid on 22 June 2016. The station, which was commissioned in the 70's with an installed capacity of 24 MW, was first de-rated to 12 MW before it was declared not operational. It is due for units replacement with the aim to increase its capacity to plus-minus 40MW. The upgrading of the station will include the installation of new generating units. Once the upgrade is completed, which is earmarked for 2018, the station will be connected to the new 132kV/11kV Walvis Bay substation. Previously the station was connected to the Kuiseb substation which had a 66kV capacity. The new 132/11kV Walvisbay substation was put up to accommodate the load growth at Walvisbay and surrounding areas.

The ANIXAS power station, which has a capacity of 22.5MW, has already been integrated into the new 132kV/11kV Walvis Bay substation and was energized on 26 June 2016.

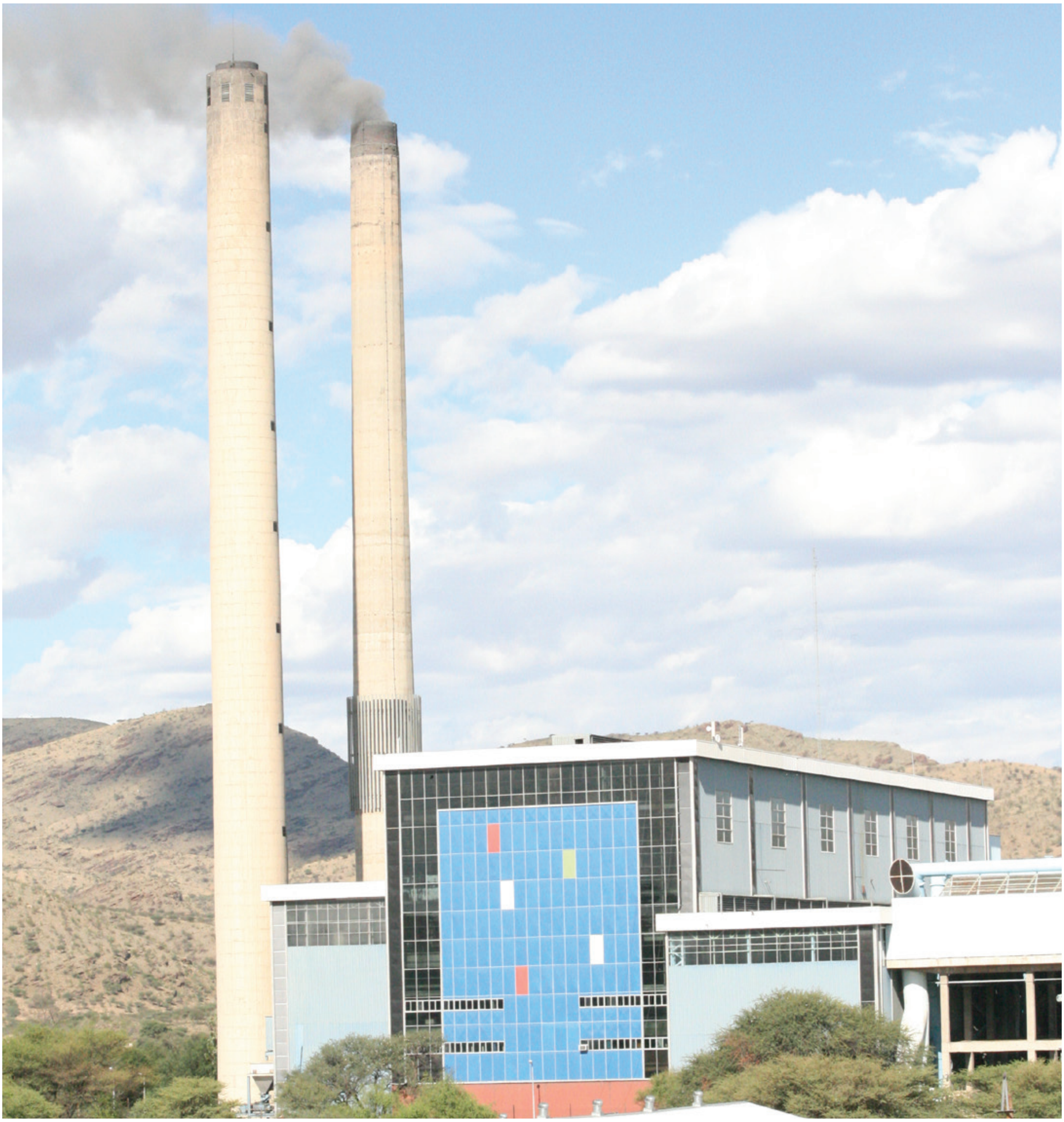
BAYNES HYDRO POWER PROJECT

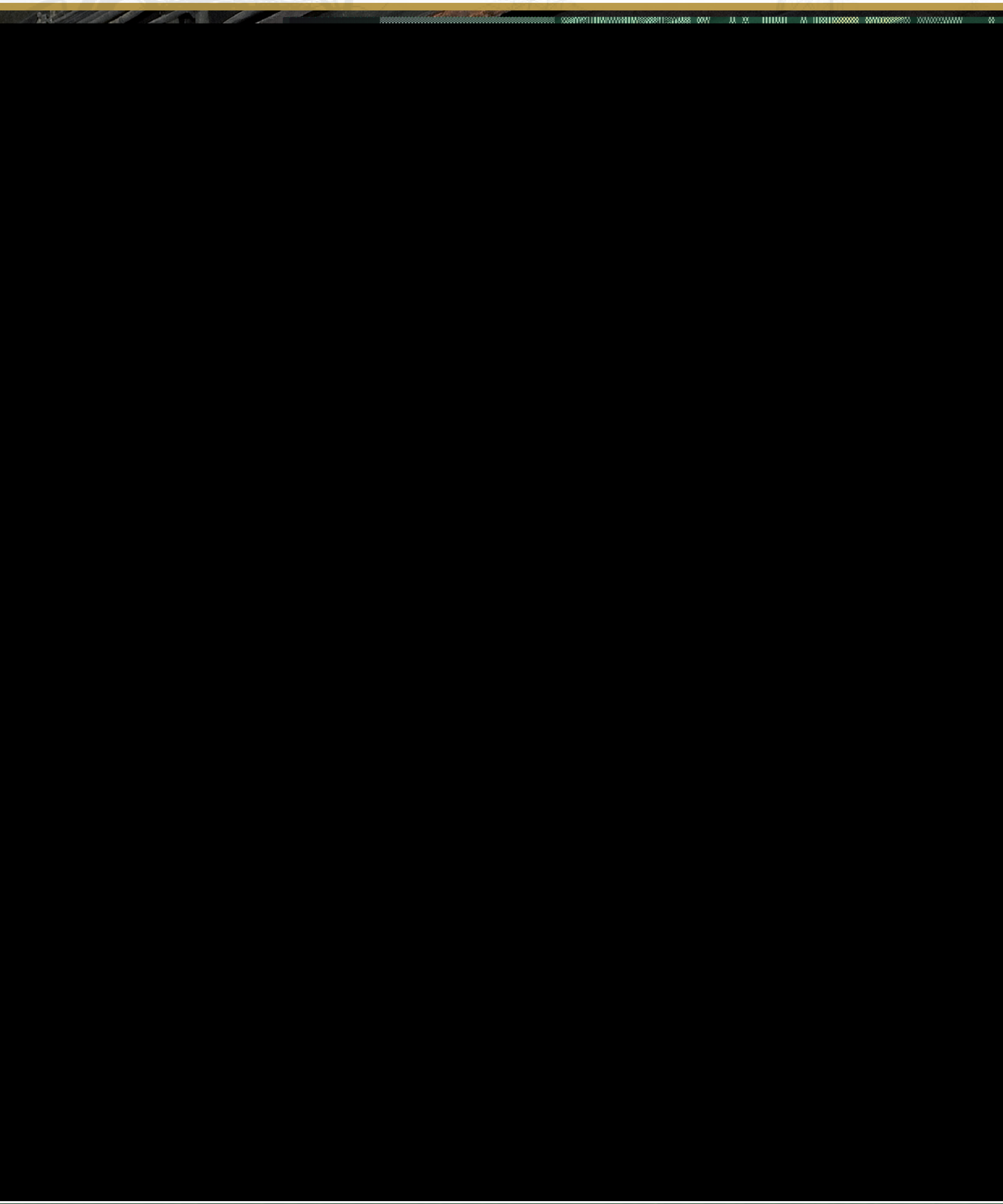
Studies on the Baynes Hydro Power Project, a joint project between Namibia and Angola, to be situated along the Kunene River, 200 km downstream of Ruacana, are at an advanced stage, although some delays experienced are hampering the completion of the studies. The following tasks were still outstanding as of the end of the financial year under review:

- Environmental Studies
- Negotiations with the inhabitants of the area proposed are still be to finalized by the two governments
- The Environmental and Social Impact Assessment Studies (ESIA) and the Environmental Management Plan (EMP) are to be finalized once the consultations with the inhabitants are finalised. This will be followed by a final round of Public Feedback Meetings in Angola and Namibia.
- The Strategic Environmental Assessment (SEA) was delivered to the Project Joint Technical Committee (PJTC) in September 2015 and is to be reviewed by the South African Institute of Environmental Assessments.
- Once all the environmental reports are reviewed and accepted by the PJTC, these would be submitted to the environmental authorities in both countries for a final decision. The process is expected to be finalised during 2017.

The PJTC has appointed MIRANDA as legal consultants, to oversee activities on the Kunene River Basin. MIRANDA is further tasked with assisting in the drafting of all necessary bilateral agreements, including those concerning the regulation of the Kunene River, allowable water abstraction, the establishment of a jointly-owned Baynes Power Company as well as the establishment of a river authority.

Stakeholders from Namibia and Angola involved in the development of the Baynes Project, will be engaged in talks during the upcoming year in order to prepare, for the development of the project.





Introduction

NamPower is a crucial player in the economic development of Namibia and as such depends on a highly skilled and innovative workforce in order to provide for the energy needs of our customers and uphold its corporate values. We continued during the financial year under review to make every effort to realise the importance of investing in our human capital. The company is proud of the fact that it has a diverse, dedicated and committed team that is always ready to go the extra mile in ensuring security of supply in the country. We keep on maintaining best industry practices adhering to policies and standards, and to ensure safety, skills enhancement training and long term benefits to our employees.

Our Remuneration Philosophy

NamPower remunerates its employees a market related pay to ensure attraction and retention of its workforce. NamPower aims to remunerate its employees in line with best practice in the market. NamPower conducts international and local salary surveys on an annual basis to ensure that its remuneration packages remain on par with those of companies of similar standing. NamPower's reward philosophy is to provide a simple, integrated, holistic remuneration solution and a package that is aligned to the market, in order to attract and retain employees. The NamPower remuneration structure is based on a Total Guaranteed Package, with the aim to achieve more flexibility to attract key talent, and simplify the administrative effort to provide better remuneration services to employees.

Employee Profile

As reflected in Table 1 below, the NamPower workforce grew to 1041 staff at the end of the financial year under review. This figure includes 102 fixed-term contract employees, some of whom were participants in the (two-year) Graduate Development Programme and (two-year) Artisan Development Programme.

	2012	2013	2014	2015	2016
Number of Permanent Employees	887	892	890	913	939
Number of Temporary Employees	44	52	66	85	102
Total Number of Employees	931	944	956	998	1041

Table 1: Staff Complement 2012-16

Employee Equity

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

Profiles at 30 June 2016

	RACIALLY DISADVANTAGED		RACIALLY ADVANTAGED		PERSONS WITH DISABILITIES		TOTAL
JOB CATEGORY	**MEN**	**WOMEN**	**MEN**	**WOMEN**	**MEN**	**WOMEN**	
Senior Management	7	4	4	0	0	0	**15**
Middle Management	20	10	9	0	0	0	**39**
Specialised/supervisory	60	30	47	3	0	0	**140**
Skilled	211	86	39	12	1	2	**351**
Semi-Skilled	177	10	2	0	0	0	**189**
Unskilled	177	28	0	0	0	0	**205**
TOTAL PERMANENT	**652**	**168**	**101**	**15**	**1**	**2**	**939**
CASUAL	78	19	3	1	1	0	**102**
TOTAL	**730**	**187**	**104**	**16**	**2**	**2**	**1041**

Table 2: AA Statistics 2016

The focus areas for the Affirmative Action (AA) in the company remain gender and racial equity. The AA status also remained unchanged. Gender representation in the company stands at 20% while women representation in Management positions (Grade 1-8) stands at 23% and both are still lower than the planned 25% by the end of 2016. NamPower is committed to revisiting its effort to ensure that these targets are achieved in the years ahead.

Recruitment

Attracting talent is an ongoing challenge due to the uniqueness of the skills sets required by NamPower. NamPower undertakes to build and develop its own skills through the company's in-house Graduate Development and Artisan Development Programmes. NamPower complements this initiative with attraction and acquisition of skills externally through robust recruitment.

NamPower has in place talent management and retention strategies to retain and support employees. Our vacant positions are advertised in the local media and on our webpage.

Job Evaluation

Job evaluation processes are carried out in accordance with guidelines supervised by a dedicated job evaluation committee. Through this structure, NamPower determines appropriate salary grades and decides on other compensation-related matters. During the year under review, positions were regularly evaluated and the outcomes of such evaluations communicated to the business units for implementation.

Grievance and Disciplinary Procedures

NamPower encourages its employees to make use of its readily accessible procedures for addressing problems or concerns they may have at work. The Grievance Procedure and Disciplinary Code are in place to address grievances.

Employee Representation

NamPower has long nurtured a healthy relationship with organised labour, within the framework of both Recognition and Full-Time Shop-Steward Agreements with the Mineworkers Union of Namibia (MUN), which is the sole bargaining agent for the majority of our employees. During the year under review, a two-year agreement on wages, housing allowances and other substantive issues was negotiated and signed with the MUN.

Performance Management

NamPower continued to evaluate its performance and that of its employees. The performance is evaluated on three aspects, i.e. corporate, business unit and individuals. These different aspects of performance evaluation are combined and averaged to obtain the overall performance score for the Company. During the year under review, the overall performance score was 2.73 (at a four-rating scale). This score is considered as strong on target performance.

In accordance with the Performance Management policy and the performance cycle, employees entered into performance agreements with their supervisors. At corporate and business unit level, the Corporate and Business Unit Scorecards were updated.

Employee Engagement

NamPower is committed to continuously determining the level of engagement of its employees and to designing appropriate interventions that improve employees' commitment to the company. As another means of measuring this critical variable for corporate success, NamPower participates in Deloitte's "Best Company to Work For" survey every second year. For the duration of the two years including the year under review, NamPower achieved a rating of 3.59 on Deloitte's 5-point rating scale, which is positive. The Company has since continued with a campaign to communicate the outcome of the survey and propose appropriate measures to improve employee perceptions of NamPower and job satisfaction. Three main initiatives being undertaken to address these matters include: career development and succession planning, communication strategies aimed at keeping our employees informed about policies and procedures and all other human resource issues affecting them and recognition of prior learning to recognise and nurture the skills of our employees.

Recognition of prior learning is reported on elsewhere in this report. The succession planning and management policy was reviewed and approved by the Board and it is being implemented. Career development was also actioned upon, whereby career paths and matrices were developed and endorsed. The Company has since commenced with implementation thereof.

Staff Turnover

Table 3 below displays both the voluntary (controllable) and involuntary (uncontrollable) staff turnover during the year under review as well as in previous years. Relevant benchmarks consider 6% and below to be a healthy annual voluntary staff turnover percentage for an organization such as NamPower. In 2015/16 the figure at NamPower was 1.54%, which was lower than in the preceding years.

Turnover (Voluntary/Involuntary)					
	2011/12	**2012/13**	**2013/14**	**2014/15**	**2015/16**
INVOLUNTARY	17	15	21	29	**43**
VOLUNTARY	15	28	23	49	**16**
TOTAL SEPARATIONS	**32**	**43**	**44**	**78**	**59**
TOTAL HEADCOUNT	**931**	**944**	**956**	**998**	**1041**
INVOLUNTARY %	1.83%	1.59%	2.20%	2.81%	**4.13%**
VOLUNTARY %	1.61%	2.97%	2.40%	4.75%	**1.54%**
% TOTAL T/O	**3.44%**	**4.56%**	**4.60%**	**7.56%**	**5.67%**

Table 3: Staff Turnover 2012-2016

Education, Training and Development

During the year under review, the Company invested an amount of N$8.9 million in providing a variety of technical, managerial and soft-skills training to its employees as part of their personal development plans. In addition, employees also attended various conferences and workshops, specific to the electricity supply industry and other disciplines, in order for them to remain at a high level of competency.

NamPower participated in the Namibia Training Authority (NTA)'s VET Levy Pilot exercise as per Section 35 of the Vocational Education and Training Act of 2008, in which employers are mandated to make monthly payments of 1% of their payroll to the NTA. NamPower is currently busy with the claiming process of the 50% of that 1% of payroll paid to the NTA during the 2014/2015 financial year.

NamPower has embarked upon an internal Recognition of Prior Learning (RPL) process for purposes of assessing and recognising employees' experience, in terms of skills and knowledge gained over the years. The aim is to address the educational imbalances of the past in which most people were allowed very little or no formal education. These employees possess skills but do not usually have academic qualifications to enable them to advance in their careers. Through the RPL process, these employees are assessed on work-related operations to ascertain and prove the level of their skills and knowledge.

True to its mission, NamPower is committed to fulfilling the aspirations of its employees by enhancing skills, knowledge and competencies through education, training and development.

INFORMATION SERVICES (iServ)

In 2013, NamPower's IT Services (iServ) adopted the Information Technology Infrastructure Library (ITIL) Service Management Framework. ITIL, a world recognised framework for IT service management provides a robust framework for identifying, planning, delivering and supporting IT services that can be adapted and applied to all business and organisational environments. ITIL enabled iServ to:

- Manage business risk and service disruption or failure more effectively and efficiently;
- Improve and develop positive relationships with users by delivering efficient services that meet their needs;
- Control and monitor IT services;
- Improve on efficient resource utilisation; and
- Support business change whilst maintaining a stable service environment.

The iServ services' local area network and wide area network uptime for the past fiscal year were:

Local Area Network	**99.87%**
Wide Area Network	**96.95%**
Services	**99.95%**

Most of the downtime recorded was due to power outages at remote sites.

iServ completed the **Microsoft Windows 8.1 and Office 2013** projects in 2015. The entire company was successfully moved across. Preparations for Microsoft Windows 10 have already started.

Business Continuity

From a business continuity perspective:

- iServ is in the process of implementing an automatic failover solution for the Enterprise Resource Plan system (ERPS), SAP R/3.
- The network is configured to form a triangle between Head Office and the disaster site.
- Internet services are made available at the disaster site, but will require manual intervention in case of a disaster. This is due to limitations of available protocol technologies.

NamPower managed to upgrade the ERP System internally without seeking for assistance from external consultants.

NamPower achieved a significant milestone in becoming the first company in Namibia to implement SAP Supplier Reconciliation, which enables creditors to automatically process and reconcile statements in SAP itself. Previously this was done manually in excel. Optimal character recognition is used to "decode" the supplier's statement and it is then automatically matched against invoices in the SAP system. The automation of this process reduces errors and should improve our payment lead times.

Electronic Document and Records Management (e-DRM)

As part of its continuing Documents and Records Management Programme, NamPower embarked on a wall-to-wall Content Server and SAP Extended Enterprise Content Management (xECM) by OpenText implementation.

The Content Server is a robust, flexible and very reliable storage media that replaced the fileserver system on which we used to save our corporate documents and records . The Content Server allows us to manage our documents and records according to best practice records management principles, meaning we will have version control, audit trails, check in/out of documents, secure document retention protocols, and have easy document search and retrieval. The SAP xECM component allows a seamless integration between SAP (which is our corporate system where all the structured data is stored and managed) and the Content Server, where all the unstructured data has now been located, thereby extending the capabilities of SAP.

As part of our continuous improvement programme, we developed a NamPower functions-based file plan that encourages transparency and information sharing while maintaining confidentiality. This we achieved through implementing a role-based permissions model that allows people in same roles and transversal groups to share information freely amongst themselves. Further business process improvements were achieved through the deployment of workflows for vehicle accident and incident investigations as well as vehicle asset disposals. A generic correspondence workflow is also being deployed for faster document collaborations, reviews and approvals.

ABRIDGED SUSTAINABILITY REPORT

CORPORATE SOCIAL INVESTMENT (CSI)

NamPower invests greatly in improving the communities in which it operates through the NamPower Foundation.

Significant investments continue to be made, through the Foundation, in various community projects aimed at socio-economic development. Funding is made available to projects that fit the Foundation's 5 focus areas as outlined in the table below.

NamPower has invested more than N$6 million in various social projects in the year under review, spread across the length and breadth of the country.

The five focus areas of the Foundation are as follows:

Education	Community Development	Health and Social Welfare	Capacity Building & Skills Development	Job Creation and Entrepreneurship
• Educator Support • Learner Support • Equipment and Resources • Infrastructure rehabilitation and development • Learner support in Maths, Science and computer literacy • Adult basic Education • Early Childhood Development • Power Care (NamPower employee initiative)	• Rural Poor and Urban Poor Support • Skills Development • Youth & Women Support • Supports the employee volunteer programme "PowerCare"	• General Health Care Support • Social Welfare • Caregiver Support	• Entrepreneurship Skills • Vocational Training • Provision of IT equipment • Adult Basic Education	• Support of emerging entrepreneurs with a focus on women, the youth and rural communities • Entrepreneurship Development • Skills Development and Training

Projects Funded and amount per focus area

Projects Funded	Amount N$	% Of CSI Spent
1. Flagship and national projects		
• *NamPower National Science Fair*	2,499,490	29.76
• *Disability Sport Namibia*	1,200,000	14.29
• *Medic Rush*	150,000	1.79
Sub Total	3,849,490	
2. Focus Areas of the Foundation		
Capacity and Skills Development	130,927	1.56
Community Development	379,503	4.5
Education	3,977,650	47.37
Job Creation and Entrepreneurship Development	-	-
Health and Social Welfare	59,762	0.71
Sub Total	4,547,843	
TOTAL	8,397,333	**100**

Many projects funded cut across focus areas, therefore numbers shown are for indicative purposes only and efforts continue to support projects in all focus areas.

Projects Funded per region

Projects Funded during FY 2015/16 per region

Region	Number of Projects	Amount N$	% of CSI spent
Erongo	2	68,233	1.50
Hardap	3	41,039	0.90
Karas	0	-	-
Kavango East & West	0	-	-
Khomas	13	694,320	15.27
Kunene	0	-	-
Oshana	1	104,275	2.29
Omaheke	8	498,658	10.96
Omusati	6	1,511,323	33.23
Otjozundupa	5	583,203	12.82
Ohangwena	2	31,093	0.68
Oshikoto	4	565,213	12.42
Zambezi	1	450,480	9.90
		4,547,843	**100**

We continue to engage our stakeholders to find out about their pressing needs and inform them of the support we can offer. For this reason NamPower participated in various trade shows across the country during the year under review.

FLAGSHIP PROJECTS

The NamPower Foundation has three flagship programs that are funded on a large-scale annually, herein referred to as national projects.

National Science Fair

The NamPower National Science Fair affords students from across the country the opportunity to use their innovation in science and technology and exhibit projects in competition with their fellow learners at national level. Gold winners from regional Science Fairs qualify to participate in the national competition. NamPower's exclusive sponsorship of this event over the years amounts to millions of Namibia dollars.

Disability Sport Namibia

NamPower has since 2011 been the main sponsor of Disability Sport Namibia, which is the umbrella body of Special Olympics and Paralympics Namibia. In the year under review, NamPower granted an amount of N$1.2 million for the implementation of various sports development programmes and athletes' participation in both local and international competitions.

Medic Rush

NamPower continued to partner with Hochland Round Table 154 in support of Medic Rush, an annual initiative that sees health care practitioners offer free health care services and medication to communities in remote and less privileged parts of the country.

Other Projects

Employee Volunteerism: PowerCare

Employee volunteerism allows interested NamPower staff members the opportunity to offer their resources, in terms of time, money and goods to support the vulnerable, through the PowerCare programme. PowerCare's focus remains pre-primary education, a programme through which staff donate a variety of items ranging from clothing, stationery to food items. NamPower matches the value of donations collected by staff on a 1:1 ratio.

Bursaries

NamPower continued its effort to ensure long-term availability of specialised and scarce skills in line with its strategy and the National Human Resource Plan. During the year under review, NamPower awarded 91 new bursaries. This number includes both the bursary recipients in external and vocational training bursary schemes, as well as the recipients of the employees' children scholarship. The number of new bursaries has added to a total of 226 bursary recipients that the Company is maintaining. During the year under review, NamPower spent about N$ 9.2 million in different bursary schemes. The fields of study and the number of bursary holders are displayed in the table below.

Field of Study	Diplomas	Bachelor Degrees	Masters Degrees	TOTAL
Accounting	12	50	1	63
Engineering	8	53	3	64
Law	0	4	0	4
Science	2	35	0	37
HR	0	9	0	9
Education	2	15	0	17
Arts	11	10	0	21
Medicine	0	11	0	11
TOTAL	**35**	**187**	**4**	**226**

Bursary Schemes, 2016

SAFETY, HEALTH, ENVIRONMENT AND WELLNESS (SHEW)

The SHEW section's operations are driven by Namibian legislation which the company has to comply with. Various legislations such as the Labour Act and the Environmental Management Act are drivers for compliance. Safety Health and Environment forms part of the values of NamPower, and the wellness of our employees is a high priority.

NamPower has received approved Environmental Clearance Certificates as a result of scoping or EIA reports and Environmental Management plans which were submitted to the Environmental Commissioner. Servitudes underneath power lines need to be kept clear from vegetation regrowth to ease access to the lines as well as to reach faults on power lines. Bush clearing is done by means of mechanical and manual bush clearing methods. Substations are also kept clear of grass and any other types of vegetation regrowth to ensure security of supply.

The SHEW section continued during the year under review to conduct risk assessments, accident investigations, and inspections. Injuries on duty for the year totalled 7, with none fatal but one serious. SHEW audits as part of the performance management system were also conducted.

Highlights

- Various internal trainings were conducted and were well attended. These included hazard identification and risk assessments, basic safety training, basic firefighting training and accident investigation
- Vehicle accident rates have dropped drastically. It is assumed that this is due to strict control measures that have been put in place.
- A number of risk assessments have been conducted to determine the risk associated with various types of activities performed in the company.
- Safety inspections form an integral part of the duties of the safety section and continuous inspections are carried out at various work areas.

Challenges

- Lack of ownership and responsibility taken by supervisors and employees for the SHE programme in their departments.
- Getting NamPower contractors to comply with the legislation and the company's policies and procedures.

Safety

NamPower has employed Safety Health and Environmental Officers who are responsible to assist and advise management and supervisors with the driving of the Safety programme in their different areas of responsibility. The Safety programme is implemented as per legislation. NamPower has decided to implement OSHAS18001 (Occupational Health and Safety) as part of the ISO Integrated Management System.

Environment

Environmental Impact Assessments

NamPower conducted a number of environmental impact assessments for which Environmental Clearance Certificates were issued by the Ministry of Environment and Tourism.

Environmental Inspections/Audits

Audits were conducted to determine if contractors are complying with the requirements of the Environmental Management Plan and Environmental Clearance Certificate issued by the Ministry of Environment and Tourism as well as the Safety Plan submitted by the contractors. A number of non – conformances were found as some of the contractors did not fully comply with the environmental management plan.

Environmental Networking

NamPower and the Namibia Nature Foundation (NNF) have reviewed the agreement between the two institutions as well as re-looked at strategies to be followed. The objectives of the partnership are to, among others, promote awareness; communication and collaboration about the risks that power structures poses to wildlife/birds; risks posed by wildlife/birds to the power supply sector; monitoring; reporting; research and the management of power supply and wildlife/bird interactions and incorporation of wildlife/bird mitigation into existing power supply networks.

NamPower is responsible for the disbursement of funds to the Partnership on behalf of the European Investment Bank (EIB), through the Namibia Nature Foundation (NNF). The Namibia Nature Foundation is responsible for the overall management of the Partnership and the co-ordination and active implementation of its projects through a project manager, according to an approved action plan. A Steering Committee comprising representatives of both NamPower and NNF offers guidance and steers the management processes.

Table showing results of power line surveys/monitoring conducted:

Year	No. surveys	Km	Mortalities	Mortalities/km*
2009	6	104	13	0.12
2010	16	614	31	0.05
2011	9	357	26	0.07
2012	16	611	46	0.08
2013	7	475	23	0.05
2014	30	518	84	0.16
2015	67	819	60	0.07
Total	151	3,499	283	0.08

Surveys/incident results are evaluated regularly and recommendations are made for further mitigating trials with various devices. Mitigation measures for outages caused by weaver nests have been developed, while an environmental checklist and EIA guidelines on high risk factors and mitigation are being developed to become part of standard EIA procedures.

Environmental Health - Air Quality

Baseline air quality study was conducted at Van Eck power station to determine the air quality status in the vicinity of the power station and to identify other contributing sources. The ambient monitoring was done using a TAS Minivol with pre–weighted filters and exposed over a period 24 – hour at a time. Passive samplers (PD samplers) were placed at eight sites around the power station to monitor for sulphur dioxide (SO2) and Oxides of Nitrogen (NO2).

Ambient monitoring was deployed around the Power station as part of this assessment. Two monitoring campaigns were run: during September – October and during November. Although the power station only operated intermittently during these two sampling campaigns, the results provide some indication of the ambient air quality around Van Eck power station. The main findings are:

- Exceedances of the recommended evaluation criteria for daily PM10 and PM2.5 were exceeded more than 4 days during the campaign, with elevated concentrations occurring when the power station was operational as well as when it was off-line, suggesting localised low-level sources of particulates.
- Calculation of short-term SO2 and NO2 (Gasses) concentration's, based on one month sampling period suggested the potential for short-term exceedances of evaluation criteria. However, compliance with annual evaluation criteria is likely.
- A comparison between the PM10 and PM2.5 (Dust) concentration's measured near Van Eck and the operational status of the power station shows that exceedances of the limit concentrations were not necessarily associated with the operation of the station, but likely contributions from other sources within the vicinity of the station

Water Quality

Sampling was done as per recommendation from Knight-Piesold for surface water monitoring for Van Eck, Brakwater and Ruacana power stations.

Surface water quality on the Kunene River is very good compared to the water at Brakwater and Van Eck.

There are various scrap yards opening up alongside the Klein Windhoek River at the back of Van Eck power station and these have contributed significantly to hydrocarbon contamination in the stream, especially during rainy seasons. This has been taken up with the City of Windhoek and the situation is being monitored.

Additional sampling was conducted at Ruacana power station in an effort to obtain a discharge permit for the station. NamPower had to sample effluent discharged from the station into the River and analyse it for various parameters as per the requirements of the Ministry of Agriculture, Water and Forestry. Out of about 12 parameters, E.coli and hydrocarbons have been exceeded in most of the samples. E.coli indicates the presence of faecal contamination while hydrocarbons originate from oil and grease.

Central areas such as Windhoek are faced with water supply issues as the dams and reservoirs supplying those areas are critically low. To address this issue, NamPower drilled two boreholes at Van Eck Power Station and rehabilitated the old borehole in order to provide water needed to keep the station running.

Other measures taken at NamPower include awareness raising through monthly environmental slogans and preventing certain activities such as the watering of gardens.

Occupational Hygiene Surveys

A number of occupational hygiene interventions were conducted around NamPower sites. These included dust and asbestos sampling at Lüderitz, Illumination survey and asbestos monitoring at Ruacana power station, Illumination survey and asbestos monitoring at Paratus Power Station, and Dust monitoring at Van Eck Power Station.

Where deviations were found, respective supervisors/managers were informed to make provision for compliance with the required legislation.

A number of asbestos samples were taken at Luderitz sub station, Ruacana and Paratus stations and samples were submitted to a registered laboratory to determine the type of asbestos that are still prevalent in NamPower. Asbestos monitoring with sampling pumps was also conducted at Ruacana and Paratus power stations to determine if there are any airborne fibres that might have an impact on the health of employees working at the said power stations. The samples taken indicated that it is below the permissible level as per legislation.

Sheets obtained from the Lüderitz sub-station tested positive for asbestos.

No Asbestos fibre counted on all samples taken at Ruacana and Paratus power station.

Wellness

A wellness programme offers numerous benefits for the employer as well as the employee. One major objective of a wellness programme is to bring services closer to the employee, and through that, identify wellness problems early enough and extend the necessary assistance.
The wellness office conducted a number of wellness initiatives during the year under review.

Peer Education Program:

The Peer Educator programme is doing well. A total of 26 active Peer Educators conduct information sessions at different worksites. There has been an increase in interest from staff members to have regular sessions on wellness topics.

Blood donation clinics at NamPower:

A number of blood donations clinics were set up at Van Eck, Brakwater and the NamPower Head Office. NamPower employees are committed to making a difference towards the plight of the Namibia Blood Transfusion services as evident by increased numbers of those who donated blood. More young employees are now taking part in the clinics.

ABRIDGED SUSTAINABILITY REPORT

RURAL ELECTRIFICATION

DISTRIBUTION AND RURAL ELECTRIFICATION

During 2015/2016 financial year, NamPower budgeted N$30 million for rural electrification, manifesting our commitment to one of the Government's long-term strategic objectives pursuant to the Harambee Prosperity Plan and Vision 2030. A whopping 70% of this budget was allocated to the areas where Regional Electricity Distributors (REDs) are operative, resulting in infrastructures being donated to the REDs. The remaining 30% was allocated to areas that are not under REDs, and these infrastructures would be capitalised on the company's balance sheet. This mechanism stems from the fact that there is greater demand for rural electrification in the RED areas, as most public institutions in these areas need to be electrified. The 30% spend in areas not falling under the functional REDs, has been used towards construction of the distribution backbone infrastructures. NamPower follows a regional-based approach mechanism in order to ensure fair distribution of its rural electrification budget.

In addition to the funds made available by NamPower, there is also a separate rural electrification budget funded by the European Investment Bank (EIB). The EIB has its own project approval procedures for these projects and no projects were approved during the period under review.

The table below shows NamPower's expenditure on rural electrification projects per region during the period of 2015/16 Financial Year.

Region	Expenditure (N$)
Ohangwena	3 612 121
Zambezi	3 721 497
Oshikoto	1 812 029
Omaheke	11 689 620
Omusati	1 708 795
Kunene	3 243 385
Otjozondjupa	65 748

OUR SUPPLIERS (NEEEP)

NEEEP POLICY

The NamPower Equitable Economic Empowerment Policy (NEEEP) is aimed at maximising the awarding of NamPower tenders to benefit historically Previously Disadvantaged Namibians (PDN). This policy replaced the NamPower Black Economic (BEE) Policy of 1994 and became operational in September 2014. The NEEEP Policy will be aligned with the Government empowerment framework, the New Equitable Economic Empowerment Framework (NEEEF) currently under discussion.

The NEEEP policy provides that non-technical, non-complex and repetitive tenders below the amount of N$10 million should be set aside for PDN companies, with a shareholding of over 51%. Notwithstanding such a provision in the NEEEP policy, the percentage of PDN companies that were awarded tenders in this category remains small.

During the financial year 2015/2016 the majority of tenders issued under the set- aside category was issued for rural electrification, the provision of consumables and to a small extent, non-complex construction and renovation-related work.

It should further be noted that tenders above N$10 million benefitted enterprises with minority PDN shareholders or non PDN enterprises. This percentage although insignificant, was realised due to the subcontracting of PDN enterprises, an element deliberately introduced to facilitate the participation of PDN enterprises in tenders considered to be of a complex nature. The benefits by PDN enterprises in this category remain largely low.

The statistics below reflects the performance of the implementation of the NEEEP Policy during the year under review.

PROCUREMENT SPEND ANALYSIS 2015/2016	N$
Total NamPower Procurement Spend on non-electricity suppliers	845 441 866
Total Previously Advantaged Namibians (PAN) Spend	588 488 796
Total Previously Disadvantaged Namibian (PDN) Spend	233 426 996

The percentage of 25.8% of the NEEEP procurement, proportionate to the total procurement realised during the Financial Year 2015/2016 represents a significant improvement when compared to 19% achieved during the Financial Year 2014/2015. The latter achievement only covered the post launch period of the NEEEP policy which covered statistics for Quarter 3 and Quarter 4 of the previous financial year.

CORPORATE GOVERNANCE

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

The Group continues to apply and comply with the provisions of the Companies Act and its internal governance procedures in directing and managing the business. Certain exceptions within the SOEG Act were also processed. The matters dealt with through the Company's internal governance procedures and subject to the Board's approval include development and implementation of the Company's strategic and financial plan, determination and approval of the remuneration of the Board and senior management and management of the Company's investment portfolio.

NamPower has long set the standard for corporate governance among state-owned enterprises in Namibia, and continues to treat this responsibility with the same seriousness and commitment it brings to the task of powering the nation. The governance hierarchy begins at the top with the Ministry of Mines and Energy as representative of the Company's sole shareholder, the Government of the Republic of Namibia, then comes the Board of Directors, appointed by the shareholder; with directors further dividing a portion of their responsibilities among themselves through four committees established to assist the Board (Audit and Risk Management; Remuneration and Nomination; Investment; and Board Tender); and finally senior management, under the supervision of and accountable to the Board.

The Board is the highest body with fiduciary responsibilities to the Company. Through regular meetings, the Board monitors management, and stakeholder engagement and discharges key functions of overall strategic direction and control. The Board regularly re-examines and modulates as necessary the Company's vision, mission, values and broad trajectory. The Board appoints, delegates authority to, and holds the Managing Director accountable for his/her performance ensuring the integrity of the annual financial statements and integrated reporting. The Board faithfully discharges through its constituent members both its own responsibilities and those of its committees in an exemplary manner.

FINANCIAL PERFORMANCE

We have concluded another financial period marked with consistent but stringent availability of power to our customers. In light of this, NamPower's mandate as a supplier of last resort stretched the financial resources of the company in order to avoid load shedding. This remains our guiding principle in our dealings with our counterparts within the region as we believe the cost of load shedding to the economy far outweighs the high import prices at which electricity is availed. Namibia will be dependent on imported electricity and influenced by other utilities until such a time that a number of new generation sources are executed by various utilities in the region, including NamPower and supplemented by independent power producers.

Group revenue increased by 12% (2015: 13%) from N$4.0 billion in prior year to N$5 billion for the year under review. The increase is primarily driven by the annual tariff increase of 9.5% and increase in 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. Included in the 2013/2014 tariff increase is a LRMC levy of 2.54 cents/kWh. The 2015/2016 tariff 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 3.6% (2015: 1.1%) from 3 870 GWh achieved in 2015 to 4 008 GWh in 2016. Maximum demand increased to 667 MW comparing to 657 MW achieved in June 2015, an increase of 1.5%. The lower growth in electricity sales, when compared to the peak demand, is attributed to reduction in bulk water pumping as a result of the persisting drought in the country. NamPower did however see a change in the energy demand due to customers' initiatives like switching to renewable sources of energy such a solar water heating and installation of roof top solar photovoltaics.

During the year under review NamPower concluded 14 new Power Purchase Agreements (PPA) of 5 MW with Independent Power Producers (IPP) each in the renewable energy sector. One of these IPPs (Hopsol Power Generation) started generating in June 2016 and is included in the units into the Namibian system. The other 13 IPP's are expected to be fully operational during the 2017 financial year.

Despite the increase in revenue, the gross profit margin fell from 40% achieved in 2015 to 28%, driven by increased cost of electricity. The country experienced severe drought and the lowest rainfall in over a decade and consequently, sub-par Kunene River flows resulting in a decrease in the dispatch from NamPower's flagship hydro power station at Ruacana. NamPower continues to rely on regional trading partners to meet the country's energy demand. Of the total 4 439 GWh units of electricity into the Namibian system during the year under review, 68% (2015: 64%) was imported from the region.

The cost of electricity increased by 33% from N$2.7 billion to N$3.6 billion during the year under review. The cost of imported electricity was the main contributor to the increase and was driven by the depreciation of the Namibia Dollar against the United States Dollar and the inevitable extension of an expensive import agreement. The cost of supply was further aggravated by the persistent drought. These events were beyond NamPower's control and seem unlikely to abate in coming years thus, providing strong justification for all role players to redouble their efforts in developing the country's own base load power plant with sufficient capacity to meet the country's current and projected energy requirements.

Other income for the Group increased by 16% (2015: 20%) from N$75 million to N$87 million. Included in other income is the government grant income accrued of N$59 million (2015: N$44 million) for energy and power station subsidy, income from the fibre optics rentals and profit from disposals of assets. In 2008, the shareholder, the Government of the Republic of Namibia, committed N$360 million of energy subsidy over a period of three years. The last portion of N$11.7 was utilised during the financial year under review. The grant is recognised as income on a systematic basis as the electricity generation expenditure is incurred at various NamPower thermal power stations. In addition, during 2010 the Government made a further commitment for a subsidy amounting to N$250 million towards the construction of the emergency diesel power station- ANIXAS Power Station in Walvis Bay. Of this grant, N$31.8 million has been recognised as income and the remainder N$218.2 million will be recognised on a systematic basis over the useful life of the power plant.

Other operating expenses increased by 28% during the year under review. Included in other operating expenses is an impairment loss in respect of trade receivables amounting to N$235 million. NamPower thus seeks to draw more from its existing infrastructure, and to this end made significant investment into demand side management through procurement of LED bulbs for distribution to households, repair and maintenance of transmission networks, rehabilitation of Van Eck Power Station and runner replacement at Ruacana Power Station to ensure efficiency and reliability of electricity network. All these activities contributed to the increase in other operating expenses.

Investment income for the year increased by 22% (2015: 6%) from N$442 million to N$542 million during the year under review. The increase in the average investments held and the increase in interest rates contributed to higher returns offered on investments and the fact that there was no exceptional expenditure on capital infrastructure during the period under review. The next few years are anticipated to be characterised by major capital outlays mainly in respect of expanding generation capacity and upgrading the transmission backbone system from 220kV system to 400kV system, hence investment income is expected to decrease correspondingly. The prime interest rate increased by 50 basis points during the year under review from 10.25% at 30 June 2015 to 10.75% as at 30 June 2016.

For the first time in the history of NamPower, the company made a loss before tax amounting to N$551 million comparing to a profit of N$666 million achieved in 2015. The Group made a loss before tax of N$515 comparing to a profit of N$706 achieved in 2015. Included in the loss before tax is the depreciation charge for the year amounting to N$735 million (2015: N$531 million). In line with the group's accounting policies, the Company's core assets i.e power stations, transmission systems, aircraft fleet and land and buildings were revalued effective 1 July 2015 on the basis of the their depreciated replacement value. The revaluation of power stations, transmission systems and aircraft fleet was performed by independent valuers namely Mott McDonald, South Africa and the land and buildings were revalued by Gert Hamman Property Valuers CC. The revaluation resulted in an increase in the value of these assets amounting to N$6.6 billion and an impairment loss of N$378 million. The increase in the value of property, plant and equipment as a result of revaluation significantly increased the Group's deprecation by 38% to N$ 735 million comparing to N$531 incurred in 2015. The impairment loss and depreciation were charged against income in arriving at the loss before tax whilst the revaluation surplus and associated tax charge of N$2.1 billion is disclosed under other comprehensive income.

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

- Net fair value loss on derivatives and foreign loans of N$94 million (2015: N$85 million);
- Net fair value loss on embedded derivatives on Power Sale Agreements and Power Purchase Agreements of N$105 million (2015: N$15 million);
- Net foreign exchange gains N$119 million (2015: N$136 million)

OUR FINANCIAL PERFORMANCE OVERVIEW

Group loss after tax amounted to N$286 million comparing to profit of N$531 million achieved in the prior year.

Net cash generated from operating activities decreased by 48% from prior year. Capital expenditure for the Group amounted to N$503.8 million (2015: N$790.1 million) for the year under review. Total assets increased to N$30.2 billion from N$23.7 billion prior year. The increase is primarily driven by the revaluation of N$6.6 billion. A loan amounting to N$377 million was raised during the year under review.

The shareholder, the Government of Republic of Namibia continues to render its support to NamPower, without which the delivery of our mandate would not be possible. NamPower supports Namibia's blueprint to become an industrialised country by the year 2030. The Fourth National Development Plan (NDP4) and the Harambee Prosperity Plan (HPP) set out clear targets that must be achieved, emphasising the development of power generation facilities and broader access to electricity in order to promote economic growth and improve the citizens' standard of living

NamPower as the national power utility remains focused by taking advantage of opportunities that guarantee security of supply in order to meet the energy needs of its customers, fulfil aspirations of the staff and satisfy the expectations of its stakeholders. As articulated in the Harambee Prosperity Plan that "there should be no load shedding", NamPower, being a key role player, has recommitted itself to ensuring secure and reliable power supply to the country during the Harambee Prosperity Plan period and beyond.

FINANCIAL STATEMENTS

	GROUP				COMPANY			
	2016		2015		2016		2015	
	N$'000	%	N$'000	%	N$'000	%	N$'000	%
VALUE ADDED								
Turnover	5 005 992		4 480 514		5 005 992		4 480 514	
Less: Cost of primary energy, materials and services[a]	4 131 769		2 943 506		4 131 769		2 943 506	
Value added by operations	874 223	58.16	1 537 008	74.83	874 223	58.15	1 537 008	74.79
Interest and sundry income	629 040	41.84	517 050	25.17	629 222	41.85	518 105	25.21
	1 503 263	100.00	2 054 058	100.00	1 503 445	100.00	2 055 113	100.00
VALUE DISTRIBUTED								
To remunerate employees	608 332	40.47	534 441	26.02	608 332	40.46	534 441	26.01
To providers of debt	233 213	15.51	227 441	11.07	233 213	15.51	227 441	11.07
Taxation paid	(229 218)	(15.25)	174 767	8.51	(233 568)	(15.54)	174 775	8.50
	612 327	40.73	936 649	45.60	607 977	40.44	936 657	45.58
VALUE RETAINED								
To maintain and develop operations	890 936	59.27	583 727	54.40	895 468	59.56	584 844	54.42
	1 503 263	100.00	2 054 058	100.00	1 503 445	100.00	2 055 113	100.00

[a] The comparative figures have been restated to include only the cost of primary energy, materials and services.

DIRECTORS' RESPONSIBILITY STATEMENT

The directors are responsible for the preparation and fair presentation of the group and company annual financial statements of Namibia Power Corporation (Proprietary) Limited, comprising the statements of financial position at 30 June 2016, 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 is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the ability of the group and the 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 05 December 2016 and signed by:

MMN NAKALE
CHAIRPERSON

KS HAULOFU
ACTING MANAGING DIRECTOR

INDEPENDENT AUDITOR'S REPORT

To the shareholder of Namibia Power Corporation (Proprietary) Limited

We have audited the group financial statements and financial statements of Namibia Power Corporation (Proprietary) Limited, which comprise the statements of financial position at 30 June 2016, 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, as set out on pages 90 to 196.

Directors' Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the consolidated and separate financial position of Namibia Power Corporation (Proprietary) Limited at 30 June 2016, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Namibia.

KPMG

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

Windhoek, 05 December 2016
30 Schanzen Road, Klein Windhoek, Windhoek, Namibia

The directors have pleasure in presenting their report for the year ended 30 June 2016.

1. Principal Activities

The Company is responsible for generation, transmission, energy trading and to a lesser extent the distribution of electricity in Namibia. The activities of the subsidiaries and associates comprise:

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

2. Operating Results

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

Units into the system and sold:	**GROUP AND COMPANY**	
	2016 GWh	2015 GWh
Ruacana Hydro Power Station	1 359	1 502
Van Eck Power Station	53	7
Paratus Power Station	-	1
Anixas Power Station	9	26
Eskom	1 956	982
ZESCO	334	422
EDM	23	35
ZESA	55	702
Aggreko	301	517
ZPC	349	59
STEM	55	20
Omburu Sun Energy (Pty) Ltd (Innosun)	12	2
Total units into system	4 505	4 275
To customers in Namibia	3 324	3 169
Exports	99	88
Orange River	145	139
To Skorpion Zinc Mine ^	440	474
Total units sold	4 008	3 870

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

Transmission losses	**11.0%**	9.5%

Growth

During the year under review there was an increase of 4.9% in units sold to customers in Namibia excluding Skorpion (2015: increase of 4.7%). The power imported by the Company during the year under review increased by 300 million units (2015: decrease of 170 million units).

3. Dividend

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

4. Subsidiaries and Associates

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

5. Capital Expenditure

The expenditure on property, plant and equipment during the financial year amounted to: Group and Company N$503.1 million (2015: N$788.9 million). The expenditure on intangible assets during the financial year amounted to: Group and Company N$727 thousand (2015: N$1.7 million).

This expenditure is mainly attributable to:

5.1 Electrification:

- Naute Irrigation Project
- Omaheke: 33kV Line Donkerbos
- Southern Region: Pre-paid Meters
- Von Bach Tungeni Africa Investments (Pty)
- NPPA: Electrification CWA School-Okavango
- Luxury Investments 140 Irrigation Project
- Omaheke region: Eiseb 10 Locality
- Reactors: Mariental-Gibeon 33kV retic
- Bloukrans School 281

5.2 Substation Development:

- Walvis Bay 132kV Substation Development
- Husab Power Supply
- Kunene 330kV Transmission Station
- Omatando: second 132kV busbar
- Warmbad 132/33kV Substation
- Auas SVC Control system Upgrade
- Omatando Substation
- Ruacana-Baobab strengthening
- Gerus S/S: Otjikoto 220kV Feeder
- Henties Bay S/S:10MVA Trfr - SERGI
- Kavango 132kV Rundu-Cuito - Project
- Hardap S/S: Supply and fit Interlocks

5.3 Refurbishment and Upgrading:

- Van Eck Power Station - Rehabilitation
- Ruacana Power Station Units 1-3: Vibration Monitors
- Ruacana Power Station Lifts Upgrade
- Ruacana Power Station: Upgrade of Unit 1-3 Hydraulic
- Ruacana Power Station: 330KV Protection Refurbishment
- Ruacana Power Station Turbine Runner Upgrade

5.4 Transmission System:

- Northern Transmission Master Plan
- Kunene - Omatando 400kV Transmission Line
- Rossing-Walmund 220kV Line OPGW installation
- Osona 220kV In - Out
- Gerus T/S Video Surveillance
- Recloser automation project
- 2 x 132 kV Lines Kuiseb - Walvis Bay Substations
- Otjikoto 220kV Feeder & Reactor
- 400kV Gerus-Otjikoto Line
- Tx Kudu Integration
- Von Bach Pumping Scheme (NamWater)
- IP Network Integration of Kuiseb
- IP Network Integration of Swakop
- IP Network Integration of Rossing
- External: Upgrade Transformer 21 Otjikoto
- Gerus 220kV Feeder

5.5 Power Station Development:

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

6. Foreign Assets

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

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

7. Shareholder

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

8. Subsequent events

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

9. Corporate Governance

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

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

9.1 Directorate

MMN Nakale	Chairperson
KS Haulofu	Acting Managing Director; appointed 01 July 2016
PA Kiiyala	
PJ Maritz	
SP Utonih	
Adv. AW Boesak	
P Karuaihe-Martin	

9.2 Board Committees

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

9.2.1 Audit and Risk Management Committee

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

P Karuaihe-Martin	Chairperson
SP Utonih	
Adv. AW Boesak	

9.2.2 Remuneration and Nomination Committee

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

PJ Maritz	Chairman
PA Kiiyala	
SP Utonih	

9.2.3 Board Tender Committee

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

Adv. AW Boesak Chairman
PJ Maritz
SP Utonih

9.2.4 Investment Committee

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

PA Kiiyala Chairman
P Karuaihe-Martin
SP Utonih

9.3 Board and Board Committee meetings

Board of Directors	Board	Audit and Risk Management Committee	Remuneration and Nomination Committee	Board Tender Committee	Investment Committee
Meetings held:	20	7	3	4	2
Attendance:					
MMN Nakale	19	n/a	n/a	n/a	n/a
PA Kiiyala	19	n/a	3	n/a	2
PJ Maritz	16	n/a	3	3	n/a
SP Utonih	20	7	3	4	2
Adv. AW Boesak	18	7	n/a	4	n/a
P Karuaihe-Martin	17	6	n/a	n/a	2

10. Secretary

Ms S Mavulu held office as Company Secretary for the year under review. The business and postal addresses are shown on page 197.

11. Going Concern

The directors have made an assessment of the ability of the Company and its subsidiaries to continue as going concerns 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.

12. Registered Address

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

STATEMENTS OF FINANCIAL POSITION
at 30 June 2016

	NOTE	GROUP 2016 N$'000	GROUP 2015 N$'000	COMPANY 2016 N$'000	COMPANY 2015 N$'000
Assets					
Total non-current assets		22 952 082	17 501 301	22 551 716	17 144 938
Property, plant and equipment	6	21 168 861	15 235 895	21 150 271	15 225 191
Investment properties	8	18 429	15 367	18 429	15 367
Intangible assets	9	2 908	3 736	2 908	3 736
Interest in subsidiaries	7.1	-	-	9 244	9 062
Investment in associates	7.2	564 252	527 953	173 232	173 232
Investments	11	977 789	1 496 437	977 789	1 496 437
Derivative assets	21.1	203 235	200 488	203 235	200 488
Loans receivable	10	16 608	21 425	16 608	21 425
Total current assets		7 281 121	6 214 524	7 281 121	6 214 524
Inventories	12	309 878	206 965	309 878	206 965
Trade and other receivables	13	1 113 051	1 010 557	1 113 051	1 010 557
Current tax receivable		4 079	4 079	4 079	4 079
Investments	11	4 139 474	3 155 862	4 139 474	3 155 862
Cash and cash equivalents	14	1 707 589	1 830 011	1 707 589	1 830 011
Loans receivable	10	7 050	7 050	7 050	7 050
Total assets		30 233 203	23 715 825	29 832 837	23 359 462
Equity					
Total equity attributable to equity holders		18 173 218	13 807 725	17 773 337	13 448 136
Issued share capital	16.2	165 000	165 000	165 000	165 000
Share premium	16.3	900 000	900 000	900 000	900 000
Reserve fund		1 574 721	1 519 447	1 574 721	1 519 447
Development fund		3 715 295	4 048 062	3 539 800	3 904 159
Capital revaluation reserve	16.4	11 717 163	7 110 050	11 492 777	6 894 364
Strategic inventory revaluation reserve	16.5	99 880	63 856	99 880	63 856
Available for sale fair value adjustment reserve	16.6	1 159	1 310	1 159	1 310
Total equity		18 173 218	13 807 725	17 773 337	13 448 136
Liabilities					
Total non-current liabilities		9 960 967	7 914 150	9 954 099	7 910 992
Interest bearing loans and borrowings	17	2 384 431	2 218 920	2 384 431	2 218 920
Deferred revenue liabilities	18	639 203	661 351	639 203	661 351
Employee benefits	22	291 590	274 959	291 590	274 959
Retention creditors	20.3	18 692	44 223	18 692	44 223
Derivative liabilities	21.2	394 734	269 221	394 734	269 221
Deferred tax liabilities	19	6 232 317	4 445 476	6 225 449	4 442 318
Total current liabilities		2 099 018	1 993 950	2 105 401	2 000 334
Trade and other payables	20	1 711 771	1 609 371	1 711 770	1 609 371
Loans due to subsidiaries	7.1	-	-	6 384	6 384
Interest bearing loans and borrowings	17	237 939	217 378	237 939	217 378
Deferred revenue liabilities	18	149 308	167 201	149 308	167 201
Total liabilities		12 059 985	9 908 100	12 059 500	9 911 326
Total equity and liabilities		30 233 203	23 715 825	29 832 837	23 359 462

	NOTE	GROUP 2016 N$'000	GROUP 2015 N$'000	COMPANY 2016 N$'000	COMPANY 2015 N$'000
Revenue	25	5 005 992	4 480 514	5 005 992	4 480 514
Cost of Electricity [b]		(3 615 787)	(2 699 541)	(3 615 787)	(2 699 541)
Gross profit		**1 390 205**	**1 780 973**	**1 390 205**	**1 780 973**
Foreign exchange gains [b]		461 896	199 984 [c]	461 896	199 984 [c]
Foreign exchange losses [b]		(342 835)	(63 973)	(342 835)	(63 973)
Amortisation [b]	9	(1 519)	(2 158)	(1 519)	(2 158)
Depreciation [b]	6	(735 063)	(531 524)	(734 888)	(531 454)
Impairment of property, plant and equipment [b]	6	(378 281)	-	(378 281)	-
Other operating expenditure		(1 243 376)	(967 793)	(1 243 376)	(967 793)
Other income	25.1	87 069	75 137	87 251	76 192
(Loss)/profit before net fair value adjustments and net finance income		**(761 904)**	**490 646**	**(761 547)**	**491 771**
Fair value loss on derivatives and foreign loans through profit or loss		(94 528)	(85 186) [c]	(94 528)	(85 186) [c]
Fair value gain on swaps		100 250	57 564 [c]	100 250	57 564 [c]
Fair value gain/(loss) on embedded derivatives - Power Sales Agreement (PSA)		6 911	(4 249)	6 911	(4 249)
Fair value loss on embedded derivatives - Power Purchase Agreement (PPA)		(111 800)	(11 173)	(111 800)	(11 173)
Fair value gain on firm commitments		665	3 245	665	3 245
(Loss)/profit before net finance income		**(860 406)**	**450 846**	**(860 049)**	**451 971**
Net finance income		308 758	214 472	308 758	214 472
Finance income	24	541 971	441 913	541 971	441 913
Finance costs	24	(233 213)	(227 441)	(233 213)	(227 441)
Share of profit of associates net of tax	7.2	36 299	40 696	-	-
(Loss)/profit before taxation	26	**(515 349)**	**706 014**	**(551 291)**	**666 443**
Taxation	15	229 218	(174 767)	233 568	(174 775)
(Loss)/profit for the year		**(286 131)**	**531 247**	**(317 723)**	**491 668**
Other comprehensive income					
Items that will never be reclassified to profit or loss					
Revaluation of property, plant and equipment	6	6 619 107	-	6 611 047	-
Revaluation of strategic inventory	6	36 024	-	36 024	-
Remeasurements of post retirement medical benefits	22	12 703	20 193	12 703	20 193
Related tax	15	(2 016 059)	(6 664)	(2 016 699)	(6 664)
		4 651 775	**13 529**	**4 643 075**	**13 529**
Items that are or may be reclassified to profit or loss					
Net change in fair value of available-for-sale financial assets		(151)	116	(151)	116
		(151)	**116**	**(151)**	**116**
Other comprehensive income for the year, net of taxation		**4 651 624**	**13 645**	**4 642 924**	**13 645**
Total comprehensive income for the year		**4 365 493**	**544 892**	**4 325 201**	**505 313**

[a] The Group has elected to present comprehensive income using a 'one-statement' approach.

[b] The Group has elected to analyse expenses recognised in profit or loss based on functions within the Group.

[c] The comparative figures have been restated as a result of the fair value gain on swaps which is disclosed seperately.

	Share Capital N$'000	Share Premium N$'000	Reserve Fund N$'000
GROUP			
Balance at 1 July 2015	165 000	900 000	1 519 447
Total comprehensive income for the year			
Loss for the year	-	-	-
Other comprehensive income			
Total other comprehensive income	-	-	-
Total comprehensive income for the year	-	-	-
Allocation from retained income	-	-	55 274
Transfer to reserve fund	-	-	55 274
Funds for capital expenditure requirements	-	-	-
Balance at 30 June 2016	165 000	900 000	1 574 721
GROUP			
Balance at 1 July 2014	165 000	900 000	1 469 280
Total comprehensive income for the year			
Profit for the year	-	-	-
Other comprehensive income			
Total other comprehensive income	-	-	-
Total comprehensive income for the year	-	-	-
Allocation from retained income	-	-	50 167
Transfer to reserve fund	-	-	50 167
Funds for capital expenditure requirements	-	-	-
Balance at 30 June 2015	165 000	900 000	1 519 447

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
4 048 062	7 110 050	63 856	1 310	-	13 807 725
-	-	-	-	(286 131)	(286 131)
-	4 607 113	36 024	(151)	8 638	4 651 624
-	4 607 113	36 024	(151)	(277 493)	4 365 493
	-				
(332 767)	-	-	-	277 493	-
-	-	-	-	(55 274)	-
(332 767)		-	-	332 767	-
3 715 295	11 717 163	99 880	1 159	-	18 173 218
3 553 453	7 110 050	63 856	1 194	-	13 262 833
-	-	-	-	531 247	531 247
-	-	-	116	13 529	13 645
-	-	-	116	544 776	544 892
494 609	-	-	-	(544 776)	-
-	-	-	-	(50 167)	-
494 609	-	-	-	(494 609)	-
4 048 062	7 110 050	63 856	1 310	-	13 807 725

STATEMENTS OF CHANGES IN EQUITY

for the year ended 30 June 2016

	Share Capital N$'000	Share Premium N$'000	Reserve Fund N$'000
COMPANY			
Balance at 1 July 2015	165 000	900 000	1 519 447
Total comprehensive income for the year			
Loss for the year	-	-	-
Other comprehensive income			
Total other comprehensive income	-	-	-
Total comprehensive income for the year	-	-	-
Allocation from retained income	-	-	55 274
Transfer to reserve fund	-	-	55 274
Funds for capital expenditure requirements	-	-	-
Balance at 30 June 2016	165 000	900 000	1 574 721
COMPANY			
Balance at 1 July 2014	165 000	900 000	1 469 280
Total comprehensive income for the year			
Profit for the year	-	-	-
Other comprehensive income			
Total other comprehensive income	-	-	-
Total comprehensive income for the year	-	-	-
Allocation from retained income	-	-	50 167
Transfer to reserve fund	-	-	50 167
Funds for capital expenditure requirements	-	-	-
Balance at 30 June 2015	165 000	900 000	1 519 447

Development Fund N$'000	Capital Revaluation Reserve N$'000	Strategic Inventory Revaluation Reserve N$'000	Available For Sale Fair Value Adjustment Reserve N$'000	Retained Earnings N$'000	Total Equity N$'000
3 904 159	6 894 364	63 856	1 310	-	13 448 136
-	-	-	-	(317 723)	(317 723)
-	4 598 413	36 024	(151)	8 638	4 642 924
-	4 598 413	36 024	(151)	(309 085)	4 325 201
(364 359)	-	-	-	309 085	-
-	-	-	-	(55 274)	-
(364 359)	-	-	-	364 359	-
3 539 800	11 492 777	99 880	1 159	-	17 773 337
3 449 129	6 894 364	63 856	1 194	-	12 942 823
-	-	-	-	491 668	491 668
-	-	-	116	13 529	13 645
-	-	-	116	505 197	505 313
455 030	-	-	-	(505 197)	-
-	-	-	-	(50 167)	-
455 030	-	-	-	(455 030)	-
3 904 159	6 894 364	63 856	1 310	-	13 448 136

STATEMENTS OF CASH FLOWS

for the year ended 30 June 2016

	NOTE	GROUP 2016 N$'000	GROUP 2015 N$'000	COMPANY 2016 N$'000	COMPANY 2015 N$'000
Cash flows from operating activities					
Cash receipts from customers		5 420 542	4 675 600	5 420 542	4 675 600
Cash paid to suppliers and employees		(4 990 376)	(3 373 191)[a]	(4 990 194)	(3 372 134)[a]
Cash generated from operations	A	430 166	1 302 409	430 348	1 303 466
Interest received		427 206	354 214	427 206	354 214
Interest paid		(149 628)	(144 357)	(149 628)	(144 357)
Taxation paid	B	-	(129 439)	-	(129 439)
Net cash from operating activities		707 744	1 382 827	707 926	1 383 884
Cash flows from investing activities					
Proceeds from the sale of property, plant and equipment		641	4 303	641	4 303
Acquisitions of intangible assets	9	(727)	(1 677)	(727)	(1 677)
Extension and replacement of property, plant and equipment		(503 109)	(788 845)	(503 109)	(788 845)
to maintain operations	6	5 535	859	5 535	859
Dividend received		-	-	(182)	(1 057)
Increase in loans to subsidiaries		518 497	(55 800)	518 497	(55 800)
Decrease/(increase) in investments		(983 612)	(54 880)	(983 612)	(54 880)
Increase in short term investments		4 817	4 829	4 817	4 829
Decrease in loans receivable					
Net cash used in investing activities		(957 958)	(891 211)	(958 140)	(892 268)
Cash flows from financing activities					
Loans raised		377 200	-	377 200	-
Repayment of interest bearing loans and borrowings		(159 152)	(221 321)	(159 152)	(221 321)
Net cash generated (used in)/from financing activities		218 048	(221 321)	218 048	(221 321)
Net increase/(decrease) in cash and cash equivalents		(32 166)	270 295	(32 166)	270 295
Cash and cash equivalents at 1 July		1 830 011	1 607 774	1 830 011	1 607 774
Effect of exchange rate fluctuations on cash held		(90 256)	(48 058)	(90 256)	(48 058)
Cash and cash equivalents at 30 June	14	1 707 589	1 830 011	1 707 589	1 830 011

[a] The comparative figures have been restated as a result of changes to the cash generated from operations. (Refer to note A of the notes to the statements of cash flows.)

	GROUP 2016 N$'000	GROUP 2015 N$'000	COMPANY 2016 N$'000	COMPANY 2015 N$'000
A. Cash generated from operations				
(Loss)/profit before taxation and interest and before share of profits from associates	(860 406)	450 846[a]	(860 049)	451 971[a]
Adjustments for:				
- Dividend received	(5 535)	(859)	(5 535)	(859)
- Net accrued interest	18 566	7 041	18 566	7 041
- Effect of exchange rate fluctuations on cash held	90 256	48 058	90 256	48 058
- Fair value movements of financial liabilities at fair value through profit or loss	(19 360)	(17 161)	(19 360)	(17 161)
- Fair value movements on derivative contracts	18 542	11 479	18 542	11 479
- Fair value movements on firm commitments	(665)	(3 245)	(665)	(3 245)
- Fair value movements on embedded derivative - Power Purchase Agreement (PPA)	111 800	11 173	111 800	11 173
- Fair value movements on embedded derivative - Power Sales Agreement (PSA)	(6 911)	4 249	(6 911)	4 249
- Coal survey adjustment	11 552	3 816	11 552	3 816
- Fair value movements on investment properties	(3 407)	(1 052)	(3 407)	(1 052)
- Impairment loss on trade and other receivables	255 226	19 976	255 226	19 976
- Depreciation on property, plant and equipment	735 063	531 524	734 888	531 454
- Impairment losses on property, plant and equipment	378 281	-	378 281	-
- Amortisation on intangible assets	1 518	2 158	1518	2 158
- Remeasurements of post retirement medical benefits	12 703	20 193	12 703	20 193
- Strategic inventory items issued	11 397	35 373	11 397	35 373
- Transfer to inventory	100 717	-	100 717	-
- Government grant recognised in income	(17 893)	(39 468)	(17 893)	(39 468)
- Movement in deferred revenue liability	(22 148)	(28 573)	(22 148)	(28 573)
- Transfer to intangible assets	-	1 097	-	1 097
- Employee benefits - defined benefit obligation	3 864	3 330	3 864	3 330
- Increase in provisions	12 767	2 764	12 767	2 764
- Loss on realisation of property, plant and equipment	(446)	(3 907)	(446)	(3 907)
Operating profit before working capital changes	825 481	1 058 812	825 663	1 059 867
(Increase)/decrease in inventories	(114 465)	6 825	(114 465)	6 825
Increase in trade and other receivables	(357 720)	(116 134)[b]	(357 720)	(116 134)[b]
Increase in trade payables	76 870	352 906[c]	76 870	352 908[c]
	430 166	1 302 409	430 348	1 303 466
B. Taxation (paid)/refunded				
Amount due (to)/by the Receiver of Revenue at beginning of year	4 079	-	4 079	-
Income statement charge	-	(125 360)	-	(125 360)
Taxation paid	-	129 439	-	129 439
Amount due (to)/by the Receiver of Revenue at end of year	4 079	4 079	4 079	4 079

The comparative figures have been restated as a result of:

[a] The separate disclosures of the remeasurements of post retirement medical benefits and the impairment loss on trade and other receivables.

[b] The separate disclosure of the impairment loss on trade and other receivables.

[c] The movement in retention creditors which were previously included in the working capital.

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 2016 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 Company's functional and presentation currency and are rounded to the nearest thousand.

(d) Use of estimates and 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 6 - revaluation of property, plant and equipment and impairment of assets;

Note 8 - valuation of investment property;

Note 12 - inventories;

Note 22 - employee benefits and

Note 29 - valuation of financial instruments - loans and derivatives.

Measurement of fair values

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

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

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

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

(d) Use of estimates and judgements (continued)

Measurement of fair values (continued)

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

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

Note 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. 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 group 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.

(iv) Business combinations

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

(a) Basis of consolidation (continued)

(iv) Business combinations (continued)

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date, which is the date that control is transferred to the Group. The excess of the cost of acquisition over fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in profit or loss as a bargain purchase gain.

(b) Property, plant and equipment

(i) Owned assets

Property, plant and equipment is initially recognised at cost. Cost includes any costs directly attributable to bringing the asset to the location and condition necessary to be capable of operating in the manner intended by management, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Subsequently property, plant and equipment is measured at revalued amounts 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 five years such that the carrying amount does not differ materially from that which would be determined using fair values at the reporting date. Between formal valuations, the revalued amounts are reassessed at each reporting date by professional valuers.

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

(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 five years.

(iv) Assets under construction

Assets under construction are measured at cost which is assumed to be equal to fair value. This includes costs of materials and direct labour and any cost incurred in bringing it to its present location and condition for their intended use, the cost of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Materials used in the construction of property, plant and equipment are valued at weighted average cost.

Assets under construction are not revalued as the cost of construction is assumed as the fair value.

(v) Depreciation

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, to its residual value.

Leased assets are depreciated over the shorter of the lease term and their useful lives if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term. Land and assets under construction are not depreciated.

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

Category

- Power Stations
  - Ruacana Power Station (Plant and Civil Works) 50-120 years
  - Van Eck Power Station 10-35 years
  - Paratus Power Station - Plant 10-35 years
  - Anixas Power Station - Plant 10-35 years

(b) Property, plant and equipment (continued)

(v) Depreciation (continued)

Category (continued)

• 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.

Strategic Inventory

The Company depreciates strategic inventory if the stock is unique and specific to items of property, plant and equipment.

The strategic inventory is depreciated at the same rate as the main item of property, plant and equipment as these assets will be simultaneously retired with the main asset. Interchangeable strategic inventory items that can be used at more than one asset are not depreciated.

Disposal

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

(vi) Reclassification to investment property

If an owner-occupied property becomes an investment property that will be carried at fair value, any difference at that date between the carrying amount of the property in accordance with IAS 16 and its fair value is treated in the same way as a revaluation in accordance with IAS 16.

(c) Intangible assets

(i) Research and development costs

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

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

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

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 use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit (CGU). For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. All impairment losses, except for property, plant and equipment accounted for under the revaluation model, are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated to:

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

Reversals of impairment

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

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(ii) 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

(e) Impairment of assets (continued)

(ii) Non-derivative financial assets (continued)

Available-for-sale financial assets (continued)

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 occurring after the impairment loss was recognised in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognised in profit or loss.

(f) Inventories

Fuel, coal, maintenance spares and consumable stores are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated cost necessary to make the sale. The cost of inventories comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition and is determined using the weighted average cost method.

(g) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will occur to settle the obligation, and where a reliable estimate can be made of the amount of the obligation.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as finance cost. Provisions are not recognised for future operating losses.

(i) Decommissioning

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

(ii) Site restoration

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

(h) Capitalisation of borrowing costs

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

(i) Financial Instruments

(i) Initial recognition

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

(i) Financial Instruments (continued)

(ii) Derecognition (continued)

- 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-to-maturity investments as available-for-sale, and prevent the Group from classifying investment securities as held-tomaturity 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).

(i) Financial Instruments (continued)

(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.

(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.

(i) Financial Instruments (continued)

(xi) Hedging

The Group holds derivative financial instruments to hedge its foreign currency and interest rate exposures. The Group designates certain derivatives as a hedge of the exposure in the fair value of recognised assets or liabilities or unrecognised firm commitments.

Economic hedging

The Group does not apply hedge accounting as the derivatives are used for economic hedging. Changes in fair value of these derivative instruments are recognised in profit or loss.

(j) Foreign currency transactions

Transactions in foreign currencies of Group entities are translated to Namibia dollars (N$) at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Namibia dollars (N$) at the exchange rate ruling at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to Namibia dollars (N$) at the exchange rates ruling at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognised in profit or loss, except for the following differences which are recognised in other comprehensive income arising on the retranslation of:

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

(k) Deferred income

(i) Government grants

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant. Government grants received relating to the creation of electricity assets are included in non current liabilities as deferred income and are credited to profit or loss on a systematic basis over the useful lives of the assets. Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis in the same periods in which the expenses are recognised.

(ii) Payments received in advance

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

(iii) Transfers of assets from customers

The Group recognises assets transferred by customers as an item of property, plant and equipment in accordance with IAS 16 at the fair value of the asset transferred on the date of transfer. The fair value of the asset transferred is initially recognised as deferred revenue and recognised as income in profit or loss over the useful life of the asset transferred in accordance with IFRIC 18.

(l) Appropriation of Funds

The Group is dependent upon funds generated internally and the raising of long-term loans for the financing of its fixed and working capital requirements. Therefore, the Group is compelled to apply funds derived from its activities after provision for taxation, as follows:

- Reserve Fund - to be utilised to fund costs associated with potential energy crises. The Board of Directors have decided that the current level of funding is adequate. The Fund is credited with interest earned, after deduction of income tax, on the monthly balance. The interest earned is calculated on the outstanding balance of the reserve fund at a monthly average interest rate earned on the current account.

- Development Fund - to be utilised for the total or partial financing of capital works and extensions to power stations, transmission and distribution networks. The annual profit after the interest allocation to the reserve fund is transferred to this fund.

- Share Capital - Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

(m) Taxation

Tax expense comprises current and deferred tax. Taxation is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income, in which case it is recognised directly in equity or in other comprehensive income.

(m) Taxation (continued)

Current tax is the expected tax payable on the taxable income for the year, using the tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: taxable temporary differences arising from the initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries and associates to the extent that they will probably not reverse in the foreseeable future The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and it is the Group's intention to settle on a net basis or to realise their tax assets and settle their tax liabilities simultaneously.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable and the related tax benefit will be realised.

(n) Revenue

(i) Electricity Sales

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

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

(ii) Finance income

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

(o) Finance expenses

Finance expenses comprise interest expense on borrowings, decreases in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets, 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 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.

(p) Employee benefits (continued)

(iii) Post-Retirement Medical Benefits (continued)

The discount rate is the yield of the South African zero coupon government bond as at 30 June 2016.

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

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

(iv) Other long-term employee benefits

Severance Pay Retirement Benefits

The Group recognises an obligation for statutory severance benefits, in accordance with the Namibia Labour Act 2007. The liability is discounted to account for the present value of the future benefits payable on resignation or retirement of employees on reaching the age of 65. The cost of providing the benefits is determined using the projected unit credit 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 2016 .

4. DETERMINATION OF FAIR VALUES

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

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

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

(i) Property, plant and equipment

The market value of property is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value of items of plant and equipment, is based on the market approach and cost approaches using market prices for similar items when available and depreciated replacement cost when appropriate.

Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.

(ii) Investment property

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

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

(iii) Investments in equity and debt securities

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

4. DETERMINATION OF FAIR VALUES (continued)

(iv) Trade and other receivables

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

(v) Derivatives

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

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

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

(vi) Non-derivative financial liabilities

Fair value which is determined for disclosure purposes is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. The carrying value of short-term non-derivative financial instruments is assumed as the fair value due to the short-term nature of the instruments. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option.

5. THE STANDARDS AND INTERPRETATIONS ISSUED AND NOT YET EFFECTIVE FOR THE YEAR ENDED 30 JUNE 2016 ARE AS FOLLOWS:

At the date of authorisation of the financial statements of NamPower (Pty) Ltd and the Group for the year ended 30 June 2016, the following Standards and Interpretations which affects the Group and Company were in issue but not yet effective:

Standard/Interpretation early adopted	Effective date*
Amendments to IAS 1: Disclosure Initiative	Annual periods beginning on or after 1 January 2016
Amendments to IAS 27: Equity Method in Separate Financial Statements	Annual periods beginning on or after 1 January 2016
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

* 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 1: Disclosure Initiative

The amendments provide additional guidance on the application of materiality and aggregation when preparing financial statements. The amendments also clarify presentation principles applicable to of the order of notes, OCI of equity accounted investees and subtotals presented in the statement of financial position and statement of profit or loss and other comprehensive income. The amendment is not expected to have a significant impact on the Group's financial statements.

Amendments to IAS 27: Equity Method in Separate Financial Statements

The amendments allow an entity to apply the equity method in its separate financial statements to account for its investments in subsidiaries, associates and joint ventures. The Amendment has no impact on the Group's financial statements as the Group entities will continue to account for investments in subsidiaries, joint ventures and assosiates at cost in their separate 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 bases 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.

The standard will have a significant impact on the Group.

5. THE STANDARDS AND INTERPRETATIONS ISSUED AND NOT YET EFFECTIVE FOR THE YEAR ENDED 30 JUNE 2016 (continued)

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. The impact on the financial statement for 30 June 2019 cannot be reasonably estimated as at 30 June 2016.

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 inflationlinked 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.

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

6. PROPERTY, PLANT AND EQUIPMENT

	Cost/Valuation N$'000	Accumulated depreciation N$'000	Accumulated impairment N$'000	Carrying amount N$'000
GROUP				
2016				
Ruacana Power Station	6 261 907	(814 774)	-	5 447 133
Van Eck Power Station	1 603 889	(284 084)	(26)	1 319 779
Paratus Power station	34 579	(30 662)	(2 630)	1 287
Anixas Power Station	535 503	(42 597)	(6 526)	486 380
Transmission Systems	15 094 660	(2 214 124)	(873 309)	12 007 227
Aircraft Fleet	54 738	(9 511)	(6 866)	38 362
Machinery and Equipment	422 330	(355 971)	-	66 359
Land and Buildings	445 795	(42 748)	(14 198)	388 850
Assets under Construction	1 116 829	-	-	1 116 829
Strategic Inventory	298 291	(1 636)	-	296 655
Total	25 868 521	(3 796 106)	(903 554)	21 168 861
2015				
Ruacana Power Station	2 273 486	(690 158)	-	1 583 328
Van Eck Power Station	275 205	(137 442)	-	137 763
Paratus Power Station	61 345	(29 347)	(2 406)	29 592
Anixas Power Station	261 719	(29 248)	-	232 471
Transmission Systems	13 512 897	(1 811 961)	(511 308)	11 189 628
Aircraft Fleet	43 330	(7 357)	(6 866)	29 107
Machinery and Equipment	386 702	(323 375)	-	63 327
Land and Buildings	324 370	(32 045)	(4 691)	287 634
Assets under Construction	1 367 421	-	-	1 367 421
Strategic Inventory	317 260	(1 636)	-	315 624
Total	18 823 735	(3 062 569)	(525 271)	15 235 895

6. PROPERTY, PLANT AND EQUIPMENT (continued)

	Cost/Valuation N$'000	Accumulated depreciation N$'000	Accumulated impairment N$'000	Carrying amount N$'000
COMPANY				
2016				
Ruacana Power Station	6 261 907	(814 774)	-	5 447 133
Van Eck Power Station	1 603 889	(284 084)	(26)	1 319 779
Paratus Power Station	34 579	(30 664)	(2 630)	1 285
Anixas Power Station	535 503	(42 597)	(6 526)	486 380
Transmission Systems	15 094 533	(2 213 997)	(873 308)	12 007 228
Aircraft Fleet	54 738	(9 510)	(6 866)	38 362
Machinery and Equipment	419 832	(353 471)	-	66 361
Land and Buildings	426 158	(41 701)	(14 198)	370 259
Assets under Construction	1 116 829	-	-	1 116 829
Strategic Inventory	298 291	(1 636)	-	296 655
Total	25 846 259	(3 792 434)	(903 554)	21 150 271
2015				
Ruacana Power Station	2 273 486	(690 158)	-	1 583 328
Van Eck Power Station	275 205	(137 442)	-	137 763
Paratus Power station	61 345	(29 348)	(2 406)	29 591
Anixas Power station	261 719	(29 248)	-	232 471
Transmission Systems	13 512 770	(1 811 834)	(511 308)	11 189 628
Aircraft Fleet	43 330	(7 357)	(6 866)	29 107
Machinery and Equipment	384 204	(320 875)	-	63 329
Land and Buildings	312 793	(31 173)	(4 691)	276 929
Assets under Construction	1 367 421	-	-	1 367 421
Strategic Inventory	317 260	(1 636)	-	315 624
Total	18 809 533	(3 059 071)	(525 271)	15 225 191

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
GROUP				
2016				
Carrying amount at 1 July 2015	1 583 328	137 763	29 592	232 471
- At cost/valuation	2 273 486	275 205	61 345	261 719
- Accumulated impairment	-	-	(2 406)	-
- Accumulated depreciation	(690 158)	(137 442)	(29 347)	(29 248)
Additions	-	-	-	-
Assets under construction completed	17 181	-	-	31 908
Strategic inventory items issued	-	-	-	-
Transfer from intangible assets	-	-	-	-
Transfer to inventories	-	-	-	-
Transfer from investment property	-	-	-	-
Revaluation	3 971 240	1 328 684	-	241 876
Reversal of previous revaluations	-	-	(26 766)	-
Impairment	-	(26)	(224)	(6 526)
Disposals	-	-	-	-
- At cost/valuation	-	-	-	-
- Accumulated depreciation	-	-	-	-
Depreciation for the year	(124 616)	(146 642)	(1 315)	(13 349)
Carrying amount at 30 June 2016	5 447 133	1 319 779	1 287	486 380
- At cost/valuation	6 261 907	1 603 889	34 579	535 503
- Accumulated impairment	-	(26)	(2 630)	(6 526)
- Accumulated depreciation	(814 774)	(284 084)	(30 662)	(42 597)

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
11 189 628	29 107	63 327	287 634	1 367 421	315 624	15 235 895
13 512 897	43 330	386 702	324 370	1 367 421	317 260	18 823 735
(511 308)	(6 866)	-	(4 691)	-	-	(525 271)
(1 811 961)	(7 357)	(323 375)	(32 045)	-	(1 636)	(3 062 569)
107	-	36 662	1 339	407 880	57 121	503 109
604 968	-	651	3 764	(658 472)	-	-
-	-	-	-	-	(11 397)	(11 397)
-	-	36	-	-	-	36
-	-	-	-	-	(100 717)	(100 717)
-	-	-	345	-	-	345
1 599 898	11 408	-	129 237	-	36 024	7 318 367
(623 211)	-	-	(13 260)	-	-	(663 237)
(362 000)	-	-	(9 506)	-	-	(378 282)
-	-	(195)	-	-	-	(195)
-	-	(1 721)	-	-	-	(1 721)
-	-	1 526	-	-	-	1 526
(402 163)	(2 153)	(34 122)	(10 703)	-	-	(735 063)
12 007 227	38 362	66 359	388 850	1 116 829	296 655	21 168 861
15 094 660	54 738	422 330	445 795	1 116 829	298 291	25 868 520
(873 309)	(6 866)	-	(14 198)	-	-	(903 553)
(2 214 124)	(9 511)	(355 971)	(42 748)	-	(1 636)	(3 796 106)

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
GROUP				
2015				
Carrying amount at 1 July 2014	1 647 702	165 175	35 465	239 784
- At cost/valuation	2 273 009	275 112	61 345	261 719
- Accumulated impairment	-	-	(2 406)	-
- Accumulated depreciation	(625 307)	(109 937)	(23 474)	(21 935)
Additions	-	-	-	-
Assets under construction completed	477	93	-	-
Strategic inventory items issued	-	-	-	-
Transfer to intangible assets	-	-	-	-
Transfer to investment property	-	-	-	-
Disposals	-	-	-	-
- At cost/valuation	-	-	-	-
- Accumulated depreciation	-	-	-	-
Depreciation for the year	(64 851)	(27 505)	(5 873)	(7 313)
Carrying amount at 30 June 2015	1 583 328	137 763	29 592	232 471
- At cost/valuation	2 273 486	275 205	61 345	261 719
- Accumulated impairment	-	-	(2 406)	-
- Accumulated depreciation	(690 158)	(137 442)	(29 347)	(29 248)

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
11 492 406	30 520	80 614	281 742	707 062	334 915	15 015 385
13 451 736	43 330	364 141	311 250	707 062	336 551	18 085 255
(511 308)	(6 866)	-	(4 691)	-	-	(525 271)
(1 448 022)	(5 945)	(283 526)	(24 817)	-	(1 636)	(2 544 599)
343	-	22 511	-	749 909	16 082	788 845
74 767	-	1 147	13 066	(89 550)	-	-
-	-	-	-	-	(35 373)	(35 373)
-	-	(1 097)	-	-	-	(1 097)
-	-	-	54	-	-	54
(396)	-	-	-	-	-	(396)
(13 949)	-	-	-	-	-	(13 949)
13 553	-	-	-	-	-	13 553
(377 492)	(1 413)	(39 848)	(7 228)	-	-	(531 523)
11 189 628	29 107	63 327	287 634	1 367 421	315 624	15 235 895
13 512 897	43 330	386 702	324 370	1 367 421	317 260	18 823 735
(511 308)	(6 866)	-	(4 691)	-	-	(525 271)
(1 811 961)	(7 357)	(323 375)	(32 045)	-	(1 636)	(3 062 569)

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
COMPANY				
2016				
Carrying amount at 1 July 2015	1 583 328	137 763	29 591	232 471
- At cost/valuation	2 273 486	275 205	61 345	261 719
- Accumulated impairment	-	-	(2 406)	-
- Accumulated depreciation	(690 158)	(137 442)	(29 348)	(29 248)
Additions	-	-	-	-
Assets under construction completed	17 181	-	-	31 908
Strategic inventory items issued	-	-	-	-
Transfer from intangible assets	-	-	-	-
Transfer to inventories	-	-	-	-
Transfer from investment property	-	-	-	-
Revaluation	3 971 240	1 328 684	-	241 876
Reversal of previous revaluations	-	-	(26 766)	-
Impairment	-	(26)	(224)	(6 526)
Disposals	-	-	-	-
- At cost/valuation	-	-	-	-
- Accumulated depreciation	-	-	-	-
Depreciation for the year	(124 616)	(146 642)	(1 316)	(13 349)
Carrying amount at 30 June 2016	5 447 133	1 319 779	1 285	486 380
- At cost/valuation	6 261 907	1 603 889	34 579	535 503
- Accumulated impairment	-	(26)	(2 630)	(6 526)
- Accumulated depreciation	(814 774)	(284 084)	(30 664)	(42 597)

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
11 189 628	29 107	63 329	276 929	1 367 421	315 624	15 225 191
13 512 770	43 330	384 204	312 793	1 367 421	317 260	18 809 533
(511 308)	(6 866)	-	(4 691)	-	-	(525 271)
(1 811 834)	(7 357)	(320 875)	(31 173)	-	(1 636)	(3 059 071)
107	-	36 662	1 339	407 880	57 121	503 109
604 968	-	651	3 764	(658 472)	-	-
-	-	-	-	-	(11 397)	(11 397)
-	-	36	-	-	-	36
-	-	-	-	-	(100 717)	(100 717)
-	-	-	345	-	-	345
1 599 898	11 408	-	121 177	-	36 024	7 310 307
(623 211)	-	-	(13 260)	-	-	(663 237)
(362 000)	-	-	(9 506)	-	-	(378 282)
-	-	(195)	-	-	-	(195)
-	-	(1 721)	-	-	-	(1 721)
-	-	1 526	-	-	-	1 526
(402 163)	(2 153)	(34 122)	(10 528)	-	-	(734 889)
12 007 227	38 362	66 361	370 260	1 116 829	296 655	21 150 271
15 094 533	54 738	419 832	426 158	1 116 829	298 291	25 846 258
(873 308)	(6 866)	-	(14 198)	-	-	(903 553)
(2 213 997)	(9 510)	(353 471)	(41 701)	-	(1 636)	(3 792 434)

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
COMPANY				
2015				
Carrying amount at 1 July 2014	1 647 702	165 175	35 465	239 784
- At cost/valuation	2 273 009	275 112	61 345	261 719
- Accumulated impairment	-	-	(2 406)	-
- Accumulated depreciation	(625 307)	(109 937)	(23 474)	(21 935)
Additions	-	-	-	-
Assets under construction completed	477	93	-	-
Strategic inventory items issued	-	-	-	-
Transfer to intangible assets	-	-	-	-
Transfer to investment property	-	-	-	-
Disposals	-	-	-	-
- At cost/valuation	-	-	-	-
- Accumulated depreciation	-	-	-	-
Depreciation for the year	(64 851)	(27 505)	(5 874)	(7 313)
Carrying amount at 30 June 2015	1 583 328	137 763	29 591	232 471
- At cost/valuation	2 273 486	275 205	61 345	261 719
- Accumulated impairment	-	-	(2 406)	-
- Accumulated depreciation	(690 158)	(137 442)	(29 348)	(29 248)

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
11 492 406	30 520	80 614	270 972	707 062	334 915	15 004 615
13 451 609	43 330	361 643	299 673	707 062	336 551	18 071 053
(511 308)	(6 866)	-	(4 691)	-	-	(525 271)
(1 447 895)	(5 945)	(281 028)	(24 010)	-	(1 636)	(2 541 167)
343	-	22 511	-	749 909	16 082	788 845
74 767	-	1 147	13 066	(89 550)	-	-
-	-	-	-	-	(35 373)	(35 373)
-	-	(1 097)	-	-	-	(1 097)
-	-	-	54	-	-	54
(396)	-	-	-	-	-	(396)
(13 949)	-	-	-	-	-	(13 949)
13 553	-	-	-	-	-	13 553
(377 492)	(1 413)	(39 846)	(7 163)	-	-	(531 457)
11 189 628	29 107	63 329	276 929	1 367 421	315 624	15 225 191
13 512 770	43 330	384 204	312 793	1 367 421	317 260	18 809 533
(511 308)	(6 866)	-	(4 691)	-	-	(525 271)
(1 811 834)	(7 357)	(320 875)	(31 173)	-	(1 636)	(3 059 071)

6. PROPERTY, PLANT AND EQUIPMENT (continued)

6.1 Assets under construction

	Power Stations N$'000	Transmission Systems N$'000	Machinery and Equipment N$'000	Land and buildings N$'000	Total N$'000
GROUP AND COMPANY					
2016					
Opening balance	334 656	913 695	110 146	8 924	1 367 421
Additions	68 758	311 981	22 583	4 558	407 880
Property, plant and equipment capitalised	(49 089)	(604 968)	(651)	(3 764)	(658 472)
Closing balance	354 325	620 708	132 078	9 718	1 116 829
2015					
Opening balance	216 589	405 028	67 401	18 044	707 062
Additions	118 636	583 434	43 891	3 948	749 909
Property, plant and equipment capitalised	(569)	(74 767)	(1 146)	(13 068)	(89 550)
Closing balance	334 656	913 695	110 146	8 924	1 367 421

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

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 were significantly increased mainly due to an increase in gross capacity, life extension and uprate projects undertaken and the 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. PROPERTY, PLANT AND EQUIPMENT (continued)

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

	Group	Company	Group	Company
	Capital Revaluation Reserve (net of tax) N$'000	**Capital Revaluation Reserve (net of tax)** N$'000	**Strategic Inventory Revaluation Reserve** N$'000	**Strategic Inventory Revaluation Reserve** N$'000
Opening balance 1 July 2015	(7 110 050)	(6 894 364)	(63 856)	(63 856)
Change for the period	(4 607 113)	(4 598 414)	(36 024)	(36 024)
Revaluation	(4 951 994)	(4 946 514)	(36 024)	(36 024)
Reversal of previous revaluations	451 001	451 001	-	-
Tax rate change on previous revaluation recognised in other comprehensive income	(106 120)	(102 901)	-	-
Closing balance 30 June 2016	(11 717 163)	(11 492 779)	(99 880)	(99 880)

There is no restriction on the distribution of the balance to shareholder.

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.

	Group		Company	
Land and buildings	**2016** N$'000	**2015** N$'000	**2016** N$'000	**2015** N$'000
Opening balance 1 July	287 634	281 742	276 929	270 972
Additions and reclassification from property, plant and equipment	5 447	13 120	5 447	13 120
Depreciation	(10 703)	(7 228)	(10 528)	(7 163)
(Loss)/gain included in other comprehensive income				
- Changes in fair value (unrealised)	106 472	-	98 412	-
Closing balance 30 June	388 850	287 634	370 260	276 929

(iii) Transfers between levels

There were no transfers between the fair value hierarchy levels (2015: no transfers).

6. PROPERTY, PLANT AND EQUIPMENT (continued)

6.8 Measurement of fair value (continued)

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

The following table shows the valuation techniques used in measuring Level 1, Level 2 and Level 3 fair values, as well as the significant inputs used.

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	1	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

6. PROPERTY, PLANT AND EQUIPMENT (continued)

6.8 Measurement of fair value (continued)

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
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%) Risk adjusted discount rates (8 - 10%) Expected vacancy rate (Commercial: 2 - 8%) Expected vacancy rate (Residential: 2 - 3%)	The estimated fair value would increase (decrease) if: • expected market rental growth was higher (lower); • the risk-adjusted discount rate was lower (higher). • void periods were shorter (longer); • the occupancy rate was higher (lower); • 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

6. PROPERTY, PLANT AND EQUIPMENT (continued)

6.9 Impairment loss

During the year under review, the Company performed an asset revaluation on the core assets and a separate property revaluation on land and buildings. During this review, the Company determined the carrying amount and recoverable amount of its assets and recognised an impairment loss of N$378.2 million principally on its transmission assets.

The level of fair value hierarchy and the descriptions of the valuation techniques used to determine fair value of the cash-generating unit is disclosed in the note above.

Environmental factors such as high corrosion rates along the West Coast of Namibia and the future role of the asset was taken into consideration when the assessment for impairment was performed.

7. INTERESTS IN SUBSIDIARIES AND ASSOCIATES

7.1 Subsidiary companies

Name	Nature of operation	Country of incorporation	Date of incorporation	Issued Share Capital N$
Directly held				
Capricorn Power Supply (Pty) Ltd	Dormant	Republic of Namibia	25/02/1999	2 500
Less: impairment of investment				
Premier Electric (Pty) Ltd	Service company	Republic of Namibia	31/10/2000	2 500
Okaomba Investment (Pty) Ltd	Property holding	Republic of Namibia	01/03/2000	100

Loans due from:

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

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

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

Loans payable to:

Premier Electric (Pty) Ltd

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

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

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.

Percentage holding 2016 %	Percentage holding 2015 %	Shares at Cost 2016 N$'000	Shares at Cost 2015 N$'000	Total Investment 2016 N$'000	Total Investment 2015 N$'000
100	100	2	2	2	2
		(2)	(2)	(2)	(2)
100	100	5 000	5 000	5 000	5 000
100	100	944	944	944	944
		5 944	5 944	5 944	5 944

Due by subsidiaries 2016 N$'000	Due by subsidiaries 2015 N$'000
2	2
3 298	3 116
3 300	3 118
9 244	9 062
(6 384)	(6 384)

7. INTERESTS IN SUBSIDIARIES AND ASSOCIATES (continued)

7.2 Associates

	GROUP		COMPANY	
	2016 N$'000	**2015** N$'000	**2016** N$'000	**2015** N$'000
Carrying amount of associates				
Carrying amount at beginning of year	527 953	487 257	173 232	173 232
Equity accounted earnings	36 299	40 696	-	-
Dividend received	-	-	-	-
	564 252	527 953	173 232	173 232
Post-acquisition reserves				
Retained earnings	155 121	118 822		
Share of opening retained earnings	118 822	78 126		
Dividends declared	-	-		
Share of current year income	36 299	40 696		
Non-distributable reserves	409 131	409 131		
Share of opening revaluation and development reserve	409 131	409 131		
	564 252	527 953		

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.

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

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

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

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

7. INTERESTS IN SUBSIDIARIES AND ASSOCIATES (continued)

7.2 Associates (continued)

Nored Electricity (Pty) Ltd:

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

Statement of comprehensive income

	GROUP	
	2016 N$'000	**2015** N$'000
Revenue	714 015	706 592
Expenditure	(652 328)	(646 307)
Profit before taxation	61 687	60 285
Taxation	(12 386)	(14 527)
Profit from continuing operations for the year	49 301	45 758
Other comprehensive income	-	-
Total comprehensive income	49 301	45 758

Central-North Electricity Distribution Company (Pty) Ltd (Cenored):

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

Statement of comprehensive income

Revenue	530 676	465 906
Expenditure	(492 886)	(435 363)
Profit before taxation	37 790	30 543
Taxation	(2 853)	(5 584)
Profit from continuing operations for the year	34 937	24 959
Other comprehensive income	-	(347)
Total comprehensive income	34 937	24 612

8. INVESTMENT PROPERTIES

	GROUP		COMPANY	
	2016 N$'000	**2015** N$'000	**2016** N$'000	**2015** N$'000
Opening balance	15 367	14 369	15 367	14 369
Fair value adjustment	3 407	1 052	3 407	1 052
Transfer to land and buildings	(345)	(54)	(345)	(54)
Closing balance	18 429	15 367	18 429	15 367

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.

(a) Measurement of fair value

(i) Fair value hierarchy

During June 2016 the fair value of all investment properties was determined by an independent qualified property valuer (Gert Hamman Property Valuers CC) 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$18.4 million (2015: N$15.4 million) has been categorised as a Level 3 fair value based on the inputs to the valuation method used.

8. INVESTMENT PROPERTIES (continued)

(i) Level 3 fair value

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

	GROUP		COMPANY	
	2016 N$'000	**2015** N$'000	**2016** N$'000	**2015** N$'000
Opening balance	15 367	14 369	15 367	14 369
Additions and reclassification from property, plant and equipment	(345)	(54)	(345)	(54)
Gain included in 'other income'				
- Changes in fair value (unrealised)	3 407	1 052	3 407	1 052
Closing balance	18 429	15 367	18 429	15 367

Valuation technique and significant unobservable inputs

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

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Income Capitalisation Method: The commercial properties' fair values were based on this valuation technique which involves the determining of the net income of the property that will be capitalised at a rate sought by prudent investors to determine the capitalised value of the subject property.	• Expected market rental growth: Commercial and residential properties (5-8%) • 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 were higher (lower); • void periods were shorter (longer);
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 (8-10%)	• the occupancy rate were higher (lower); • rent-free periods were shorter (longer); or • the risk-adjusted discount rate were lower (higher).

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

9. INTANGIBLE ASSETS

Computer software	GROUP 2016 N$'000	GROUP 2015 N$'000	COMPANY 2016 N$'000	COMPANY 2015 N$'000
Opening carrying amount - 1 July	3 736	4 217	3 736	4 217
- At cost	73 446	71 769	73 446	71 769
- Accumulated amortisation and accumulated impairment	(69 710)	(67 552)	(69 710)	(67 552)
Additions	727	1 677	727	1 677
Transfer to property, plant and equipment	(37)	-	(37)	-
Amortisation	(1 518)	(2 158)	(1 518)	(2 158)
Closing carrying amount - 30 June	2 908	3 736	2 908	3 736
- At cost	74 136	73 446	74 136	73 446
- Accumulated amortisation and accumulated impairment	(71 228)	(69 710)	(71 228)	(69 710)

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 2016 is an amount of N$497.4 thousand related to SevOne PAS5K software with a remaining amortisation period of 4 years 10 months.

10. LOANS RECEIVABLE

	GROUP		COMPANY	
	2016 N$'000	**2015** N$'000	**2016** N$'000	**2015** N$'000
Employee loans	1 774	1 560	1 774	1 560
Loan to Ohorongo Cement (Pty) Ltd	6 993	9 536	6 993	9 536
Loan to City of Windhoek	14 891	17 379	14 891	17 379
	23 658	28 475	23 658	28 475
Less: Instalments receivable within one year transferred to current assets.	(7 050)	(7 050)	(7 050)	(7 050)
	16 608	21 425	16 608	21 425

Employee loans comprise of:

Employee study loans.

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

Loan to Ohorongo Cement (Pty) Ltd

The Company approved a loan to Ohorongo Cement (Pty) Ltd amounting to N$22.2 million for the additional capital contribution for the power supply to Ohorongo Cement factory. The loan was advanced in two phases in the form of project pre-financing by Nampower during the construction of the supply to Ohorongo Cement (Pty) Ltd as follows:

* Phase 1 - Temporary Supply (4 MVA) - N$10.7 million

* Phase 2 - Main Supply (25 MVA) - N$11.5 million

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

Loan to the City of Windhoek

The Company approved a loan to the City of Windhoek amounting to N$24.8 million for the upgrade of the power supply infrastructure at Van Eck Coupling Transformer 2.

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

There was no movement in impairment loss on loans receivable.

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

11. INVESTMENTS

	GROUP 2016 N$'000	GROUP 2015 N$'000	COMPANY 2016 N$'000	COMPANY 2015 N$'000
Non-current investments	977 789	1 496 437	977 789	1 496 437
Held-to-maturity debt instruments at amortised cost	954 713	1 473 361	954 713	1 473 361
Investment in unlisted equities				
Erongored (Pty) Ltd	23 076	23 076	23 076	23 076
- Cost	25 232	25 232	25 232	25 232
- Accumulated impairment	(2 156)	(2 156)	(2 156)	(2 156)
Westcor (Pty) Ltd	-	-	-	-
- Cost	642	642	642	642
- Accumulated impairment	(642)	(642)	(642)	(642)
Current investments	4 139 474	3 155 862	4 139 474	3 155 862
Available-for-sale:				
- listed equity	1 524	1 675	1 524	1 675
Financial assets at fair value through profit or loss:				
- collective investment schemes	952 950	1 274 187	952 950	1 274 187
Fixed deposits at amortised cost	3 185 000	1 880 000	3 185 000	1 880 000
Total investments	5 117 263	4 652 299	5 117 263	4 652 299

Held to maturity investments with a carrying value of N$114.3 million (2015: N$103.0 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

	GROUP		COMPANY	
	2016 N$'000	**2015** N$'000	**2016** N$'000	**2015** N$'000
Maintenance spares and consumables	221 315	114 245	221 315	114 246
Fuel and coal	89 319	92 720	89 319	92 720
Obsolete stock recognised in profit or loss	(756)	(1)	(756)	(1)
	309 878	206 965	309 878	206 965

No inventory was pledged as security.

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

Inventory amounting to N$14.4 million (2015: N$13.1 million) was recognised as an expense in profit or loss.

13. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2016 N$'000	2015 N$'000	2016 N$'000	2015 N$'000
Trade receivables	680 410	692 483	680 410	692 483
- Gross receivables	935 636	712 459	935 636	712 459
- Allowance for impairment losses	(255 226)	(19 976)	(255 226)	(19 976)
External project receivables	270 974	213 971	270 974	213 971
Prepayments	36 766	33 269	36 766	33 269
Project and other advances	725	1 042	725	1 042
Other receivables	28 221	5 406	28 221	5 406
Accrued interest	95 955	64 386	95 955	64 386
	1 113 051	1 010 557	1 113 051	1 010 557

An impairment loss of N$235.3 million (2015: N$1.5 thousand loss) 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 Group's exposure to credit and currency risks related to trade and other receivables are disclosed in note 29.

Related party receivables

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

14. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2016 N$'000	2015 N$'000	2016 N$'000	2015 N$'000
Cash and cash equivalents consist of:				
Cash on hand	64	69	64	69
Bank balances	323 904	692 384	323 904	692 384
Short term deposits	1 383 621	1 137 558	1 383 621	1 137 558
	1 707 589	1 830 011	1 707 589	1 830 011

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.

15. TAXATION

Namibian company tax	GROUP 2016 N$'000	GROUP 2015 N$'000	COMPANY 2016 N$'000	COMPANY 2015 N$'000
Current taxation	-	125 361	-	125 361
Tax rate change recognised in profit or loss	(28 496)	-	(31 715)	-
Deferred taxation	(200 722)	49 406	(201 853)	49 414
Taxation recognised in profit or loss	(229 218)	174 767	(233 568)	174 775
Tax rate change on previous revaluation recognised in other comprehensive income	(106 120)	-	(102 901)	-
Taxation recognised in other comprehensive income	2 122 179	6 664	2 119 600	6 664
Total taxation	1 786 841	181 431	1 783 131	181 439
Tax rate reconciliation	%	%	%	%
Standard Tax Rate	32.00	33.00	32.00	33.00
Adjusted for:				
Items not deductible for tax purposes	(2.57)	1.97	(2.40)	4.27
Exempt income	9.52	(5.26)	7.02	(5.79)
Effect of tax rate change	5.53	-	5.75	-
Manufacturing deduction	-	(5.84)	-	(6.19)
Effective tax rate	44.48	23.87	42.37	25.29

Taxation recognised in other comprehensive income

	GROUP			COMPANY		
2016	**Before tax**	**Tax expense (benefit)**	**Net of tax**	**Before tax**	**Tax expense (benefit)**	**Net of tax**
Remeasurements of post retirement medical benefits	(12 703)	4 065	(8 638)	(12 703)	4 065	(8 638)
Available-for-sale financial assets	151	-	151	151	-	151
Revaluation of property, plant and equipment	(6 619 107)	2 118 114	(4 500 993)	(6 611 047)	2 115 535	(4 495 512)
Revaluation of strategic stock	(36 024)	-	(36 024)	(36 024)	-	(36 024)
	(6 667 683)	2 122 179	(4 545 504)	(6 659 623)	2 119 600	(4 540 023)
2015						
Remeasurements of post retirement medical benefits	(20 193)	6 664	(13 529)	(20 193)	6 664	(13 529)
Available-for-sale financial assets	(116)	-	(116)	(116)	-	(116)
	(20 309)	6 664	(13 645)	(20 309)	6 664	(13 645)

16. SHARE CAPITAL AND RESERVES

	GROUP		COMPANY	
	2016 N$'000	2015 N$'000	2016 N$'000	2015 N$'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 (2015:165 000 000) ordinary shares at N$1	165 000	165 000	165 000	165 000
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.
(2015: 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.

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

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.

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

Terms and conditions of outstanding loans were as follows:

						30 June 2016		30 June 2015	
17.1	**Interest bearing borrowings**	**Currency**	**Coupon interest rate**	**Effective interest rate**	**Year of maturity**	**Carrying amount** N$'000	**Face value** N$'000	**Carrying amount** N$'000	**Face value** N$'000
17.1.1	**Agence Francaise de Development ***	EUR	3.00%	9.39%	2019	23 267	9 050	25 032	11 635
17.1.2	**European Investment Bank -Loan I ***	EUR	3.81%	13.89%	2018	138 813	53 880	173 111	79 669
17.1.3	**African Development Bank ***	ZAR	Jibar6m+.50	10.30%	2018	8 405	8 405	12 608	12 608
17.1.4	**Development Bank of Southern Africa ^**	ZAR	9.82%	9.82%	2022	150 000	150 000	150 000	150 000
17.1.5	**European Investment Bank - Loan II ***	GBP	3.00%	7.62%	2021	179 852	137 134	195 993	157 685
17.1.6	**NMP20N Bonds issued - Caprivi Link Interconnector**[1]	ZAR	9.35%	9.35%	2020	500 000	500 000	500 000	500 000
17.1.7	**Development Bank of Namibia**[1]	NAD	Prime less 4.5%	Prime less 4.5%	2024	39 443	39 443	43 159	43 159
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	296 797	296 797	318 782	318 782
17.1.10	**Agence Francaise de Development II**[1]	ZAR	6.10%	6.10%	2027	253 676	253 676	275 735	275 735
17.1.11	**KFW Bankengruppe I**[1]	ZAR	5.29%	5.29%	2020	195 650	195 650	244 563	244 563
17.1.12	**KFW Bankengruppe II**[1]	ZAR	6.98%	6.98%	2021	209 267	209 267	247 315	247 315
17.1.13	**KFW Bankengruppe III**	ZAR	8.26%	8.26%	2027	377 200	377 200	-	-
						2 622 370	2 480 502	2 436 298	2 291 151
Less: Instalments payable within one year transferred to current liabilities						237 939	191 683	217 378	190 334

* 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$114.3 million and a nominal value of N$150 million.

- The zero coupon bonds are issued at 10.86% (NACS) and 10.52% (NACS) with maturity values of ZAR 70 million and ZAR 80 million on 17 October 2016 and 15 October 2021 respectively.

[1] The loans are unsecured.

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.

18. DEFERRED REVENUE LIABILITIES

	GROUP		COMPANY	
	2016 N$'000	**2015** N$'000	**2016** N$'000	**2015** N$'000
Non-current liability				
Deferred revenue government grant: Generation assets	211 310	218 452	211 310	218 452
Deferred revenue: Transfer of assets from customers	401 486	411 743	401 486	411 743
Interest rate subsidy - EIB Loan III	26 407	31 156	26 407	31 156
	639 203	661 351	639 203	661 351
Current liability				
Deferred revenue government grant: Generation expenditure	-	11 655	-	11 655
Short-term portion NamZinc (Pty) Ltd	-	6 238	-	6 238
Short-term portion Deferred revenue: Transfer of assets from customers	10 226	10 226	10 226	10 226
Short-term portion Interest rate subsidy - EIB Loan III	5 082	5 082	5 082	5 082
Short-term portion: Generation assets	6 857	6 857	6 857	6 857
Deferred revenue: Long-run marginal cost	127 143	127 143	127 143	127 143
	149 308	167 201	149 308	167 201

18.1 Deferred revenue - NamZinc (Pty) Ltd

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

18.2 Deferred revenue - Government Grants

18.2.1 Government Grant - Generation expenditure

Reconciliation of deferred revenue - Government Grant

Opening balance	11 655	48 898	11 655	48 898
Recognised in profit or loss	(11 655)	(37 243)	(11 655)	(37 243)
Closing balance	-	11 655	-	11 655

18. DEFERRED REVENUE LIABILITIES (continued)

18.2 Deferred revenue - Government Grants (continued)

18.2.1 Government Grant - Generation expenditure (continued)

In 2008, the shareholder, the Government of the Republic of Namibia committed N$360.0 million in energy subsidy over a period of three years. The full grant amount was received by August 2010. To date the full grant amount of N$360 million has been utilised. Of this grant N$11.7 million (2015: N$37.2 million) was recognised as income during the current year. The grant is classified as a current liability, due to the fact that the Company does not have an unconditional right to defer payment.

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

18.2.2 Government Grant - Generation assets

	GROUP		COMPANY	
Reconciliation of deferred revenue - Government Grant	2016 N$'000	2015 N$'000	2016 N$'000	2015 N$'000
Opening balance	225 309	232 452	225 309	232 452
Recognised in profit or loss	(7 143)	(7 143)	(7 143)	(7 143)
Closing balance	218 166	225 309	218 166	225 309

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 the 22.5 megawatt (MW) emergency power plant at Walvis Bay to serve as a back-up energy supply to prevent power black outs that may be experienced during peak hours. Of this grant N$7.1 million (2015: N$7.1 million) was recognised as income during the current year while the N$218.2 million (2015: N$225.3 million) represents deferred income and will be recognised on a systematic basis over the useful life of the power plant.

18.3 Interest rate subsidy - EIB Loan III

An interest rate subsidy of N$65.9 million was received during the financial year ended 30 June 2010. EU-Africa Infrastructure Trust Fund ("ITF") approved, inter alia, the provision of an interest rate subsidy for an amount of €5 million (five million euros), equivalent to N$65.9 million to enable EIB to make available finance to NamPower at reduced interest rates. The parties have agreed that the interest rate subsidy be applied upfront in order to reduce the interest payable. Of this grant N$5.1 million (2015: N$5.1 million) was recognised as income during the current year whilst the remaining N$31.1 million (2015: N$36.2 million) represents deferred income and will be recognised over the period of the loan of 20 years.

18.4 Deferred revenue: Transfers of assets from customers

A donation of items of property, plant and equipment with a fair value of Nill (2015: Nill) was received from customers. The items comprise N$436.9 million transmission assets from Areva Resources Namibia and N$32.1 million distribution assets from distribution customers. The donation will be recognised as income over the useful life of the donated assets. N$10.2 million (2015: N$10.2 million) was recognised as income during the current year.

18.5 Deferred revenue: Long-run marginal cost

The Long-run marginal cost of 1.46 cents/kWh amounting to Nill (2015: 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 Electricity Control Board (ECB) and should be ring-fenced within the Company and reserved as deferred revenue which may only be utilized with the approval of the Electricity Control Board (ECB).

19. DEFERRED TAX LIABILITIES

	GROUP		COMPANY	
	2016 N$'000	**2015** N$'000	**2016** N$'000	**2015** N$'000
Balance at the beginning of the year	4 445 476	4 389 406	4 442 318	4 386 240
Current charge recognised in profit or loss	(229 218)	49 406	(233 568)	49 414
Tax rate change recognised in profit or loss	(28 496)	-	(31 715)	-
Temporary differences	(119 946)	38 251	(121 077)	38 259
Calculated tax loss	(80 776)	11 155	(80 776)	11 155
Tax rate change on previous revaluation recognised in other comprehensive income	(106 120)	-	(102 901)	-
Current charge recognised in other comprehensive income	2 122 179	6 664	2 119 600	6 664
Balance at end of year	6 232 317	4 445 476	6 225 449	4 442 318
The balance comprises:				
Calculated tax loss	(80 776)	-	(80 776)	-
Property, plant and equipment	6 373 528	4 542 064	6 366 660	4 538 906
Intangible asset	1 104	1 104	1 104	1 104
Investment properties	2 811	2 811	2 811	2 811
Prepayments	7 634	9 315	7 634	9 315
Inventories	70 890	37 730	70 890	37 730
Interest accrued	43 016	39 980	43 016	39 980
Severance pay liability	(16 015)	(15 086)	(16 015)	(15 086)
Fair value swaps, loans and unrealised foreign exchange losses	12 208	(8 534)	12 208	(8 534)
Strategic inventory	18 937	5 987	18 937	5 987
Post retirement medical benefit	(73 229)	(75 651)	(73 229)	(75 651)
Power purchase and power sales agreement- embedded derivative	(105 658)	(74 346)	(105 658)	(74 346)
Provisions and advance payments	(22 133)	(19 898)	(22 133)	(19 898)
	6 232 317	4 445 476	6 225 449	4 442 318
Deferred tax asset	(204 827)	(193 515)	(217 035)	(193 515)
Calculated tax loss	(80 776)	-	(80 776)	-
Deferred tax liability	6 517 920	4 638 991	6 523 260	4 635 833
	6 232 317	4 445 476	6 225 449	4 442 318

20. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2016 N$'000	**2015** N$'000	**2016** N$'000	**2015** N$'000
Trade payables	1 568 974	1 478 267	1 568 973	1 478 267
Leave and bonus accruals	66 049	61 635	66 049	61 635
Swap and loan interest payable	68 864	65 935	68 864	65 935
Retention creditors	7 884	3 534	7 884	3 534
	1 711 771	1 609 371	1 711 770	1 609 371

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

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 2016 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

	GROUP 2016 N$'000	GROUP 2015 N$'000	COMPANY 2016 N$'000	COMPANY 2015 N$'000
Non-Current	18 692	44 223	18 692	44 223
Current (included in trade payables)	7 884	3 534	7 884	3 534
	26 576	47 757	26 576	47 757

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

21. DERIVATIVES

	GROUP		COMPANY	
	2016 N$'000	2015 N$'000	2016 N$'000	2015 N$'000
21.1 Derivative assets				
Forward exchange contract assets	-	6 461	-	6 461
Interest rate and cross currency swaps	142 723	141 091	142 723	141 091
Embedded derivatives - Power Purchase/Sale Agreements (PPA/PSA)	60 512	52 936	60 512	52 936
	203 235	200 488	203 235	200 488
21.2 Derivative liabilities				
Forward exchange contract liabilities	13 713	-	13 713	-
Embedded derivatives - Power Purchase/Sale Agreements (PPA/PSA)	381 021	269 221	381 021	269 221
	394 734	269 221	394 734	269 221

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.

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

22. EMPLOYEE BENEFITS

	GROUP		COMPANY	
	2016 N$'000	**2015** N$'000	**2016** N$'000	**2015** N$'000
Post Retirement Medical Benefits	241 543	229 245	241 543	229 245
Severance pay liability	50 047	45 714	50 047	45 714
	291 590	274 959	291 590	274 959

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 2016, as determined by an actuarial valuation, was N$241.5 million (2015: N$229.2 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$96.9 million (2015: N$90.6 million) in contributions to the defined benefit plans in 2017.

Liability for defined benefit obligations

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

Discount rate at 30 June (%)	9.43	9.45	9.43	9.45
Medical cost trend rate (%)	8.82	8.91	8.82	8.91

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

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

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

22. EMPLOYEE BENEFITS (continued)

22.1. Post Retirement Medical Benefits (contiuned)

	GROUP		COMPANY	
	2016 N$'000	**2015** N$'000	**2016** N$'000	**2015** N$'000
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	243 958	231 537	243 958	231 537
1% decrease in medical cost trend	(239 128)	(226 953)	(239 128)	(226 953)

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	229 245	220 119	229 245	220 119
Interest cost	21 811	21 443	21 811	21 443
Current service costs	7 059	7 555	7 059	7 555
Benefits paid	(3 864)	(3 330)	(3 864)	(3 330)
Actuarial loss/(gain) on obligation:	-	-	-	-
- Financial assumptions	(2 830)	(1 918)	(2 830)	(1 918)
- Other sources	(9 878)	(14 624)	(9 878)	(14 624)
Net liability for defined obligations as at 30 June	241 543	229 245	241 543	229 245

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	29 159	29 288	29 159	29 288
1% decrease in current service + interest rate cost trend	(28 581)	(28 708)	(28 581)	(28 708)

22.1.3 Expense recognised in profit or loss

Current service costs	7 059	7 555	7 059	7 555
Interest cost	21 811	21 443	21 811	21 443
	28 870	28 998	28 870	28 998

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	(12 708)	(16 542)	(12 708)	(16 542)
(actuarial loss)	(12 708)	(16 542)	(12 708)	(16 542)

22. EMPLOYEE BENEFITS (continued)

	GROUP		COMPANY	
	2016 N$'000	2015 N$'000	2016 N$'000	2015 N$'000
22.2 Severance pay liability				
Present value of net obligations	50 047	45 714	50 047	45 714
Present value of unfunded obligations	50 047	45 714	50 047	45 714
Recognised liability for defined benefit obligations	50 047	45 714	50 047	45 714

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:

	GROUP 2016	GROUP 2015	COMPANY 2016	COMPANY 2015
Discount rate at 30 June (%)	9.20	8.50	9.20	8.50
Salary inflation rate at 30 June (%)	8.36	7.67	8.36	7.67
Investment return at 30 June (%)	9.20	8.51	9.20	8.51

Should the salary inflation rate increase or decrease by 1% the severance pay liability would be as follows:

	GROUP 2016	GROUP 2015	COMPANY 2016	COMPANY 2015
1% increase in salary inflation rate	50 547	46 171	50 547	46 171
1% decrease in salary inflation rate	(49 547)	(45 257)	(49 547)	(45 257)

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

	GROUP 2016	GROUP 2015	COMPANY 2016	COMPANY 2015
Net liability for defined obligations as at 1 July	45 714	48 746	45 714	48 746
Interest cost	3 886	4 143	3 886	4 143
Current service costs	1 553	1 672	1 553	1 672
Benefits paid	(1 111)	(5 196)	(1 111)	(5 196)
Actuarial loss/(gain) on obligation:	-	-	-	-
- Financial assumptions	(186)	(435)	(186)	(435)
- Other sources	191	(3 216)	191	(3 216)
Net liability for defined obligations as at 30 June	50 047	45 714	50 047	45 714

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

	GROUP 2016	GROUP 2015	COMPANY 2016	COMPANY 2015
1% increase in current service + interest rate cost trend	5 493	5 873	5 493	5 873
1% decrease in current service + interest rate cost trend	(5 385)	(5 757)	(5 385)	(5 757)

22. EMPLOYEE BENEFITS (continued)

22.2 Severance pay liability (contiued)

	GROUP		COMPANY	
	2016 N$'000	**2015** N$'000	**2016** N$'000	**2015** N$'000
22.2.3 Expense recognised in the Group and Company statements of comprehensive income				
Current service costs	1 553	1 672	1 553	1 672
Interest on obligation	3 886	4 143	3 886	4 143
	5 439	5 815	5 439	5 815

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	5	(3 651)	5	(3 651)
	5	(3 651)	5	(3 651)

23. CAPITAL COMMITMENTS

Projects for Capital Expenditure

Approved by Board of Directors	8 355 112	9 397 137 [a]	8 355 112	9 397 137 [a]
Less: Expenditure to 30 June	(2 428 029)	(2 139 377) [a]	(2 428 029)	(2 139 377) [a]
Amount still to be expended	5 927 083	7 257 760	5 927 083	7 257 760
Amounts contracted at year end	2 037	46 555	2 037	46 555
	2 037	46 555	2 037	46 555

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.

[a] The comparative figures of the capital commitments have been restated as management is of the opinion that the approved budgeted figures above are a true reflection of the Company's capital commitments.

24. NET FINANCING INCOME

	GROUP		COMPANY	
	2016 N$'000	**2015** N$'000	**2016** N$'000	**2015** N$'000
Recognised in profit or loss				
Interest income on:	541 971	441 913	541 971	441 913
- Financial assets at amortised cost	450 219	337 699	450 219	337 699
- Financial assets at fair value through profit or loss	91 752	104 214	91 752	104 214
Interest costs on:	(233 213)	(227 441)	(233 213)	(227 441)
- Financial liabilities designated at fair value through profit or loss	(132 734)	(119 002)	(132 734)	(119 002)
- Financial liabilities held for trading	(23 833)	(29 494)	(23 833)	(29 494)
- Financial liabilities at amortised cost	(76 646)	(78 945)	(76 646)	(78 945)
	308 758	214 472	308 758	214 472

25. REVENUE

	GROUP		COMPANY	
	2016 N$'000	2015 N$'000	2016 N$'000	2015 N$'000
Revenue comprises:				
- Sales of electricity	4 894 210	4 229 852	4 894 210	4 229 852
- Extension charges	62 156	59 629	62 156	59 629
- STEM sales	9 984	141 601	9 984	141 601
- Contributions by customers	39 642	49 432	39 642	49 432
	5 005 992	4 480 514	5 005 992	4 480 514

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.

25.1 Other income comprises of:

	GROUP 2016	GROUP 2015	COMPANY 2016	COMPANY 2015
- Government grant	58 798	44 385	58 798	44 385
- Grant funding by customers	10 656	10 257	10 656	10 257
- Sundry income	17 614	20 495	17 797	21 550
	87 069	75 137	87 251	76 192

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

26. (LOSS)/PROFIT BEFORE TAXATION

	GROUP		COMPANY	
	2016 N$'000	**2015** N$'000	**2016** N$'000	**2015** N$'000
Profit before taxation is stated after charging/(crediting):				
Directors' emoluments paid by Company				
fees for services as directors	5 091	4 635	5 091	4 635
- paid to non-executive directors	1 824	1 368	1 824	1 368
- paid to executive directors	3 239	2 926	3 239	2 926
- other services	28	341	28	341
Auditors' remuneration				
- audit fee	1 698	1 962	1 698	1 962
Depreciation of property, plant and equipment	735 063	531 523	734 891	531 457
Amortisation of intangible asset	1 519	2 159	1 519	2 159
Remuneration other than to employees for	7 753	32 302	7 753	32 302
- managerial services	4 698	528	4 698	528
- technical services	1 968	28 461	1 968	28 461
- other professional services	1 087	3 313	1 087	3 313
Research and development expenditure	20 698	64 050	20 698	64 050
Movement in allowance for impairment losses	235 250	1 179	235 250	1 179
Bad debts recovered	(25)	(31)	(25)	(31)
Contribution to Social Responsibility Programs	8 460	15 482	8 460	15 482
(Gain)/loss on disposal of property, plant and equipment	(446)	(3 907)	(446)	(3 907)
Staff costs	608 332	534 441	608 332	534 441
Salaries and wages	564 117	490 493	564 117	490 493
Company contribution: Provident Fund	44 343	44 343	44 343	44 343
Others	(128)	(395)	(128)	(395)
Severance Pay	4 328	619	4 328	619
- Liability	5 439	5 815	5 439	5 815
- Benefits paid	(1 111)	(5 196)	(1 111)	(5 196)

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

	GROUP		COMPANY	
	2016 N$'000	2015 N$'000	2016 N$'000	2015 N$'000
Post retirement medical benefit	28 870	28 998	28 870	28 998
Foreign exchange losses/(gains) on foreign exchange contracts				
- realised	11 310	25 983	11 310	25 983
- unrealised	13 661	(25 871)	13 661	(25 871)
Foreign exchange gains on trade payables/receivables, bank balances and loans payable	(461 896)	(199 983)	(461 896)	(199 983)
- realised	(112 448)	(9 382)	(112 448)	(9 382)
- unrealised	(349 448)	(190 601)	(349 448)	(190 601)
Foreign exchange losses on trade payables/receivables, bank balances and loans payable	317 863	63 862	317 863	63 862
- realised	141 194	2 769	141 194	2 769
- unrealised	176 669	61 093	176 669	61 093
IAS 39 Fair value adjustments	99 980	5 552	99 980	5 552
- derivative contracts	(1 631)	31 809	(1 631)	31 809
- foreign denominated loans	(3 278)	(41 678)	(3 278)	(41 678)
- Unrealised (gain)/loss on embedded derivative Power Purchase Agreement (PPA) and Power Sales Agreement (PSA)	104 889	15 421	104 889	15 421
Government grants recognised in profit or loss	(58 798)	(44 385)	(58 798)	(44 385)
Income generating Investment Property				
- rental income	(4 507)	(4 144)	(4 507)	(4 144)
- direct operating expenses	462	425	462	425
Non-income generating Investment Property				
- direct operating expenses	66	62	66	62
Fair value adjustment on investment properties	(3 407)	(1 052)	(3 407)	(1 052)

27. RELATED PARTIES

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 92.

Transactions with key management personnel
The key management personnel compensations are as follows:

	GROUP		COMPANY	
	2016 N$'000	2015 N$'000	2016 N$'000	2015 N$'000
Short-term employee benefits	14 337	9 314	14 337	9 314
Post-retirement employment benefits	1 401	1 271	1 401	1 271
Other long-term employment benefits	141	114	141	114
	15 879	10 699	15 879	10 699

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 18.2.

27. RELATED PARTIES (continued)

	GROUP		COMPANY	
	2016 N$'000	2015 N$'000	2016 N$'000	2015 N$'000
Investments				
Erongored (Pty) Ltd				
- dividend received	983	811	983	811
Associates				
Cenored (Pty) Ltd	130 943	116 515	290 662	258 634
- Electricity sales	130 787	116 293	290 315	258 142
- Service level agreement and technical support	156	222	347	492
Nored Electricity (Pty) Ltd	171 845	146 087	515 589	438 305
- Electricity sales	171 525	145 613	514 628	436 882
- Rental income	33	31	100	93
- Service level agreement and technical support	287	443	861	1 330
Municipal services from related parties	2 815	5 747	6 958	13 813
- Nored Electricity (Pty) Ltd	909	1 355	2 726	4 065
- Cenored (Pty) Ltd	1 906	4 392	4 232	9 748
Guarantees received	4 784	4 728	12 229	12 104
- Nored Electricity (Pty) Ltd	2 063	2 063	6 189	6 189
- Cenored (Pty) Ltd	2 721	2 665	6 040	5 915
Fellow government owned entities				
The individually significant sales transactions with fellow government owned entities are listed below:				
Electricity Sales	306 938	272 825[a]	306 938	272 825[a]
- Namibia Water Corporation	117 653	109 446	117 653	109 446
- Namibian Broadcasting Corporation (Pty) Ltd	1 970	1 836	1 970	1 836
- Namdeb Diamond Corporation (Pty) Ltd	169 794	146 346	169 794	146 346
- Namibia Airports Company Ltd	8 402	7 230	8 402	7 230
- Namibia Post & Telecom Holdings	6 766	6 252	6 766	6 252
- TransNamib (Pty) Ltd	1 920	1 309	1 920	1309
- Roads Authority	433	406	433	406

[a] The comparative figures have been restated to include all significant sales transactions with fellow government owned entities.

27. RELATED PARTIES (continued)

	GROUP 2016 N$'000	GROUP 2015 N$'000	COMPANY 2016 N$'000	COMPANY 2015 N$'000
Subsidiary				
Okaomba (Pty) Ltd	-	-	117	109
- Rent paid	-	-	117	109
Fellow government owned entities				
Other individually significant transactions with fellow government owned entities are listed below:				
Telecommunication, Transport services & related services	31 049	26 530	31 049	26 530
- Namibia Post & Telecom Holdings	2 639	2 489	2 639	2 489
- National Training Fund	5 540	5 021	5 540	5 021
- Namibia Water Corporation (Pty) Ltd	59	206	59	206
- Namibia Airports Company	122	172	122	172
- Road Fund Administrators	1 522	1 436	1 522	1 436
- Namcor Petroleum Trading & Distribution	19 384	15 574	19 384	15 574
- Social Security Commission	1 783	1 632	1 783	1 632
Related party balances				
Due from / (due to)				
Associate	35 273	29 944	94 113	79 460
- Cenored (Pty) Ltd	15 021	13 308	33 342	29 540
- Cenored (Pty) Ltd	(11)	(8)	(24)	(19)
- Nored Electricity (Pty) Ltd	20 378	16 703	61 140	50 115
- Nored Electricity (Pty) Ltd	(115)	(59)	(345)	(176)
Fellow government owned entities	34 954	22 692	34 954	22 692
- Namibia Post & Telecom Holdings	598	(532)	598	(532)
- National Training Fund	(435)	(399)	(435)	(399)
- TransNamib (Pty) Ltd	446	216	446	216
- Namdeb Diamond Corporation (Pty) Ltd	18 999	19 102	18 999	19 102
- Namibia Water Corporation (Pty) Ltd	14 286	10 941	14 286	10 941
- Namibia Airports Company (Pty) Ltd	643	585	643	585
- Namibian Broadcasting Corporation (Pty) Ltd	323	392	323	392
- Namcor Petroleum Trading & Distribution	-	(7 723)	-	(7 723)
- Roads Authority	94	110	94	110

27. RELATED PARTIES (continued)

	GROUP		COMPANY	
	2016 N$'000	**2015** N$'000	**2016** N$'000	**2015** N$'000
Guarantees received	17 199	17 190	17 199	17 190
- Namibia Post & Telecom Holdings	415	406	415	406
- TransNamib (Pty) Ltd	8	8	8	8
- Namdeb Diamond Corporation (Pty) Ltd	16 446	16 446	16 446	16 446
- Namibia Water Corporation (Pty) Ltd	249	249	249	249
- Namibia Airports Company (Pty) Ltd	2	2	2	2
- Namibian Broadcasting Corporation (Pty) Ltd	68	68	68	68
- Roads Authority	11	11	11	11

The Company does not have any significant commitments with its related parties.

During the year under review there were no write offs against the bad debt provision for the related parties.

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

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. 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$48.8 million (2015: N$44.3 million).

The Company's contribution paid to the Fund for the key management amounted to N$1.4 million (2015: N$1.3 million).

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 in thousands of Namibia Dollar, shown in the statement of financial position are as follows:

GROUP 2016	Reference notes	Loans and receivables	Held-for-trading	Held-to-maturity
Financial assets measured at fair value				
Listed equity	11	-	-	-
Collective investment schemes	11	-	-	-
Derivative financial assets	21.1	-	203 235	-
		-	203 235	-
Financial assets not measured at fair value				
Loans and receivables	10	23 658	-	-
Non-current investments	11	-	-	954 713
Fixed deposits at amortised cost	11	3 185 000	-	-
Cash and cash equivalents	14	1 707 589	-	-
Trade and other receivables^	13	1 075 560	-	-
		5 991 807	-	954 713
Financial liabilities measured at fair value				
Interest bearing loans and borrowings	17	-	-	-
Derivative liabilities	21.2	-	(394 734)	-
		-	(394 734)	-
Financial liabilities not measured at fair value				
Interest bearing loans and borrowings	17	-	-	-
Trade and other payables*	20	-	-	-
Non-current retention creditors	20.3	-	-	-
		-	-	-

* Accrued expenses of N$66.0 million (2015: N$ 61.6 million) that are not financial liabilities are not included.
^ Project and other advances and prepayments of N$37.5 million (2015: N$34.3 million) that are not financial assets are not included.
There have been no transfers between the fair value hierarchy levels (2015: no transfers).
The table above analyses financial instruments carried at fair value, by using the valuation method.

Carrying amount				Fair value			
Available-for-sale	**Designated / Fair value through profit or loss**	**Other financial liabilities at amortised cost**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
1 524	-	-	1 524	1 524	-	-	1 524
-	952 950	-	952 950	-	952 950	-	952 950
-	-	-	203 235	-	142 723	60 512	203 235
1 524	952 950	-	1 157 709	1 524	1 095 673	60 512	1 157 709
-	-	-	23 658	-	-	-	-
23 076	-	-	977 789	-	-	-	-
-	-	-	3 185 000	-	-	-	-
-	-	-	1 707 589	-	-	-	-
-	-	-	1 075 560	-	-	-	-
23 076	-	-	6 969 596	-	-	-	-
-	(245 335)	-	(245 335)	-	(245 335)	-	(245 335)
-	-	-	(394 734)	-	-	(394 734)	(394 734)
-	(245 335)	-	(640 069)	-	(245 335)	(394 734)	(640 069)
-	-	(2 377 035)	(2 377 035)	-	-	-	-
-	-	(1 645 721)	(1 645 721)	-	-	-	-
-	-	(18 692)	(18 692)	-	-	-	-
-	-	(4 041 448)	(4 041 448)	-	-	-	-

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)

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

GROUP 2015	Reference notes	Loans and receivables	Held-for-trading	Held-to-maturity
Financial assets measured at fair value				
Listed equity	11	-	-	-
Collective investment schemes	11	-	-	-
Derivative financial assets	21.1	-	200 488	-
		-	200 488	-
Financial assets not measured at fair value				
Loans and receivables	10	28 475	-	-
Non-current investments	11	-	-	1 473 361
Fixed deposits at amortised cost	11	1 880 000	-	-
Cash and cash equivalents	14	1 830 011	-	-
Trade and other receivables^	13	980 325	-	-
		4 718 811	-	1 473 361
Financial liabilities measured at fair value				
Interest bearing loans and borrowings	17	-	-	-
Derivative liabilities	21.2	-	(269 221)	-
		-	(269 221)	-
Financial liabilities not measured at fair value				
Interest bearing loans and borrowings	17	-	-	-
Trade and other payables*	20	-	-	-
Non-current retention creditors	20.3	-	-	-
		-	-	-

* Accrued expenses of N$61.6 million (2014: N$ 61.6 million) that are not financial liabilities are not included.
^ Project and other advances and prepayments of N$34.3 million (2014: N$33.1 million) that are not financial assets are not included.
There have been no transfers between the fair value hierarchy levels (2014: no transfers).
The table above analyses financial instruments carried at fair value, by using the valuation method.

Carrying amount				Fair value			
Available-for-sale	Designated / Fair value through profit or loss	Other financial liabilities at amortised cost	Total	Level 1	Level 2	Level 3	Total
1 675	-	-	1 675	1 675	-	-	1 675
-	1 274 187	-	1 274 187	-	1 274 187	-	1 274 187
-	-	-	200 488	-	147 552	52 936	200 488
1 675	1 274 187	-	1 476 350	1 675	1 421 739	52 936	1 476 350
-	-	-	28 475	-	-	-	-
23 076	-	-	1 496 437	-	-	-	-
-	-	-	1 880 000	-	-	-	-
-	-	-	1 830 011	-	-	-	-
-	-	-	980 325	-	-	-	-
23 076	-	-	6 215 248	-	-	-	-
-	(317 889)	-	(317 889)	-	(317 889)	-	(317 889)
-	-	-	(269 221)	-	-	(269 221)	(269 221)
-	(317 889)	-	(587 110)	-	(317 889)	(269 221)	(587 110)
-	-	(2 118 409)	(2 118 409)	-	-	-	-
-	-	(1 547 736)	(1 547 736)	-	-	-	-
-	-	(44 223)	(44 223)	-	-	-	-
-	-	(3 710 368)	(3 710 368)	-	-	-	-

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)

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

COMPANY 2016	Reference notes	Loans and receivables	Held-for-trading	Held-to-maturity
Financial assets measured at fair value				
Listed equity	11	-	-	-
Collective investment schemes	11	-	-	-
Derivative financial assets	21.1	-	203 235	-
		-	203 235	-
Financial assets not measured at fair value				
Loans and receivables	10	23 658	-	-
Non-current investments	11	-	-	954 713
Fixed deposits at amortised cost	11	3 185 000	-	-
Cash and cash equivalents	14	1 707 589	-	-
Trade and other receivables^	13	1 075 560	-	-
Interest in subsidiaries	7.1	3 300	-	-
		5 995 106	-	954 713
Financial liabilities measured at fair value				
Interest bearing loans and borrowings	17	-	-	-
Derivative liabilities	21.2	-	(394 734)	-
		-	(394 734)	-
Financial liabilities not measured at fair value				
Interest bearing loans and borrowings	17	-	-	-
Trade and other payables*	20	-	-	-
Loans due to subsidiaries[1]	7.1	-	-	-
Non-current retention creditors	20.3	-	-	-
		-	-	-

* Accrued expenses of N$66.0 million (2015: N$ 61.6 million) that are not financial liabilities are not included.
^ Project and other advances and prepayments of N$37.5 million (2015: N$34.3 million) that are not financial assets are not included.
[1] The loans due to subsidiaries are not applicable to the Group.
There have been no transfers between the fair value hierarchy levels (2015: no transfers).
The table above analyses financial instruments carried at fair value, by using the valuation method.

Carrying amount				Fair value			
Available-for-sale	Designated / Fair value through profit or loss	Other financial liabilities at amortised cost	Total	Level 1	Level 2	Level 3	Total
1 524	-	-	1 524	1 524	-	-	1 524
-	952 950	-	952 950	-	952 950	-	952 950
-	-	-	203 235	-	142 723	60 512	203 235
1 524	952 950	-	1 157 709	1 524	1 095 673	60 512	1 157 709
-	-	-	23 658	-	-	-	-
23 076	-	-	977 789	-	-	-	-
-	-	-	3 185 000	-	-	-	-
-	-	-	1 707 589	-	-	-	-
-	-	-	1 075 560	-	-	-	-
5 944	-	-	9 244	-	-	-	-
29 020	-	-	6 978 840	-	-	-	-
-	(245 335)	-	(245 335)	-	(245 335)	-	(245 335)
-	-	-	(394 734)	-	-	(394 734)	(394 734)
-	(245 335)	-	(640 069)	-	(245 335)	(394 734)	(640 069)
-	-	(2 377 035)	(2 377 035)	-	-	-	-
-	-	(1 645 721)	(1 645 721)	-	-	-	-
-	-	(6 384)	(6 384)	-	-	-	-
-	-	(18 692)	(18 692)	-	-	-	-
-	-	(4 047 832)	(4 047 832)	-	-	-	-

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)

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

COMPANY 2015	Reference notes	Loans and receivables	Held-for-trading	Held-to-maturity
Financial assets measured at fair value				
Listed equity	11	-	-	-
Collective investment schemes	11	-	-	-
Derivative financial assets	21.1	-	200 488	-
		-	200 488	-
Financial assets not measured at fair value				
Loans receivable	10	28 475	-	-
Non-current investments	11	-	-	1 473 361
Fixed deposits at amortised cost	11	1 880 000	-	-
Cash and cash equivalents	14	1 830 011	-	-
Trade and other receivables^	13	980 325	-	-
Interest in subsidiaries	7.1	3 118	-	-
		4 721 929	-	1 473 361
Financial liabilities measured at fair value				
Interest bearing loans and borrowings	17	-	-	-
Derivative financial liabilities	21.2	-	(269 221)	-
		-	(269 221)	-
Financial liabilities not measured at fair value				
Interest bearing loans and borrowings	17	-	-	-
Trade and other payables*	20	-	-	-
Loans due to subsidiaries[1]	7.1	-	-	-
Non-current retention creditors	20.3	-	-	-
		-	-	-

* Accrued expenses of N$61.6 million (2014: N$ 61.6 million) that are not financial liabilities are not included.
^ Project and other advances and prepayments of N$34.3 million (2014: N$33.1 million) that are not financial assets are not included.
[1] The loans due to subsidiaries are not applicable to the Group.
There have been no transfers between the fair value hierarchy levels (2014: no transfers).
The table above analyses financial instruments carried at fair value, by using the valuation method.

Carrying amount				Fair value			
Available-for-sale	**Designated / Fair value through profit or loss**	**Other financial liabilities at amortised cost**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
1 675	-	-	1 675	1 675	-	-	1 675
-	1 274 187	-	1 274 187	-	1 274 187	-	1 274 187
-	-	-	200 488	-	147 552	52 936	200 488
1 675	1 274 187	-	1 476 350	1 675	1 421 739	52 936	1 476 350
-	-	-	28 475	-	-	-	-
23 076	-	-	1 496 437	-	-	-	-
-	-	-	1 880 000	-	-	-	-
-	-	-	1 830 011	-	-	-	-
-	-	-	980 325	-	-	-	-
5 944	-	-	9 062	-	-	-	-
29 020	-	-	6 224 310	-	-	-	-
-	(317 889)	-	(317 889)	-	(317 889)	-	(317 889)
-	-	-	(269 221)	-	-	(269 221)	(269 221)
-	(317 889)	-	(587 110)	-	(317 889)	(269 221)	(587 110)
-	-	(2 118 409)	(2 118 409)	-	-	-	-
-	-	(1 547 736)	(1 547 736)	-	-	-	-
-	-	(6 384)	(6 384)	-	-	-	-
-	-	(44 223)	(44 223)	-	-	-	-
-	-	(3 716 752)	(3 716 752)	-	-	-	-

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)

	GROUP	COMPANY
A reconciliation has been performed for fair value measurements in level 3 of the fair value hierarchy as follows:	**2016** N$'000	**2015** N$'000
Embedded derivative liabilities		
Carrying value at beginning of the year	(269 221)	(258 049)
Net fair value (loss)/gain on embedded derivatives recognised in profit or loss	(125 513)	(11 172)
Carrying value at end of the year	(394 734)	(269 221)
Embedded derivative assets[1]		
Carrying value at beginning of the year	52 936	55 133
Net fair value gain/(loss) on embedded derivatives recognised in profit or loss	7 576	(2 197)
Carrying value at end of the year	60 512	52 936

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 assests of N$142.7 million (2015: N$147.5 million) were measured at fair value based on Level 2 inputs to the valuation techniques. (Refer to note 29.1)

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 2016 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)

29.3.1 Management of credit risk (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 concentrating risk parameters and collateral management procedures are in place.

Concentration of credit risk is managed by setting credit risk limits at a counterparty-specific level. Concentration credit risk limits are used as second tier limits in relation to counterparty credit limits.

29.4 Exposure to credit risk

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

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

		GROUP		COMPANY	
		2016 N$'000	**2015** N$'000	**2016** N$'000	**2015** N$'000
Current investments	29.1, 11	3 185 000	1 880 000	3 185 000	1 880 000
Non-current investments	29.1, 11	954 713	1 473 361	954 713	1 473 361
Loans receivables	29.1, 10	23 658	28 475	23 658	28 475
Loans from subsidiaries	29.1, 7.1	-	-	3 300	3 118
Trade and other receivables	29.1, 13	1 075 560	980 325	1 075 560	980 325
Cash and cash equivalents	29.1, 14	1 707 589	1 830 011	1 707 589	1 830 011
Derivative assets	29.1, 21.1	203 235	200 488	203 235	200 488
		7 149 755	6 392 660	7 153 055	6 395 778

29. FINANCIAL INSTRUMENTS (continued)

29.4.1 Financial income and expenses

Recognised in profit or loss

Net gains and (losses) on financial assets and liabilities through profit or loss

	GROUP		COMPANY	
	2016 N$'000	**2015** N$'000	**2016** N$'000	**2015** N$'000
Realised Swap losses (FVTPL)	(94 528)	(85 187)	(94 528)	(85 187)
Realised Swap profits (FVTPL)	96 159	53 377	96 159	53 377
Loss from Swaps currency valuation (FVTPL)	(120 745)	(30 092)	(120 745)	(30 092)
Gain from Swaps currency valuation (FVTPL)	119 932	67 584	119 932	67 584
Unrealised foreign exchange gains/(losses) on forward exchange contracts	(19 508)	23 576	(19 508)	23 576
Realised foreign exchange losses (FVTPL)	(152 505)	(28 751)	(152 505)	(28 751)
Realised foreign exchange gains (FVTPL)	112 448	9 382	112 448	9 382
Realised exchange rate gain/(loss) foreign loans (FVTPL)	4 091	4 186	4 091	4 186
Fair value adjustment on embedded derivative- Power Purchases Agreement (Held for trading asset)	(111 800)	(11 173)	(111 800)	(11 173)
Fair value adjustment on embedded derivative- Power Sales Agreement (Held for trading liability)	6 911	(4 249)	6 911	(4 249)
Unrealised foreign exchange gains	236 028	128 559	236 028	128 559
Recognised in other comprehensive income				
Net change in fair value of available-for-sale financial asset	151	(116)	151	(116)

* 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 2016 no guarantee was outstanding.

NamPower employee home loans

Suretyship for N$37.3 million (2015: N$34.6 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 dispersion across different industries and geographical areas. The main classes of electricity receivables are cross border, large power users and small power users. Key large power users comprise mainly Namibian municipalities, town councils, village councils, regional councils, and mining customers.

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

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

Electricity supply agreements are entered into with cross border customers who comprise utility companies of neighbouring countries. These customers are required to provide security deposit equivalent to the value of three month's estimated consumption.
Refer note 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 2016 was N$255.2 million (2015: N$20.0 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.

29. FINANCIAL INSTRUMENTS (continued)

29.4.3 Trade and other receivables (continued)

The maximum exposure to credit risk for trade receivables at the reporting date by geographic area:	GROUP		CONPANY	
	2016 N$'000 Carrying amount	2015 N$'000 Carrying amount	2016 N$'000 Carrying amount	2015 N$'000 Carrying amount
Domestic- Namibia	664 793	591 343	664 793	591 343
Regional Exports/ Cross border customers	15 617	101 140	15 617	101 140
	680 410	692 483	680 410	692 483
The maximum exposure to credit risk for trade and other receivables at the reporting date by type of customer was:				
Distributors	455 554	382 484	455 554	382 484
Mining	138 537	149 320	138 537	149 320
End-user customers	68 111	136 995	68 111	136 995
Other trade receivables	18 208	23 684	18 208	23 684
	680 410	692 483	680 410	692 483

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:

	2016 %	2015 %	2016 %	2015 %
Distributors	67	55	67	55
Mining	20	22	20	22
End-user customers	10	20	10	20
Other trade receivables	3	3	3	3
	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:

	GROUP AND COMPANY	
	2016 N$'000	**2015** N$'000
	Gross	Gross
0-30 days	579 409	603 992
Past 30 days	44 528	10 594
Past 120 days	4 883	72 259
More than one year	51 590	5 638
	680 410	692 483

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

Included in more than one year trade receivables are capital contributions of N$12.4 million (2015: N$6.6 million) that are only recognised as revenue when all performance obligations have been performed eg. when the customer is energised and the remainder is held as a liability under trade payables.

29.4.4 Impairment losses

	GROUP AND COMPANY		GROUP AND COMPANY	
	2016 N$'000	**2015** N$'000	**2016** N$'000	**2015** N$'000
	Gross	Impairment	Gross	Impairment
0-30 days	896 034	17 644	889 374	182
Past 30 days	95 063	19 349	11 656	894
Past 120 days	63 210	49 652	44 042	3 064
More than one year	276 480	168 581	52 174	15 836
	1 330 787	255 226	997 246	19 976

The above impairment losses are based on individual impairments.

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:

	GROUP AND COMPANY	
	2016 N$'000	**2015** N$'000
Balance 1 July	19 976	18 797
- Impairment loss recognised	235 250	1 179
Balance at 30 June	255 226	19 976

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

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

A further impairement loss of N$220.6 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.

An impairment loss of N$16.5 million has been raised against the ECB levy portion. NamPower has a Tripatate agreement with Eskom and this customer has applied to the Electricity Control Board and Ministry of Mines to be exempted from paying the levies hence the non payment of the levies.

The remainder of the impairment loss at 30 June 2016 is attributable to several customers who have been struggling to pay and who have indicated that they will not be able to pay their outstanding balances. Electricity supply to these customers has been suspended.

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

29. FINANCIAL INSTRUMENTS (continued)

29.4.4 Impairment losses (continued)

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:

	GROUP AND COMPANY	
(a) Cash deposits	**2016** N$'000	**2015** N$'000
Electricity receivables security deposit -Cash		
Domestic Namibia	19 344	16 507
Regional Exports/Cross Border customers	368	368
(b) Bank Guarantees		
Domestic- Namibia	158 976	155 870
Cross Border customers	58	58

29.4.5 Cash and cash equivalents

The Group held cash and cash equivalents of N$1.7 billion at 30 June 2016 (2015: N$1.8 billion). The cash and cash equivalents are held with bank and financial institution counterparties, which are rated for foreign currency long-term as BBB- 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.

Group 2016	**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	(179 852)	(183 893)	(30 645)	(122 534)	(30 714)
- EUR floating rate loan	(162 079)	(163 215)	(77 147)	(86 068)	-
- ZAR denominated loans	(1 990 995)	(2 883 072)	(302 078)	(1 681 799)	(899 195)
- NAD denominated loans	(289 443)	(386 284)	(31 134)	(336 892)	(18 258)
Non current retention creditors	(10,410)	(18 692)	-	(18 692)	-
Trade and other payables	(1 645 722)	(1 645 722)	(1 645 722)	-	-
Derivative financial liabilities					
- Interest rate swaps and cross currency interest rate swaps used for hedging	-	103 154	39 335	58 195	5 624
2015					
Non-derivative financial liabilities					
Secured long term loans					
- GBP fixed rate loan	(195 993)	(207 482)	(29 618)	(118 543)	(59 321)
- EUR floating rate loan	(198 143)	(201 019)	(65 011)	(136 008)	-
- ZAR denominated loans	(1 749 003)	(2 611 431)	(280 218)	(1 069 106)	(1 262 107)
- NAD denominated loans	(293 159)	(417 485)	(31 200)	(361 941)	(24 344)
Non-current retention creditors	(23 895)	(44 223)	-	(44 223)	-
Trade and other payables	(1 547 736)	(1 547 736)	(1 547 736)	-	-
Derivative financial liabilities					
- Interest rate swaps and cross currency interest rate swaps used for hedging	-	109 804	18 239	79 815	11 750

29. FINANCIAL INSTRUMENTS (continued)

29.5.1 Contractual Cash Flows (continued)

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.

COMPANY 2016	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	(179 852)	(183 893)	(30 645)	(122 534)	(30 714)
- EUR floating rate loan	(162 079)	(163 215)	(77 147)	(86 068)	-
- ZAR denominated loans	(1 990 995)	(2 883 072)	(302 078)	(1 681 799)	(899 195)
- NAD denominated loans	(289 443)	(386 284)	(31 134)	(336 892)	(18 258)
Non-current retention creditors	(10 410)	(18 692)	-	(18 692)	-
Trade and other payables	(1 645 721)	(1 645 721)	(1 645 721)	-	-
Loans due to subsidiaries	(6 384)	(6 384)	(6 384)	-	-
Derivative financial liabilities					
- Interest rate swaps and cross currency interest rate swaps used for hedging	-	103 154	39 335	58 195	5 624
2015					
Non-derivative financial liabilities					
Secured long term loans					
- GBP fixed rate loan	(195 993)	(207 482)	(29 618)	(118 543)	(59 321)
- EUR floating rate loan	(198 143)	(201 019)	(65 011)	(136 008)	-
- ZAR denominated loans	(1 749 003)	(2 611 431)	(280 218)	(1 069 106)	(1 262 107)
- NAD denominated loans	(293 159)	(417 485)	(31 200)	(361 941)	(24 344)
Non-current retention creditors	(23 895)	(44 223)	-	(44 223)	-
Trade and other payables	(1 547 736)	(1 547 736)	(1 547 736)	-	-
Loans due to subsidiaries	(6 384)	(6 384)	(6 384)	-	-
Derivative financial liabilities					
- Interest rate swaps and cross currency interest rate swaps used for hedging	-	109 804	18 239	79 815	11 750

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.

The principal or contract amount of derivative financial instruments were:

	GROUP AND COMPANY	
	2016 N$'000	**2015** N$'000
Net interest rate and cross currency swaps	142 723	141 091
Forward exchange contracts	401 723	250 525

For a more detailed breakdown refer to note 21.

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

29.5.3 Primary sources of funding and unused facilities

The primary sources to meet 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:

	2016	2015
General banking facilities	363 500	363 500

The overdraft facilities, if utilised are repayable strictly on demand and will be charged at the prevailing bank's prime lending rate from time to time. The prime lending rate of the commercial banks at 30 June 2016 was 10.75%.

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

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

The net impact on profit or loss of changes in the fair value of the embedded derivatives for the Group and Company is a fair value loss of N$104.9 million (2015: N$15.4 million gain). At 30 June 2016 the embedded derivative asset amounted to N$57.8 million (2015: N$50.9 million) for the Group and Company. The embedded derivative liability at 30 June 2016 was N$381.0 million (2015: N$269.2 million) for the Group and Company.

The valuation methods and inputs are discussed in note 29.6. Risks arising from these contracts are discussed under the relevant risk areas as follows:

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

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

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.

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:

	GROUP		CONPANY	
	2016 N$ '000 **Carrying amount**	**2015** N$ '000 **Carrying amount**	**2016** N$ '000 **Carrying amount**	**2015** N$ '000 **Carrying amount**
Variable rate financial instruments				
Financial assets	-	-	-	-
Financial liabilities	(39 443)	(43 159)	(39 443)	(43 159)
	(39 443)	(43 159)	(39 443)	(43 159)
Fixed rate financial instruments				
Financial assets	6 969 596	6 215 248	6 978 840	6 233 371
Financial liabilities	(4 002 005)	(3 622 986)	(4 008 389)	(3 679 977)
	2 967 591	2 592 262	2 970 451	2 553 394

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 2015.

29. FINANCIAL INSTRUMENTS (continued)

29.6.1 Interest rate risk (continued)

A chance of 100 basis point in interest rates at the reporting date would have increased/(descresed) profit or loss and equity by amount shown below:

GROUP AND COMPANY	Equity 100 bp increase	Equity 100 bp decrease	Profit or (loss) 100 bp increase	Profit or (loss) 100 bp decrease
30 June 2016				
Variable rate instruments				
Interest rate swap				
-DBN				
NAD Curve	(264)	264	(394)	394
30 June 2015				
Variable rate instruments				
Interest rate swap				
-DBN				
NAD Curve	(289)	289	(432)	432

29.6.2 Currency risk

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

The loans denominated in foreign currency have been fully hedged using currency swaps that mature on the same date as the loans are due for repayment.

With respect to all other transactions denominated in currencies other than the Namibia Dollar and/or the South African Rand, the Company generally adopts a policy to hedge its foreign currency commitments where possible. The company is also exposed to foreign currency movements with regards to certain regional Power Purchase Agreements (PPAs) and Power Sales Agreements (PSA) which are hedged for the duration of the agreement and reviewed on a continuous basis.

Recognised assets and liabilities

Changes in the fair value of forward exchange contracts that economically hedge monetary assets and liabilities in foreign currencies and for which no hedge accounting can be applied are recognised in profit or loss.

Due to the fact that no hedge effectiveness test is performed all fair value movements on the currency and interest rate swaps are recognised in profit or loss as part of net financing costs.

29. FINANCIAL INSTRUMENTS (continued)

29.6.2 Currency risk (continued)

GROUP

The currency position at 30 June 2016 is set below in thousands of Namibia Dollar

	N$	ZAR	US$	Euro	GBP	CAD	Total
Assets							
Other financial assets	142 723	-	58 443	2 069	-	-	203 235
Loans receivable	23 658	-	-	-	-	-	23 658
Trade and other receivables	853 928	-	259 123	-	-	-	1 113 051
Current investments	3 220 684	918 790	-	-	-	-	4 139 474
Cash and cash equivalents	146 274	1 383 818	176 903	544	50	-	1 707 589
	4 387 267	2 302 608	494 469	2 613	50	-	7 187 007
Liabilities							
Interest bearing loans and borrowings	(289 443)	(1 990 996)	-	(162 079)	(179 852)	-	(2 622 370)
Other financial liabilities	-	-	(394 681)	(53)	-	-	(394 734)
Trade and other payables	(1 262 179)	(335 475)	(113 421)	(693)	-	-	(1 711 768)
Non current retention creditors	(9 319)	689	-	(10 062)	-	-	(18 692)
	(1 560 941)	(2 325 782)	(508 102)	(172 887)	(179 852)	-	(4 747 564)
Gross statement of financial position exposure	2 826 326	(23 174)	(13 633)	(170 274)	(179 802)	-	2 439 443
Next year's forecast sales	5 712 984	-	-	-	-	-	5 712 984
Next year's forecast purchases	(17 444)	(2 055 843)	(1 414 399)	-	-	-	(3 487 686)
Gross exposure	8 521 866	(2 079 017)	(1 428 032)	(170 274)	(179 802)	-	4 664 741
Foreign exchange contracts	-	-	(13 660)	(53)	-	-	(13 713)
Net exposure	8 521 866	(2 079 017)	(1 441 692)	(170 327)	(179 802)	-	4 651 028

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

Currency translation rates :	**30 June 2016**
1 SA Rand	N$1.0
1 US Dollar	N$14.8
1 Euro	N$16.4
1 GBP	N$19.9

29. FINANCIAL INSTRUMENTS (continued)

29.6.2 Currency risk (continued)

GROUP

The currency position at 30 June 2015 is set below in thousands of Namibia Dollar

	N$	ZAR	US$	Euro	GBP	CAD	Total
Assets							
Other financial assets	141 091	-	57 220	2 176	-	-	200 487
Loans receivable	28 475	-	-	-	-	-	28 475
Trade and other receivables	888 187	-	126 449	-	-	-	1 014 636
Current investments	1 920 244	1 235 618	-	-	-	-	3 155 862
Cash and cash equivalents	237 089	1 137 755	454 844	319	4	-	1 830 011
	3 215 086	2 373 373	638 513	2 495	4	-	6 229 471
Liabilities							-
Interest bearing loans and borrowings	(293 159)	(1 749 004)	-	(198 143)	(195 993)	-	(2 436 299)
Other financial liabilities	-	-	(269 221)	-	-	-	(269 221)
Trade and other payables	(1 330 209)	(5 178)	(273 378)	(506)	(30)	(67)	(1 609 368)
Non current retention creditors	(35 316)	(2 245)	-	(7 697)	-	-	(45 258)
	(1 658 684)	(1756 427)	(542 599)	(206 346)	(196 023)	(67)	(4 360 146)
						-	-
Gross statement of financial position exposure	1 556 402	616 946	95 914	(203 851)	(196 019)	(67)	1 869 325
Next year's forecast sales	4 849 376	-	-	-	-	-	4 849 376
Next year's forecast purchases	(15 091)	(427 912)	(1 879 133)	-	-	-	(2 322 136)
Gross exposure	6 390 687	189 034	(1 783 219)	(203 851)	(196 019)	(67)	4 396 565
Foreign exchange contracts	-	-	235 105	21 880	-	-	256 985
Net exposure	6 390 687	189 034	(1 548 114)	(181 971)	(196 019)	(67)	4 653 550

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

Currency translation rates :	**30 June 2015**
1 SA Rand	N$1.0
1 US Dollar	N$12.2
1 Euro	N$13.7
1 GBP	N$19.2
1 CAD	N$9.9

29. FINANCIAL INSTRUMENTS (continued)

29.6.2 Currency risk (continued)

COMPANY

The currency position at 30 June 2016 is set below in thousands of Namibia Dollar

	N$	ZAR	US$	Euro	GBP	CAD	Total
Assets							
Other financial assets	142 723	-	58 443	2 069	-	-	203 235
Loans receivable	23 658	-	-	-	-	-	23 658
Trade and other receivables	853 928	-	259 123	-	-	-	1 113 051
Current investments	3 220 684	918 790	-	-	-	-	4 139 474
Cash and cash equivalents	146 274	1 383 818	176 903	544	50	-	1 707 589
	4 387 267	2 302 608	494 469	2 613	50	-	7 187 007
Liabilities							
Interest bearing loans and borrowings	(289 443)	(1 990 996)	-	(162 079)	(179 852)	-	(2 622 370)
Other financial liabilities	-	-	(394 681)	(53)	-	-	(394 734)
Trade and other payables	(1 262 181)	(335 475)	(113 421)	(693)	-		(1 711 770)
Non current retention creditors	(9 319)	689	-	(10 062)	-	-	(18 692)
	(1 560 943)	(2 325 782)	(508 102)	(172 887)	(179 852)	-	(4 747 566)
Gross statement of financial position exposure	2 826 324	(23 174)	(13 633)	(170 274)	(179 802)	-	2 439 441
Next year's forecast sales	5 712 984	-	-	-	-	-	5 712 984
Next year's forecast purchases	(17 444)	(2 055 843)	(1 414 399)	-	-	-	(3 487 686)
Gross exposure	8 521 864	(2 079 017)	(1 428 032)	(170 274)	(179 802)	-	4 664 739
Foreign exchange contracts	-	-	(13 660)	(53)	-	-	(13 712)
Net exposure	8 521 864	(2 079 017)	(1 441 692)	(170 327)	(179 802)	-	4 651 027

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

Currency translation rates :	**30 June 2016**
1 SA Rand	N$1.0
1 US Dollar	N$14.8
1 Euro	N$16.4
1 GBP	N$19.9

29. FINANCIAL INSTRUMENTS (continued)

29.6.2 Currency risk (continued)

COMPANY

The currency position at 30 June 2015 is set below in thousands of Namibia Dollar

	N$	ZAR	US$	Euro	GBP	CAD	Total
Assets							
Other financial assets	141 091	-	57 220	2 176	-	-	200 487
Loans receivable	28 475	-	-	-	-	-	28 475
Trade and other receivables	888 187	-	126 449	-	-	-	1 014 636
Current investments	1 920 244	1 235 618	-	-	-	-	3 155 862
Cash and cash equivalents	237 089	1 137 755	454 844	319	4	-	1 830 011
	3 215 086	2 373 373	638 513	2 495	4	-	6 229 471
Liabilities							
Interest bearing loans and borrowings	(293 159)	(1 749 004)	-	(198 143)	(195 993)	-	(2 436 299)
Other financial liabilities	-	-	(269 221)	-	-	-	(269 221)
Trade payables and other payables	(1 330 211)	(5 178)	(273 378)	(506)	(30)	(67)	(1 609 370)
Non current retention creditors	(35 316)	(2 245)	-	(7 697)	-	-	(45 258)
Loans due to subsidiary			-	-	-	-	-
	(1 658 686)	(1 756 427)	(542 599)	(206 346)	(196 023)	(67)	(4 360 148)
							-
Gross statement of financial position exposure	1 556 400	616 946	95 914	(203 851)	(196 019)	(67)	1 869 323
Next year's forecast sales	4 849 376	-	-	-	-	-	4 849 376
Next year's forecast purchases	(15 091)	(427 912)	(1 879 133)	-	-	-	(2 322 136)
Gross exposure	6 390 685	189 034	(1 783 219)	(203 851)	(196 019)	(67)	4 396 563
Foreign exchange contracts	-	-	235 105	21 880	-	-	256 985
Net exposure	6 390 685	189 034	(1 548 114)	(181 971)	(196 019)	(67)	4 653 548

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

Currency translation rates :	**30 June 2015**
1 SA Rand	N$1.0
1 US Dollar	N$12.2
1 Euro	N$13.7
1 GBP	N$19.2
1 CAD	N$9.9

29. FINANCIAL INSTRUMENTS (continued)

29.6.2 Currency risk (continued)

Sensitivity analysis

A strengthening of the N$ against the following currencies at 30 June would have increased/(decreased) profit or loss 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 2015.

	GROUP AND COMPANY		GROUP AND COMPANY	
	2016 Equity N$ '000	2015 Equity N$ '000	2016 Profit or (Loss) N$ '000	2015 Profit or (Loss) N$ '000
US Dollar (10 percent strengthening)	87 524	101 368	130 633	151 295
Euro (10 percent strengthening)	(11 871)	(13 792)	(17 718)	(20 585)
GBP (10 percent strengthening)	(12 047)	(13 133)	(17 980)	(19 602)
CAD (10 percent strengthening)	-	(4)	-	(7)

A weakening of the N$ against the following currencies at 30 June 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 2015.

US Dollar (10 percent weakening)	(87 524)	(101 368)	(130 633)	(151 295)
Euro (10 percent weakening)	11 871	13 792	17 718	20 585
GBP (10 percent weakening)	12 047	13 133	17 980	19 602
CAD (10 percent weakening)	-	4	-	7

29. FINANCIAL INSTRUMENTS (continued)

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:

	GROUP AND COMPANY		GROUP AND COMPANY	
	2016 Equity N$'000	2015 Equity N$'000	2016 Profit or (Loss) N$'000	2015 Profit or (Loss) N$'000
United States PPI				
1% increase	(12 601)	(17 727)	(18 807)	(26 458)
1% decrease	12 420	17 361	18 537	25 912

29.7 Capital management

Nampower manages the total shareholders' equity and debt as capital. Capital consists of ordinary share capital, development fund reserve and longterm debt. The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital and the level of dividends to ordinary shareholders.

	GROUP		COMPANY	
	2016 N$'000	2015 N$'000	2016 N$'000	2015 N$'000
The Group manages the following as capital:				
Ordinary share capital	1 065 000	1 065 000	1 065 000	1 065 000
Development fund reserve	3 715 295	4 048 062	3 539 800	3 904 159
Longterm debt	2 622 370	2 436 298	2 622 370	2 436 298
	7 402 665	7 549 360	7 227 170	7 405 457

29. FINANCIAL INSTRUMENTS (continued)

29.7 Capital management (continued)

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, net 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 2.78, net debt to EBITDA of -5.28 and a debt equity ratio of 13:87. These covenants are used for forecasted financial planning to ensure and manage the loan conditions set. The Company also maintains a credit rating as affirmed by Fitch for foreign currency long-term as BBB- and national long-term rating AA-(zaf).

The tariff increases for the electricity business is subject to the process laid down by the Electricity Control Board (ECB). The current regulatory framework applicable to Nampower is based on historical cost and depreciated replacement cost for Generation and Transmission assets respectively.

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. FINANCIAL INSTRUMENTS (continued)

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

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

The embedded derivatives have been divided into three categories:

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

Valuation

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

Valuation assumptions

The contracted electricity price used to value embedded derivatives is based on a combination of factors in the table below over the contracted period.

Forecast sales volumes are based on the most likely future sales volumes which have been back-tested against historic volumes.

The fair value of embedded derivatives takes into account the inherent uncertainty relating to the future cash flows of embedded derivatives, such as liquidity, model risk and other economic factors.

The following valuation assumptions for the future electricity price curve discussed above for the valuation of embedded derivatives were used and are regarded as the best estimates by the board:

		Year ended 30 June 2016					
Input	Unit	2016	2017	2018	2019	2020	2021
NAD/USD	USD per NAD	14.85	15.93	17.21	18.23	19.55	20.97
ZAR discount factor		0.99	0.92	0.84	0.79	0.73	0.67
United States PPI	Year-on-year (%)	-0.30%	0.17%	0.46%	0.50%	0.55%	0.61%

30. SEGMENT REPORTING

Business unit segments

The Group has three reportable segments, as described below, which are the Group's core business units. The core business units offer different services, and are managed separately because they require different expertise and marketing strategies. For each of the strategic business units, the Board reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

Generation: Supply of energy

Transmission: Transmission of energy

Other Support Services, including Energy Trading:

Short, medium and long term planning and management of energy and Power Systems Development responsible for development of supply sources of energy

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

Information about reportable business units

	Generation		**Transmission**		**Other**		**Total**	
Amounts in N$'000	**2016** N$'000	**2015** N$'000	**2016** N$'000	**2015** N$'000	**2016** N$'000	**2015** N$'000	**2016** N$'000	**2015** N$'000
Total revenues	595 281	637 000	3 122 073	2 539 003	8 613 788	8 535 538	12 331 142	11 711 541
Intersegment revenue	(595 281)	(637 000)		(1 383 586)	(5 345 021)	(5 210 441)	(7 325 150)	(7 231 027)
Total Segment revenue	-	-	1 737 224	1 155 417	3 268 767	3 325 097	5 005 992	4 480 514
Interest Income	-	-	34 457	13 054	507 514	428 859	541 971	441 913
Interest expense	-	-	(132 734)	(119 002)	(100 479)	(108 439)	(233 213)	(227 441)
Depreciation & amortisation	(289 915)	(108 424)	(395 241)	(380 576)	(51 251)	(44 612)	(736 407)	(533 612)
Staff costs	(144 028)	(116 065)	(188 947)	(183 142)	(275 357)	(235 234)	(608 332)	(534 441)
Post retirement medical benefit	(7 102)	(7 250)	(11 433)	(11 599)	(10 335)	(10 149)	(28 870)	(28 998)
Foreign exchange gains on trade payables/receivables, bank balances and loans payable	-	-	-	-	461 896	137 941	461 896	137 941
Foreign exchange losses on trade payables/receivables, bank balances and loans payable	-	-	-	-	(317 863)	(59 753)	(317 863)	(59 753)
Segment result (before tax)	599 555	(273 729)		2 997 744	2.350 243	(2 018 001)	(515 349)	706 014
Other material non-cash items:								
Impairment on property, plant and equipment	(6 776)	-	(339 502)	-	(32 003)	-	(378 281)	-

30. SEGMENT REPORTING (continued)

Other material items 2016 in thousands Namibia Dollar	Reportable segment totals
Finance income	541 971
Finance expense	(233 213)
Depreciation and amortisation	(736 407)
Staff costs	(608 332)
Post retirement medical benefit	(28 870)
Foreign exchange gains on trade payables/receivables, bank balances and loans payable	461 896
Foreign exchange losses on trade payables/receivables, bank balances and loans payable	(317 863)
Impairment of property, plant and equipment	(378 281)

Other material items 2015 in thousands Namibia Dollar	
Finance income	441 913
Finance expense	(227 441)
Depreciation and amortisation	(533 612)
Staff costs	(534 441)
Post retirement medical benefit	(28 998)
Foreign exchange gains on trade payables/receivables, bank balances and loans payable	137 941
Foreign exchange losses on trade payables/receivables, bank balances and loans payable	(59 753)

ADMINISTRATION

Secretary of the Group

S Mavulu (Ms)
15 Luther Street
PO Box 2864
WINDHOEK
Namibia

Registered address

Namibia Power Corporation (Proprietary) Limited
(Reg no 2051)
NamPower Centre
15 Luther Street
PO Box 2864
WINDHOEK
Namibia
register@nampower.com.na

Auditors

KPMG
30 Schanzen Road, Klein Windhoek
PO Box 86863
Eros, Windhoek
Namibia

www.nampower.com.na