30 JUNE ANNUAL REPORT

2013

NamPower

Powering the Nation and beyond

1

VISION:

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

2

MISSION:

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

3

GROUP VALUES:

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

4

WE ARE COMMITTED TO...

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

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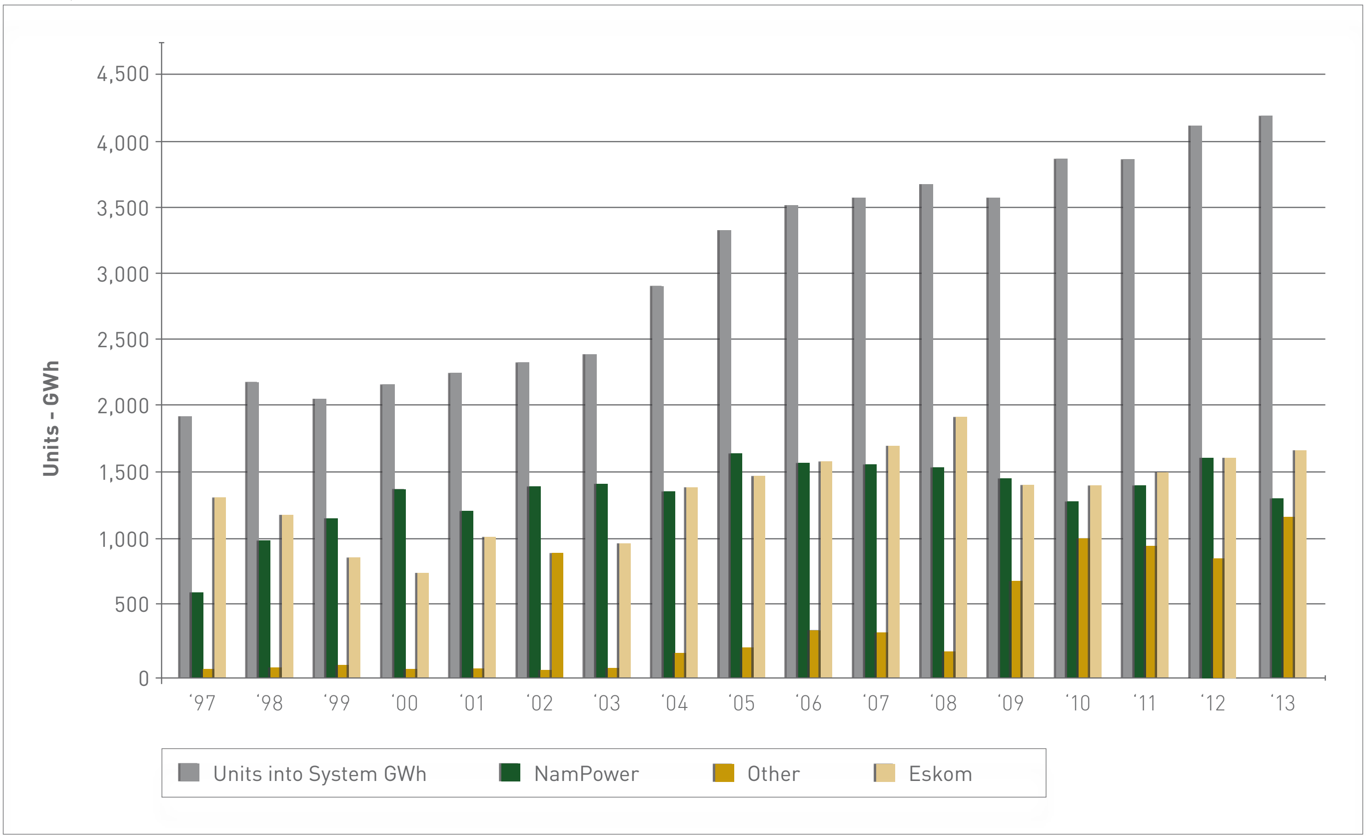
GROUP KEY STATISTICS

	2013	2012	2011
1. Total revenue (N$'000)	**3,305,641**	2,555,559	2,309,164
2. Taxation (N$'000)	**37,956**	(76,135)	53,474
3. Capital Expenditure (N$'000)	**395,216**	346,519	909,601
- Property, plant and equipment	**394,029**	346,455	909,302
- Intangible assets	**1,187**	64	299
4. Coal Cost - Per Ton (N$)	**1,517**	1,244	1,297
5. Average Price per unit sold (Cents)	**96.7**	77.3	67.9
6. Number of electricity customers	**2,788**	2,752	2,738
7. System Maximum (Hourly demand) (MW)			
- Excluding Skorpion	**534**	534	498
- Including Skorpion	**614**	614	580
8. Units into System (GWh)	**4,238**	4,162	3,910
NamPower (Pty) Ltd	**1,331**	1,643	1,430
ZESCO	**389**	378	319
Eskom	**1,718**	1,645	1,522
ZESA	**781**	496	637
EDM	**-**	-	2
Aggreko	**19**	-	-
9. Units sold (GWh)	**3,861**	3,726	3,543
Customers in Namibia	**2,986**	2,840	2,650
Skorpion Zinc mine	**647**	662	690
Orange River	**139**	133	127
Exports	**89**	91	76
10. Installed Capacity (MW)	**1,087**	1,099	984
- Ruacana	**332**	332	240
- Van Eck	**120**	120	120
- Interconnector	**600**	600	600
- Anixas	**23**	23	-
- Paratus	**12**	24	24
11. Transmission Lines			
- 400 kV (km)	**987**	987	987
- 350 kV (km)	**953**	953	-
- 330 kV (km)	**522**	522	522
- 220 kV (km)	**2,910**	2,910	2,800
- 132 kV (km)	**2,141**	2,113	2,092
- 66 kV (km)	**3,605**	3,605	3,605
12. Distribution Lines			
- 33 kV (km)	**11,475**	11,432	11,305
- 22 kV (km)	**4,875**	4,817	4,724
- 19 kV (SWER) (km)	**4,378**	4,372	4,329
- 11 kV (km)	**1,149**	1,146	1,092
13. Employees	**941**	931	966

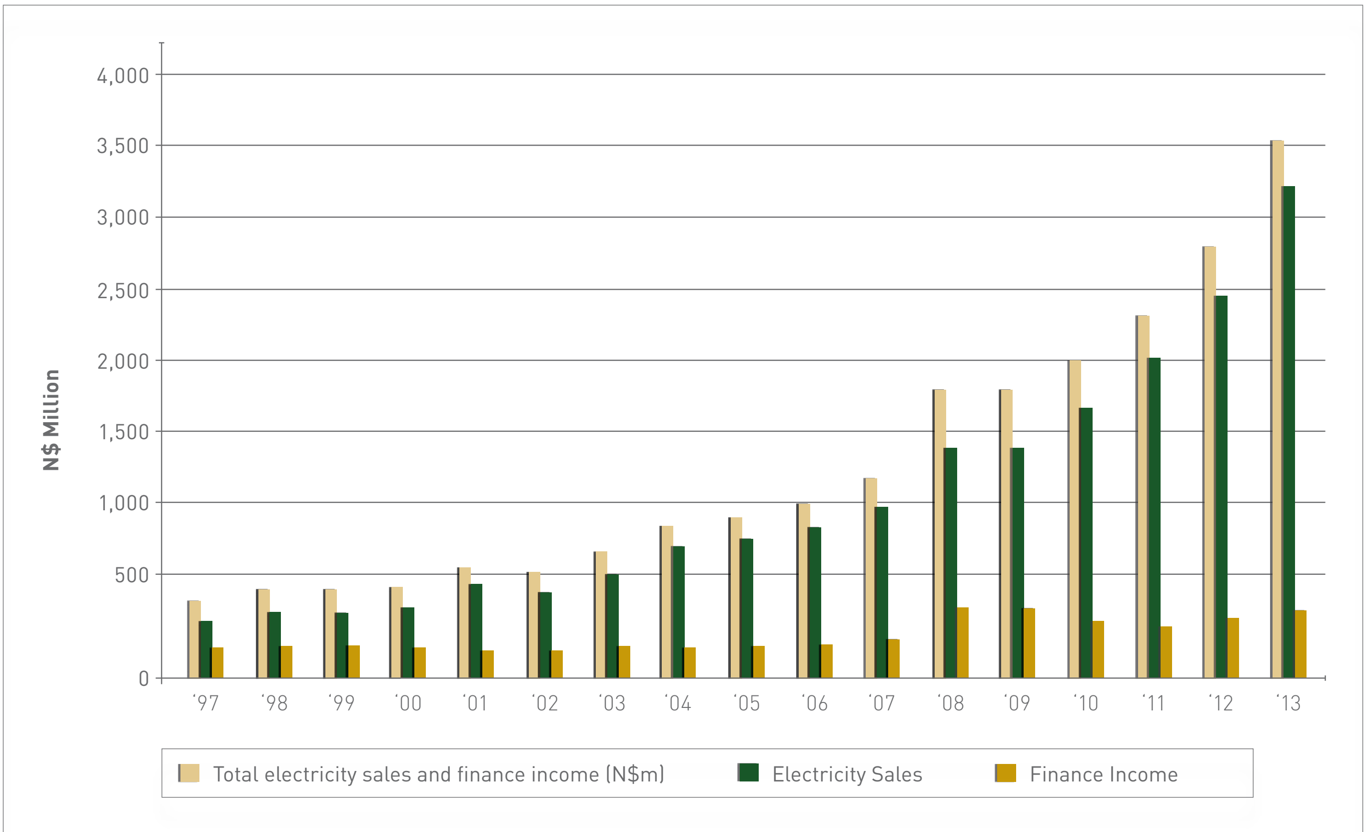
Abbreviations:

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

UNITS INTO SYSTEM

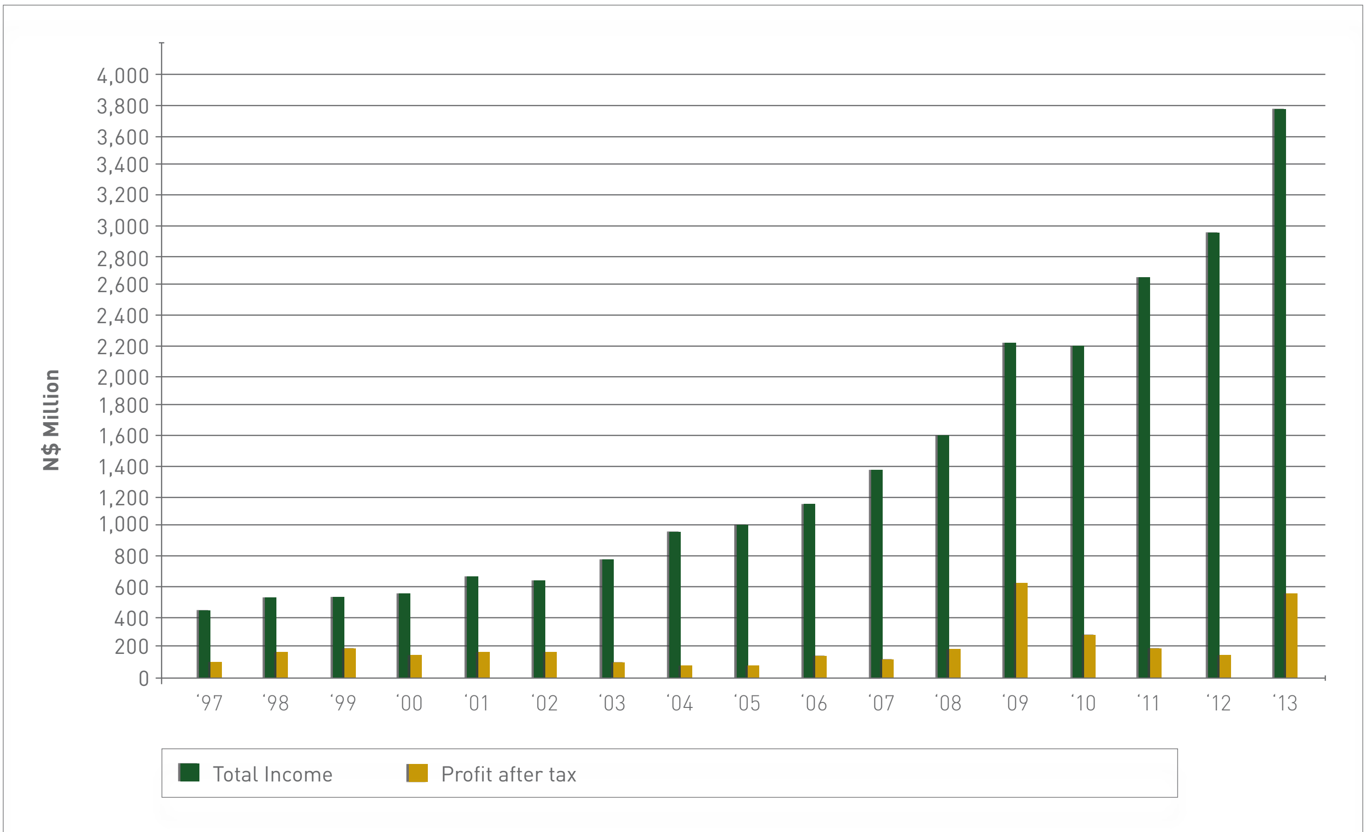


ELECTRICITY SALES AND FINANCE INCOME

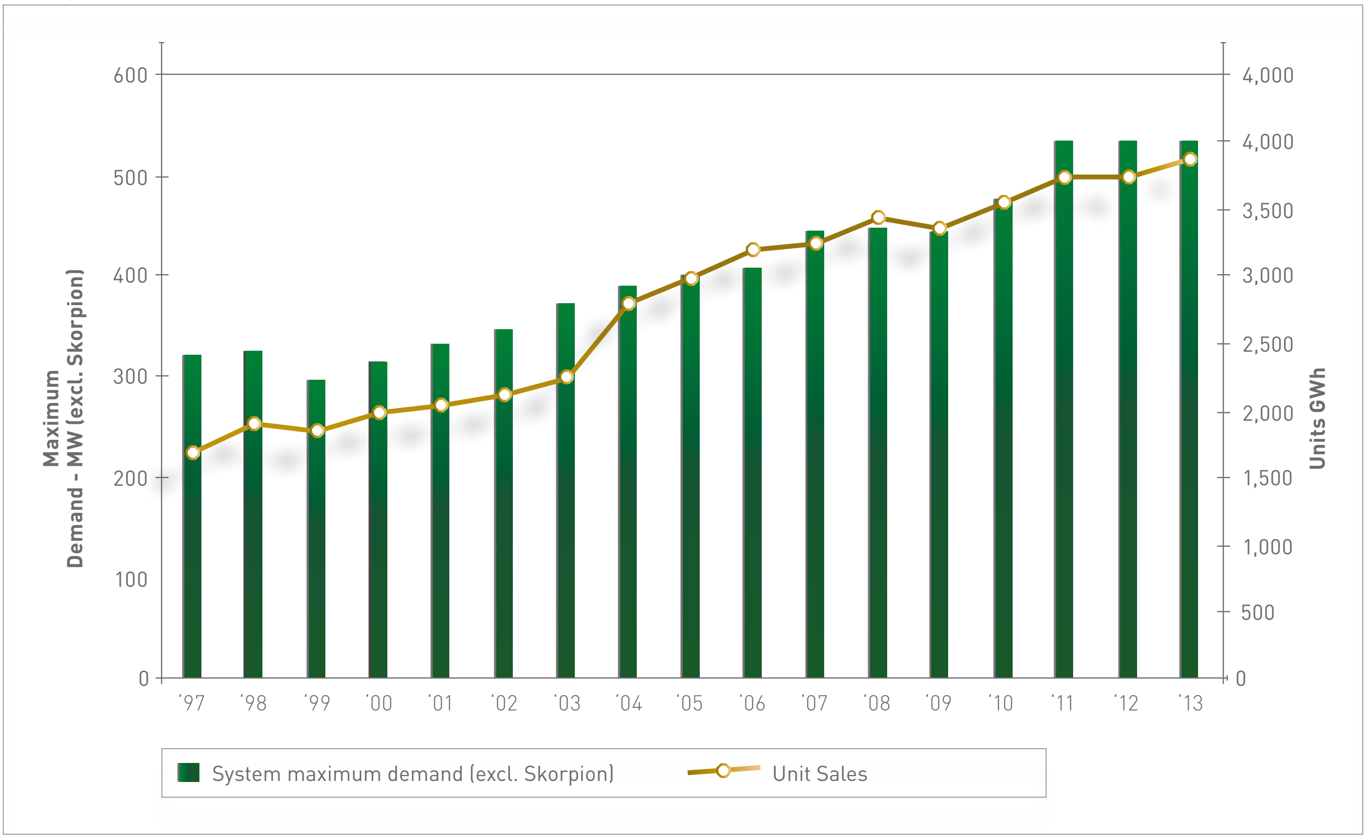


CUSTOMERS AND OPERATING COST PER CUSTOMER

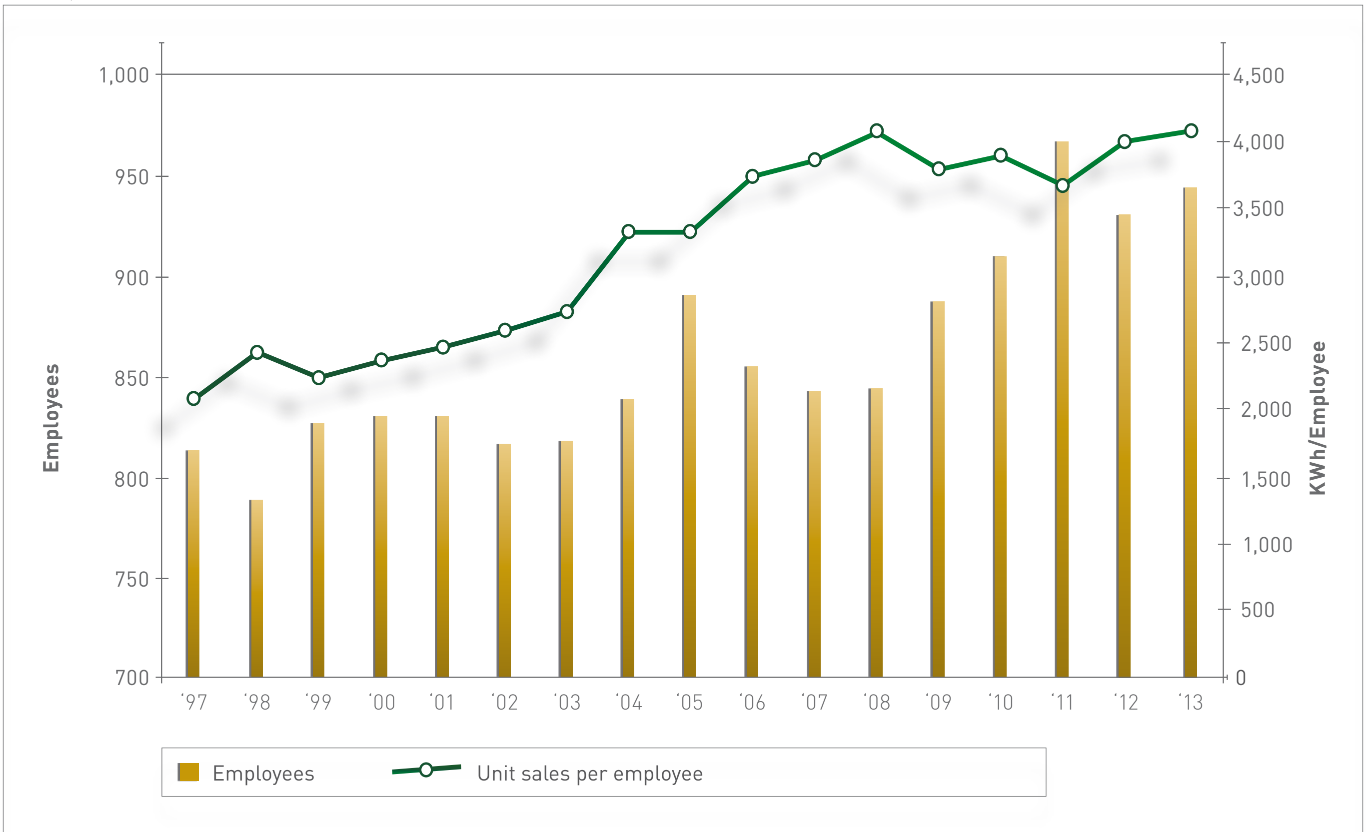
TOTAL INCOME AND PROFIT AFTER TAX (N$ MILLION)



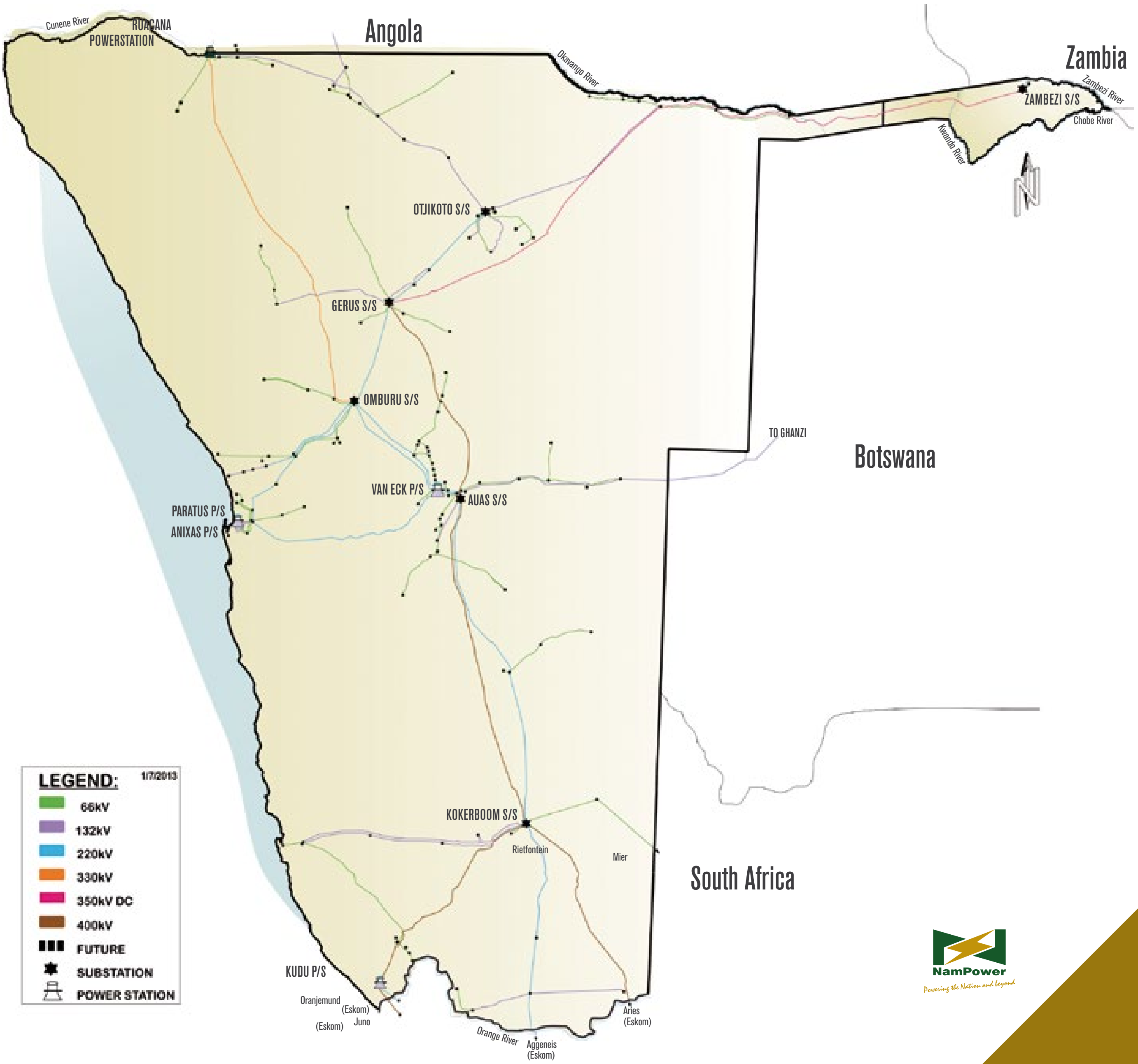
SYSTEM MAXIMUM DEMAND (EXCL. SKORPION) AND UNIT SALES



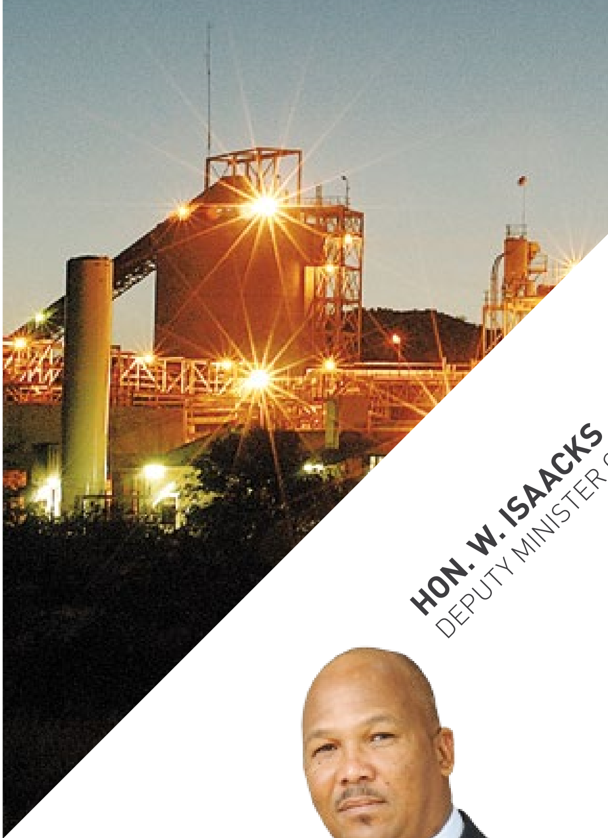
EMPLOYEE PERFORMANCE



TRANSMISSION **MAP**



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



HON. W. ISAACKS
DEPUTY MINISTER OF MINES AND ENERGY

HON. I. KATALI
MINISTER OF MINES AND ENERGY

MR. K. KAHUURE
PERMANENT SECRETARY
MINISTRY OF MINES
AND ENERGY

CORPORATE STRUCTURE:
BOARD OF DIRECTORS

From left to right

Penda Kiiyala, **Gerson Narib**, **Susan Mavulu** - Company Secretary
Paulinus Shilamba - Managing Director, **Maria Nakale** - Chairperson
Jochen Roeber, **Selma-Penna Utonih**, **Pedro Maritz**

CORPORATE STRUCTURE: **NAMPOWER MANAGEMENT COMMITTEE**

From left to right

O'Brien Hekandjo - Chief Officer: Technical Services
Michael Gotore - Chief Officer: Finance, Treasury and Property Management
Paulinus Shilamba - Managing Director
Monica Nashandi - Divisional Manager: Strategy, Communication and Electrification
Reiner Jagau - Chief Officer: Power System Development
Isac Tjombonde - Chief Officer: Corporate Services

CHAIRPERSON'S REPORT

INTRODUCTION

Ensuring Security Of Power Supply For The Nation And Beyond

It is indeed a privilege for me, for the first time since being appointed as Chairperson of the board in April 2013, to be delivering this report.

I have in the short space of time since my appointment noted numerous superior achievements reported on. While I cannot take credit for these achievements, I wish to reassure our shareholder, all stakeholders, management and staff that I intend to live up to NamPower's legacy, maintaining adherence to sound corporate governance principles and to corporate values that have been built over many years.

Going forward, we must be mindful that NamPower is, and will remain, a key contributor towards the achievement of national goals as set out in the White Paper on Energy Policy, Vision 2030 and National Development Plans. Energy is one of the bases on which economic growth is invariably built, and we have to do our part in making it available and accessible so that our country can sustain its path to prosperity.

To be able to play this role we must ensure that NamPower remains financially healthy and able to raise the funding required for all the major infrastructure projects we will be taking on in the coming years. This will not be easy considering the magnitude of funds required, and we may have to rely on Government to assist by injecting equity into NamPower, enabling us to make all required investments.

Taking into account all our challenges, I thus look forward to working together with my fellow board members and the entire NamPower family in steering the company forward, in fulfilment of its mandate of ensuring security of power supply for the nation.

REVIEW OF THE NAMIBIAN ECONOMY

Domestic Growth

The Namibian economy fared reasonably well over the past year, despite the tepid economic growth experienced by the global economy in general and our principal trading partners in particular. For the calendar year ended 2012, Namibia's Gross Domestic Product (GDP) grew by 5.0%, which compares favourably to the GDP growth of 4.9% recorded in 2011, but is still considerably lower than the 6.0% GDP growth in 2010.

"NamPower is, and will remain, a key contributor towards the achievement of national goals as set out in the White Paper on Energy Policy, Vision 2030 and National Development Plans."

The retail and wholesale sectors contributed most to overall economic growth, growing by 12.1% in 2012, while the mining sector, which is a major consumer of electricity, grew by 11.2%.

International Economic Developments

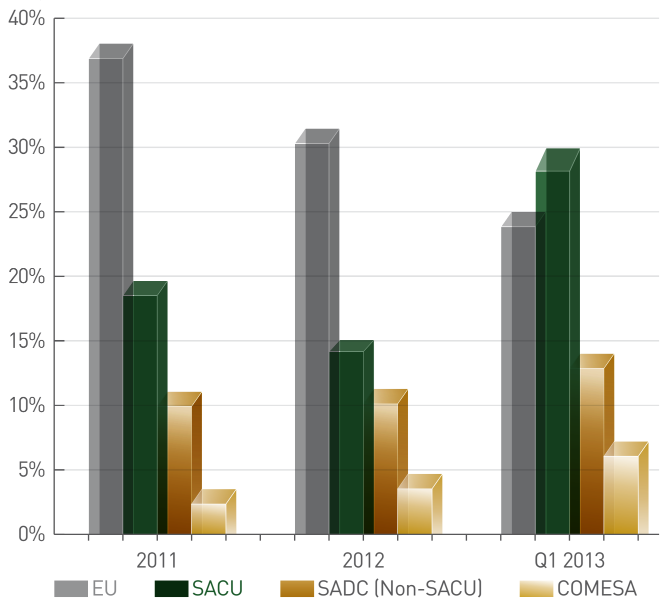
Namibia has a small and open economy, which largely exports raw materials used in industrial production globally; therefore we need to be mindful of international economic developments and their likely impact on the local economy and electricity consumption.

The IMF forecasts 2013 global economic growth to be 3.1%, increasing to 3.8% in 2014; however this is expected to be a multi-speed recovery. Europe, one of Namibia's largest trading partners, has been in recession and is expected to struggle further this year before returning to improved growth in 2014. South Africa, Namibia's second largest export market, is also experiencing slow growth - but other countries within the SADC region are growing strongly. China, a major consumer of raw materials globally, is expected to grow at 7.5% this year, compared to 7.8% in 2012. America is in the middle stages of recovery and likely to grow at 1.7% this year, accelerating further next year.

Namibian electricity consumption broadly follows domestic GDP growth. Electricity demand suffered due to the global financial crisis in 2008 as international demand and prices for commodities declined. It has rebounded somewhat since then, and as the global economic recovery becomes more entrenched, demand for raw materials will increase further and this in turn will lead to expanded mining activity. Mines

Table 1:

Exports to Key Trade Blocs (%)



are significant users of electricity; and thus we are expecting local energy demand to increase in tandem with international economic growth.

International Trade

Over the last two years, the composition of Namibia's export markets has changed considerably, as can be seen in Table 2. As European economies have continued to falter, exports to the bloc have decreased from 38% in 2011 to 25% now, while exports to SACU have increased to 30% from 17% in 2011.

Namibia's exports are set out in Table 2. The largest export is of precious stones, mainly diamonds, at N$2.57 billion in the first quarter of 2013, followed by ores (mostly uranium and concentrates), copper and zinc.

Table 2:

NAMIBIAN TOP EXPORT PRODUCTS

	Q1 of 2013		Q1 of 2012	
	N$mil	%	N$mil	%
Precious stones	2.569	22.8	2.493	27.6
Ores	2.023	18	1.288	14.2
Copper and articles thereof	1.956	17.4	1.624	18
Zinc and articles thereof	1.005	8.9	702	7.8
Beverages, Spirits and Vinegar	748	6.6	490	5.4
Meat and offal	359	3.2	319	3.5
Vehicles	348	3.1	274	3
Live animals	223	2	159	1.8
Salt, sulphur, stone, cement, etc	199	1.8	185	2
Other products	1.311	11.6	1.033	11.4
Total	**11.267**	**100**	**9.045**	100

Source: Namibian Statistical Agency

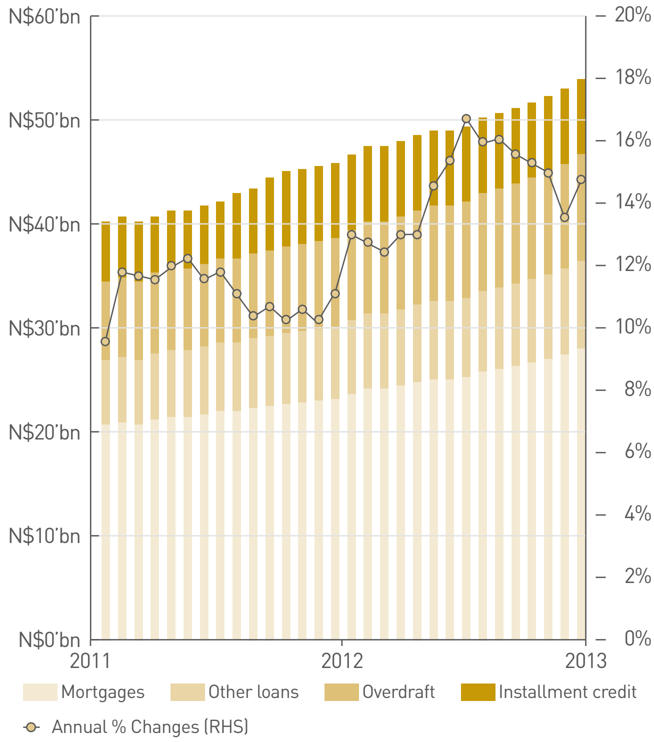
Credit Extension

Credit extension growth by banks and other credit institutions to the private sector remains resilient, indicating robust underlying growth and confidence within the economy. We are thus expecting electricity demand to remain robust as businesses continue to invest and expand production to meet local consumer and export demand for their goods.

At the end of May 2012, total private sector credit amounted to N$54.02 billion, consisting of N$33.32 billion extended to individuals and N$ 20.70 billion extended to corporations, an increase of 14.8% over the preceding 12 months. Annual growth

Table 3:

PRIVATE SECTOR CREDIT EXTENSION (N$ BILLIONS)



in credit extension reached a peak of 18.5% in November 2012 and has slowed since – most likely an indication of a small reduction in the pace of economic expansion.

Inflation

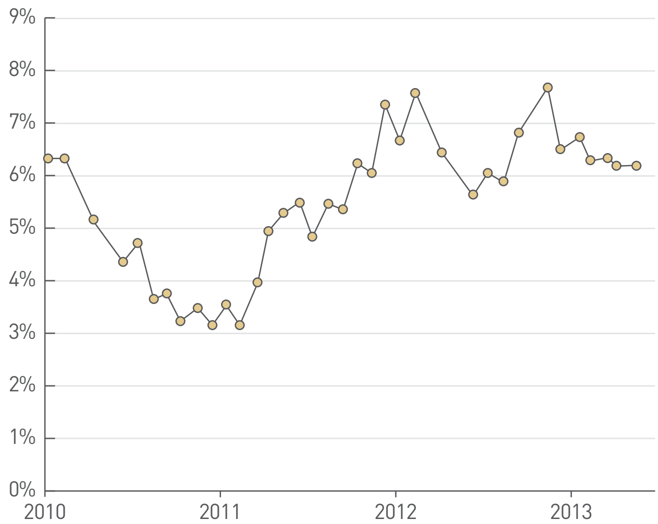
Annual CPI inflation has settled within a range of 6.1% to 6.3% this year, after peaking at 7.6% in November 2012. The categories within the CPI driving inflationary pressures in Namibia are food prices (particularity fruit and vegetables which increased by 17.6%), housing costs (up by 9.7%) and retail electricity prices (which registered a 12.4% increase).

The significant devaluation of the Namibia Dollar is likely to exert additional upward pressure on inflation due to more expensive imports. These higher prices will initially affect items with a higher turnover, such as food and fuel, and will later be evident in items with longer turnover cycles such as machinery and equipment.

Earlier in 2013, the Electricity Control Board approved a 12% increase in electricity prices with effect from 1 July. Electricity has a weighting of 3.1% in the overall inflation basket, meaning that this price increase will have a direct inflationary impact of 0.4%, and a likely secondary impact also as suppliers pass on increased costs to consumers.

Table 4:

NAMIBIAN INFLATION RATE



Economic Outlook

Looking ahead, Namibian economic growth should remain healthy, buoyed by a recovering global economy; however there are headwinds to be cognisant of:

- Current drought conditions throughout much of Namibia are having a significantly negative effect on the agricultural sector. Although this sector contributed only 5.6% to 2012 GDP, it employs about 25% of the country's workforce – making agriculture an important element of the socio-economic makeup of Namibia – and sectoral weakness could have a major impact on businesses which derive much of their income from the farming community.
- The shortage of water, also brought on by the drought, is likely to curtail industrial development, especially in sectors which require large amounts of water (and, typically, electricity), in their production processes.
- Globally, the current low interest rate environment has begun to reverse. Bond yields have begun to rise, making it more expensive for governments and corporations to borrow funds; ultimately, the impacts are likely to be felt in Namibia's economy.

Should these factors indeed materially inhibit economic growth, demand for electricity should moderate accordingly. In turn, regional electricity bottlenecks could themselves become a near-term threat to economic growth within SADC in general and Namibia in particular. Much of the region, including Namibia, relies on purchases from Eskom in South Africa. But already existing electricity shortages in South Africa, combined with delay in completion of that country's bellwether Medupi power station, could undermine local and regional security of supply, with necessarily negative economic consequences.

All this being said, the fundamental fact remains that the global economy continues to recover, and demand for consumer goods, and the raw materials used in their manufacture, is likely to accelerate. As a result, we expect sustained growth in the Namibian economy over the coming year, particularly within the mining and construction sectors.

MEETING NATIONAL POWER DEMAND

NamPower's mandate as expressed in the licenses it holds under the Electricity Act of 2007 is to generate, transmit, supply and trade electricity, while also exporting, importing and to a limited extent distributing it. In terms of the 1998 White Paper on Energy Policy which is still the ruling expression of Government policy on energy, NamPower is to work towards the supply of 100% of peak demand for electricity (and 75% of total demand) from Namibian sources of power generation.

In order to fulfil its mandate and to meet the anticipated increase in electricity demand, NamPower has embarked on developing of the 800MW Kudu gas-to-power station near Oranjemund and on upgrading transmission lines across the country. NamPower anticipates that the power station will begin producing electricity in 2018 and will cost approximately US$1.2 billion to build. During the construction phase, this project will add to GDP growth by way of employment and construction, and once in production, will materially reduce Namibia's structural dependence on other countries for power.

CREDIT RATING

NamPower's international rating remained aligned with that of the Namibian sovereign (BBB– Foreign Currency, AA- (zaf) Local Currency, Stable). This was based on Fitch's assessment of the company's legal, operational and strategic ties with the state, including NamPower's critical role in the Namibian economy, in accordance with the agency's parent and subsidiary linkage criteria.

The rating was supported by the tangible financial support historically provided by the Namibian state and Fitch's expectation that further support will be forthcoming as the utility continues the rollout of its capacity expansion programme. State support has historically taken the form of flexibility on dividends, equity injections, and a N$250m grant for the ANIXAS project.

BOARD OPERATION

During the year, the former Chairperson, Leevi Hungamo, stepped down after eight years of dedicated and committed service to NamPower, for which he has our profound thanks. Having served as a board member since 2011, it was my great honour to be appointed by the Minister of Mines and Energy, Hon. Isak Katali in April 2013 as the new board Chairperson until end-December 2013.

Ms Selma-Penna Utonih was appointed as a new board member in December 2012. She replaced Ms Selma Hawala who resigned on 1 November 2012

In addition, Mr Jochen Roeber was appointed as a new board member on 1 April 2013.

ABRIDGED SUSTAINABILITY REPORTING

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

Environmental Impact

NamPower's environmental policies are guided by the National Environmental Management Act no 7 of 2007, which officially came into effect in February 2012, and which sets the standard for sustainable environmental practices by all companies and individuals operating within the country.

NamPower conducts environmental impact assessments for all activities listed under the Act; and during the past year the company has received more than a dozen clearance certificates from the Ministry of Environment and Tourism, including for the construction of four new power lines and the upgrading of another two.

New Lines:

66Kv

Kunene substation and associated infrastructure

220Kv

Erongo Coal to existing Rossing – Khan

231Kv

Walmund to Walvis Bay

400Kv

Auas – Otjikoto – Lifa (renewal of clearance certificate)

220Kv

Erongo Coal to existing Rossing – Walmund

Upgrading:

220Kv

Rossing – Walmund (renewal of clearance certificate)

132Kv

Otjikoto – Omatando 132Kv line for retrofit of Optical Ground Wire (OPGW)

In total, NamPower's Environmental section carried out 54 internal inspections and audits over the past year at various work areas. Though some minor non-conformances were identified, no major issues were identified. The section also developed several new policies and procedures, including in the sensitive area of herbicide application.

The section also actively participated in the National Biodiversity Working Group, the National Climate Change Committee, and the Southern Africa Power Pool Environmental Sub-Committee.

Safety

The safety of our employees, contractors and visitors remains a top priority at NamPower. During the year under review, no fatalities, and only 14 lost-time injuries were recorded as compared to 11 lost-time injuries in the previous financial year ending June 2012. Over 80 internal safety audits and inspections were conducted, with no major safety non-conformances recorded. There were no work site shutdowns. Numerous in-house safety training courses were presented.

A safety statement signed by the Managing Director is framed and displayed throughout the company, reflecting and detailing the company's commitment with regards to safety, health, environment and wellness. Policies and procedures guiding NamPower management and employees in these areas have been formalised and made available on the company's intranet.

Wellness

Numerous initiatives were conducted by NamPower's Wellness section, with the aim of improving the well-being of employees and contractors. Highlights included presentation of information sessions on substance abuse, reaching over one-thousand people; voluntary wellness screening for cholesterol, glucose, blood pressure, body mass index, and HIV, with associated counselling; and campaigns to encourage and organise blood donations (with over 196 units being collected), promote regular check-ups and pap smears, and promote safety in sexual conduct (with free condoms continuing to be distributed by the company).

Health

NamPower's in-house clinics continue to set the standard for corporate Namibia, and in the case of the Ruacana clinic to be a vital source of health care for non-employees as well. During the past year over 3,500 medical interventions were performed at these clinics or by professionals in other health services provided by the company, as detailed more closely in the Managing Director's report.

Renewable Energy

NamPower recognizes the importance of sustainable operations to society. Our commitment is guided by international and national objectives such as Vision 2030 and our mission statement to facilitate the energy needs of Namibia and our stakeholders at large without compromising future generations. To this end NamPower has created a Renewable Energy section and launched our Renewable Energy Policy aimed at sourcing at least 10% of our energy mix from renewables other than hydro.

A number of consequent projects are in various stages of development, covering wind, biomass and solar resources. Early examples include the Tsumkwe Photovoltaics (PV)/Diesel Hybrid (200 kW of PV) plant and our Net metering (64 kW) PV system at NamPower's head office in Windhoek. We seek to investigate the building of a hybridized power plant combining biomass with solar to increase output and improve plant performance. Cooperative work has also yielded benefits with 26 kW tracking Concentrated Photovoltaics (CPV) installed by Soitec at Usib (Rehoboth). These projects utilise the latest technology to provide NamPower with data and operational experience of a "hands on" nature.

Corporate Social Investment

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

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

- SPELQUIZBEE. The Foundation funded this increasingly popular spelling and general quiz competition for the second year running. This is a national project of which the spelling competition is aimed at nurturing spelling skills (thus aiding reading and learning), while the quiz focuses on increasing students' understanding of various fields of study.
- POWERCARE. This program allows NamPower staff to volunteer their skills and talents in the service of others, particularly the less privileged members of our society. The staff's focus remains investment in pre-primary education. During the year under review various activities such as soup sales and braais were organised to collect funds for the chosen kindergartens in the Hardap Region. NamPower continues to honour its commitment of matching the value of donations collected by staff on a 1:1 ratio.
- MEDIC RUSH. The NamPower Foundation has been in partnership with Roundtable 154's project, Medic Rush, through which private doctors offer free medication to the less privileged in the remote areas of Namibia.
- DISABILITY SPORTS NAMIBIA. NamPower is proud of having formed a strategic partnership with Disability Sports Namibia in 2011 in which NamPower as main sponsor made a donation of N$600,000 followed by an additional N$700,000 in 2012. We have followed with keen interest and satisfaction the progress and consistency of the athlete's performance at national and international level and are pleased that our contribution will assist all people with disabilities in Namibia to have the opportunity to participate in sporting activities to improve their physical fitness and skills enabling them to achieve their true potential.

All in all, the NamPower Foundation invested approximately N$3 million on CSI project funding during the year under review.

Our Suppliers

Significant progress has been made in implementing NamPower's BEE Policy. Enterprises meeting BEE requirements as set out in the Policy have won a number of large tenders that had previously been the preserve of international and other more established enterprises. Enterprises that are BEE compliant benefit from a ten percent procurement preference in tender scoring.

NamPower will continue to educate potential tenderers on its policies, requirements and processes in a quest for greater participation by previously disadvantaged Namibians as service providers; and to encourage established enterprises to join with suitably qualified BEE partners. The education process started in February 2013 with a seminar attended by close to three hundred representatives of small, medium and large-scale enterprises, local and foreign, BEE and non-BEE-owned.

Building on these foundations, NamPower is further reviewing its BEE Policy to ensure maximum effectiveness, and expects to communicate improvements to all stakeholders during the coming year.

Our Customers

NamPower has continued to place customer service and satisfaction at the top of its operating priorities. During the past year further improvements were recorded in such key metrics as fault response times and service interruption periods. The company also maintained its long record of extending and upgrading lines for new projects on terms supportive of commercial viability and national development.

We will need our close collaboration with customers even more as Namibia and southern Africa enter a 3-5 year period of potentially considerable electricity supply shortfalls. Insofar as that collaboration can yield material energy savings, we will all be the better for it; at very least; collaboration should allow us to face the challenge with all hands pulling together.

Our People

The NamPower family grew from 931 employees to 941 during the period under review, and as in any family, we continued to do our utmost to look after our own. The various health and wellness programs offered to our staff and their dependents have already been noted above. Beyond that, the company remained Namibia's corporate leader in offering training and continuing education to its employees. Our investments in our Graduate Development, Middle Management Development, and Employee Assistance Programmes remained undiminished. This is a matter of both patriotic commitment and strategic self-interest. In a country that has itself become known as an island of peace and stability, NamPower seeks renown as a centre of world-class excellence - an asset for the nation as well as a place where Namibia's best and brightest want to work.

Our Economy

With an infusion into the Namibian economy of N$1.2 billion including remittances to the Receiver of Revenue, NamPower remains one of the largest corporate contributors to the economy. We are well aware, however, that we remain called upon to do more - more than we have in our years of history to date, and certainly more than any company operating purely

in the private sector. Beyond its strategic function of assuring the nation's power supply, NamPower must help serve as a catalyst for Government's vision of diversifying the economy away from reliance on primary extraction and toward more broadly based, sustainable industrialisation. While this is necessarily an on-going process, certain markers in the past year reflect progress toward this objective:

- The definitive decision to proceed with the Kudu gas-to-power project will help strengthen and diversify the economic base of southern Namibia, and will also jump-start a new economic sector altogether, namely hydrocarbon production.
- Progress in the development of IPPs in the renewables sector—none of which would be feasible without NamPower support—reflects the opening of another, altogether new, segment of the economy (and of course introduces competition to the generation side of our core business).
- The use of NamPower's transmission infrastructure backbone by those in the telecommunications industry will have significant ripple effects across the economy.
- Increasing cross-border cooperation with neighbouring countries other than South Africa in the production and wheeling of electricity will promote further non-traditional trade links of a kind crucial to Namibia's future economic health.
- Success in materially broadening the base of service providers to NamPower to now include a larger proportion of previously disadvantaged Namibians will have significant multiplier effects.

Governance Structure

NamPower is fully committed to the principles of good corporate governance as set out in the King III Code of Conduct on Corporate Governance.

The governance structure consists of the Ministry of Mines and Energy (shareholder representative); the board of directors, with four committees to assist the directors in the execution of their responsibilities; and management under the supervision of the board. The board committees consist of: the Audit and Risk Management Committee, Remuneration and Nomination Committee, Investment Committee and Tender Board Committee.

Role of the Board of Directors

The board is responsible and accountable for providing effective and ethical leadership and executes its functions by:

- Leading NamPower ethically and on a path of sustainability in terms of the economy, environment and society, taking into account the company's impact on internal and external stakeholders;
- Providing strategic direction and control, aligning management to values mandated by the board and promoting a stakeholder–inclusive approach to governance;
- Ensuring that each director adheres to the duties of a director;
- Ensuring that NamPower is, and is seen to be, a responsible corporate citizen;
- Ensuring rigorous ethical conduct at NamPower, by promoting an ethical culture, setting ethics standards, measuring adherence to these standards, and incorporating ethics into its risk management, operations, performance management and disclosure;
- Serving as the focal point of governance, by adhering to a charter, meeting at least four times a year, monitoring management and stakeholder relations and ensuring that the company survives and thrives;
- Appreciating that strategy, risk, performance and sustainability are inseparable;
- Ensuring that NamPower has an effective and independent audit committee;
- Setting and overseeing policies for risk assessment and management;
- Ensuring that NamPower complies with all applicable laws, regulations, codes and standards;
- Ensuring the integrity of the integrated report;
- Appointing the Managing Director, delegating authority to that position consistent with defined areas of responsibility, evaluating the Managing Director's performance, and ensuring a succession plan for the Managing Director and senior management.

Integrated Risk Management (IRM)

NamPower recognize the benefit of an integrated risk management (IRM) process and applies best practices as set out in both the ISO 31000 risk framework and Namibia's State Owned Enterprises Act. IRM is an integral part of good management and corporate governance. Risk reviews are conducted continuously with input from staff members across the business. Risks identified are assessed and ranked divisionally and at corporate level. After consolidation of these integrated risk reports, EXCO and the board audit and risk management committee review and evaluate the risk profile to determine major operational, strategic and business continuity risks and their treatment plans. NamPower's board, through the audit and risk management committee, acknowledges its overall accountability for ensuring an effective IRM process.

The Risk Management section together with EXCO has implemented a risk monitoring system that enables management to respond appropriately to all significant risks that could impact on business objectives. Responsibility for the management of risk resides with line management in all operating sections, divisions and projects. Those accountable for the management of risks also ensure that the necessary controls remain in place and are effective at all times.

APPRECIATION AND CONCLUSION

On behalf of the board of directors, I wish to acknowledge and thank our shareholder, the Government of the Republic of Namibia, and all our stakeholders for their continued and unwavering support.

Even though I have only served for a short period since my appointment in April 2013 , I can already testify to the spirit of the NamPower family, and wish to encourage every member of that family to continue to work hard and live up to NamPower’s values.

MANAGING DIRECTOR'S REPORT

INTRODUCTION

Power Supply Situation

It is well known that the demand for electricity not only in Namibia, but throughout the entire SADC region, is outstripping supply.

All power utilities in the region, including NamPower, have therefore initiated generation and transmission projects to increase capacity to meet the ever increasing demand for electricity.

In Namibia, the power supply deficit and associated challenges will continue to prevail until the commissioning of a new base load power station in 2018: the 800MW Combined Cycle Gas Turbine Kudu gas-to-power Project which remains a strategic investment for Namibia, not only in ensuring security of supply but also in catalysing commercialisation of Namibia's unexploited oil and gas potential.

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

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

With the targets of the last five-year plan having largely been met, we are now in the process of drawing up a new strategic blueprint to guide us through to 2018. The single biggest challenge that NamPower is called upon to address is the country's energy policy goal of supplying 100% of peak demand and 75% of energy from local resources.

NamPower officially launched a 64 kW solar PV system at the head office complex, Windhoek.

Highlights and Challenges experienced during the Year under review are set out below:

HIGHLIGHTS

- No load shedding
- Official launch of 64 kW solar PV system at the NamPower head office complex, Windhoek
- Review of the Integrated Resource Plan (IRP) completed
- Ranked second in the Deloitte 'Best (large) company to work for' survey
- Tripartite agreement signed between NamPower, Telecom Namibia and MTC for leasing our fibre optic fibres retrofitted on all power lines above 66 kV
- Signing of Power Purchase Agreement with AGGREKO Mozambique for the supply of 90MW mid merit power to Namibia
- Launch of a new energy savings campaign under the theme "Power of Knowing" countrywide
- Signing of a Memorandum of Understanding with the National Youth Service (NYS) for delivery and testing of torrefied wood coal pellets as possible fuel for Van Eck power station
- Technical audit conducted at substations resulting in NamPower being favourably compared with other utilities in the region
- A new five year 2014/2018 Corporate Strategy and Business Plan developed and approved by the Board

CHALLENGES

- New high maximum demand growth of 534 MW
- Difficult Power Purchase Agreement (PPA) negotiations with Independent Power Producers (IPPs)
- Reliance on imports (average 60%, up to 80% during dry seasons)
- Regional transmission congestion (especially in Zambia and RSA)
- Aging, unreliable and high cost operations at Van Eck and Paratus power stations
- Long lead time for commissioning of a base-load power plant

Maintaining Supply

Our long record of providing a consistent and reliable supply of electricity is a heritage which we will uphold as far as humanly possible, despite the challenges presented by a growing regional supply-demand imbalance.

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

FINANCIAL PERFORMANCE OVERVIEW

NamPower again delivered solid financial results while keeping the nation's lights on during the Financial Year under review. The availability of electricity throughout Southern Africa remains a challenge and the country's generation capacity still falls short of current and future demand. We have noted in previous annual reports that the supply situation will remain constrained pending commissioning of several significant new power generation sources on the drawing board both domestically and regionally. The issue of security of supply - in the short, medium and long term - thus remains a priority focus.

Energy sales volumes increased by 4.0% (2012: 5.0%) from 3,726 GWh in financial year 2012 to 3,861 GWh in financial year 2013, as a result of a larger customer base. Maximum demand remained constant at 614 MW due to a combination of factors, including demand side management and the relatively mild winter experienced in Namibia during the financial year under review. NamPower observed with appreciation initiatives by customers to switch to renewable sources of energy (e.g. through installation of solar water heaters and rooftop solar photovoltaics (PVs)). Such initiatives will continue to be encouraged as they make use of Namibia's abundant sources of renewable energy.

Group revenue increased by 29.0% (2012: 11.0%) to exceed the N$3 billion mark, driven primarily by the annual tariff increase, the increase in sales volumes noted above, and electricity exports to others in the region through the Short Term Energy Market (STEM) during times of excess internal supply. In 2012, the Ministry of Mines and Energy introduced a National Energy Fund (NEF) levy on electricity sales of 4.4% which was included in the 18.3% tariff increase for financial year 2012. This NEF levy was not applicable to the financial year 2013 tariff, with a Long Run Marginal Cost (LRMC) levy of 1.5 cents/kWh being introduced and applied instead. In line with directives of the Electricity Control Board (ECB), the LRMC levy was ring-fenced in the books of the company and can only be utilised with the specific approval of the Regulator. It is thus reported as a component of "deferred revenue" in NamPower's audited accounts. Despite the increase in revenue, the gross profit margin fell to 50.0% (from 56.0% in financial year 2012), reflecting the high cost of electricity purchased during the year.

As in past years, NamPower continues to rely on regional trading partners to meet a significant portion of its energy demand. About 68.6% (2012: 60.6%) of the electricity into the Namibian system was imported during the financial year under review. The country experienced the lowest rainfall in over a decade and, consequently, sub-par Kunene River water flows, resulting in a decrease in the dispatch of power from NamPower's flagship hydro station at Ruacana. A combination of higher imports, energy cost escalations under the contracts governing those imports, and depreciation of the Namibia Dollar against the United States Dollar - in which energy sales are denominated under some of those contracts - negatively weighed on the overall cost of electricity, which increased by 48.0% (2012: 11.0%), from N$1.1 billion to N$1.7 billion. The trend of higher electricity input costs is expected to continue going forward, given the prevailing electricity shortages within the region (and, possibly, further depreciation of the local currency against the US Dollar). It is thus imperative that all relevant stakeholders continue to play their role in saving energy, and that our efforts be redoubled in developing the country's own base load generation power station.

Other income for the Group increased by 60.2% (2012: 1.9%) from N$60.6 million to N$97.0 million. Other income includes an accrued grant from Government of N$71.8 million for energy and power station subsidization, income from rental of NamPower's fibre optic transmission lines, and profit from disposals of assets. In 2008 the shareholder, Government of the Republic of Namibia committed N$360.0 million as an energy subsidy over a period of three years. To date, N$282.5 million has been utilised and the remaining N$77.5 million is expected to be utilised in the 2014 financial year. The grant is recognised as income on a systematic basis as the electricity generation expenditure is incurred at various NamPower thermal power stations. In 2010 the Government committed a separate subsidy of N$250.0 million towards the construction of the emergency diesel power station (ANIXAS in Walvis Bay. The last tranche of this grant was received during the financial year under review; N$10.0 million has been recognised as income and the remaining N$239.6 million will be recognised on a systematic basis over the useful life of the ANIXAS plant.

Operating expenses increased by 12.9% during the period under review. This compares favourably to the 25.0% increase experienced in financial year 2012. Repair and maintenance of the transmission networks and power stations remains a core activity of the company, to ensure that the assets remain reliable in delivering power to the nation. NamPower identified the refurbishment of Van Eck thermal power station and the replacement of Ruacana Units 1, 2 and 3's blade runners as critical components of short-term security of supply. These activities, as well as maintenance work on transmission infrastructure, had, and will continue to have;

a material impact on the company's operating expenses. NamPower is also budgeting more for the investigation of viable renewable energy sources, and improvements in energy efficiency and demand side management.

Investment income for the year increased by 13.5% (2012: 21.9%) to N$381.5 million from N$336.3 million achieved during the prior financial year. Namibia's prime interest rate has held steady at 9.3% since August 2012. Increased investment income was mainly driven by an increase in the average investments held, due to the fact that there was no

Net cash generated from operating activities increased by 6,4% to

N$**1.3** billion

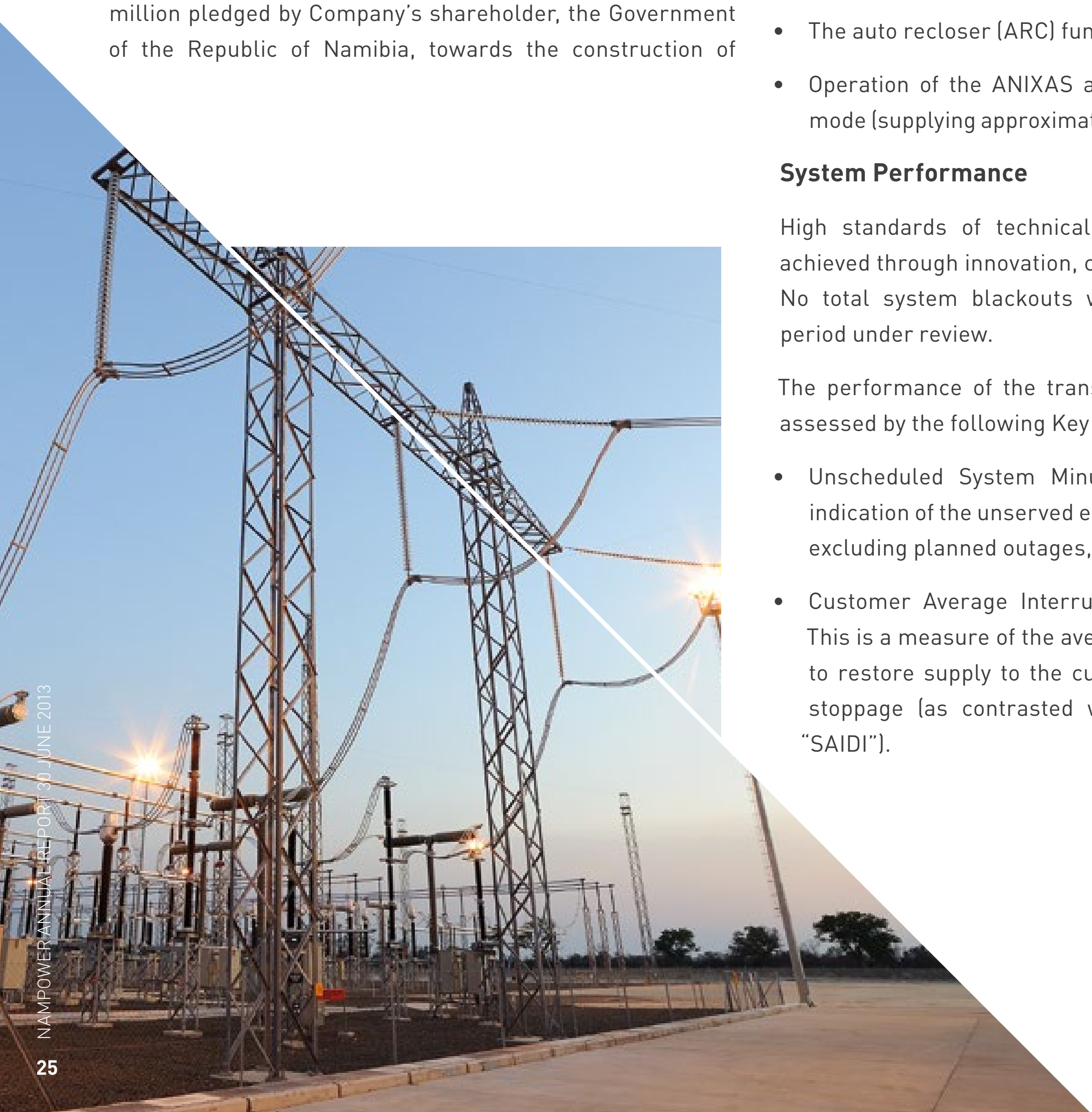
exceptional expenditure on capital infrastructure during the period under review. The coming next few years, by contrast, are anticipated to be characterised by major capital outlays, mainly on Kudu and on upgrading the backbone transmission infrastructure from a 220kV system to a 400kV system, and thus investment income can be expected to decrease correspondingly.

Group profit before tax increased by 132.8% from N$226.6 million in the prior financial year to N$527.5 million in financial year 2013, after depreciation charges of N$512.5 million (2012: N$695.8 million). An additional net charge against profits resulted from currency market movements, especially the weakening of the Namibia dollar, reflected as follows:

- Net fair value loss on derivatives and foreign loans of N$67.2 million (2012: N$58.4 million);
- Net fair value loss on embedded derivatives of N$211.1 million (2012: loss of N$79.2 million);
- Net fair value loss on firm commitments of N$9.7 million (2012: gain of N$3.4 million); and
- Net foreign exchange gains of N$167.9 million (2012: N$116.9 million).

Net cash generated from operating activities increased by 6.4% to N$1.3 billion from the prior year. Financial year 2013 capital expenditure for the Group amounted to N$395.2 million (2012: N$346.5 million), while total assets increased from N$21.6 billion to N$22.2 billion.

The Government continues to render its support to NamPower without which the delivery of our mandate would not be possible. The remaining amount of the subsidy of N$250 million pledged by Company's shareholder, the Government of the Republic of Namibia, towards the construction of ANIXAS Power Station, an emergency power station in Walvis Bay, was received during the year.



I am confident that NamPower remains focused to its mission by taking advantage of opportunities that guarantee security of electricity supply in order to meet the energy needs of its customers, fulfils aspirations of the staff and the expectations of stakeholders.

TECHNICAL PERFORMANCE

Transmission Projects Commissioned

The following projects were successfully commissioned during the financial year under review:

- The Efundja – Ondjiva 132 kV feeder.
- The Otjikoto Copper 1/132 kV feeder (providing a dedicated supply to the Namibian Custom smelters in Tsumeb).
- 45 reclosers on SCADA (enabling faster responses to recloser trips and thereby significantly reducing outage time).
- The auto recloser (ARC) functionality of the HVDC link.
- Operation of the ANIXAS and Paratus stations in island mode (supplying approximately 75% of the Walvis Bay load).

System Performance

High standards of technical excellence continued to be achieved through innovation, customer focus and proactivity. No total system blackouts were experienced during the period under review.

The performance of the transmission system can be best assessed by the following Key Performance Indicators:

- Unscheduled System Minute Losses (USML): This an indication of the unserved energy due to system faults (i.e., excluding planned outages, which are denoted "SSML");
- Customer Average Interruption Duration Index (CAIDI): This is a measure of the average time (in minutes) it takes to restore supply to the customer after an unscheduled stoppage (as contrasted with scheduled stoppages or "SAIDI").

Table 1 below shows performance for financial year 2013 in comparison to the preceding financial year.

Table 1:

FINANCIAL PERFORMANCE 2013

	2012	2013
No. of Interruptions (Avrg)	33.75	28.67
USML (minutes)	40.37	17.14
SSML (minutes)	48.73	42.76
SAIDI (minutes)	0.78	0.50
SAIFI (inter/customer)	0.30	0.25
CAIDI (minutes)	2.85	1.90

The results for the period under review indicate that the average restoration time (CAIDI) is exceptional, as customers that were affected by interruptions endured an average of only 1.9 minutes of lost power. Comparable performance was achieved in the cases of USML and SAIDI, which can largely be attributed to the considered efforts made to restore power in the shortest possible time (along with, to a lesser extent, low rainfall and the low prevalence of veld fires during the period under review).

System reliability (SAIFI) was also above average. This measure indicates the reliability of the transmission network design (i.e. system protection, transmission line earth wire shielding, etc.).

Transmission Master Plan 2012

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

The major projects listed in Table 2 were identified for the period 2013-2018:

Engineering Projects

Smart Grid

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

Fibre Optic Usage

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

Telecommunications Management System

An advanced telephone management system (TMS) which reads, measures and controls expenditure associated with telephone usage and infrastructure was internally implemented, resulting in an immediate reduction of over 20% in NamPower's telecommunications costs.

Table 2:

2013-2018 MAJOR TRANSMISSION PROJECTS

Major Projects (2012 - 2013)	Year To Be Completed
Rundu Cuito 132kV strengthening	2015/2016
Kunene Omatando 400kV (operated at 330kV)	2015/2016
Otjikoto Gerus 400kV (operated at 220kV)	2014/2015
Auas Gerus 400kV	2016/2017
West Coast strengthening , Walvis bay upgrade, Kuiseb upgrade	2014/2015
Kudu Transmission Integration	2017/2018
Backbone developments for strengthened Eskom integration or Kudu deep connection	2018/2019

Southern Africa Power Pool (SAPP) Activities

Regional Demand and Supply Situation

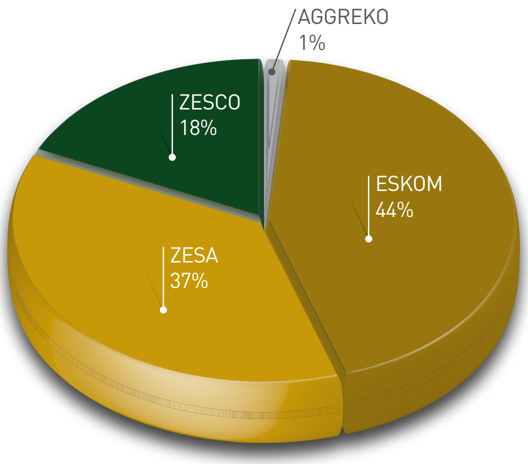
As of 28th February 2013, SAPP had an available capacity of 51,702MW against a suppressed demand of 59,411MW including reserves a regional capacity shortfall of 7,709MW, driven by electricity demand increasing at an average 2.5% per annum. The shortfall exists even after the commissioning in 2012 of additional generation capacity of 1,031MW, to which the member parties of SAPP plan to add another 1,992MW this year. The region will have sufficient generation capacity reserves after 2016 if all projects in the pipeline are commissioned as planned, with the generation reserve margin reaching 9.2% in 2016 and 14.4% in 2017. A total of approximately 17,000MW of new generation capacity is expected to be commissioned between the period 2013 to 2016 of which 3% will be renewable energy (wind and solar).

SAPP Demand Side Management

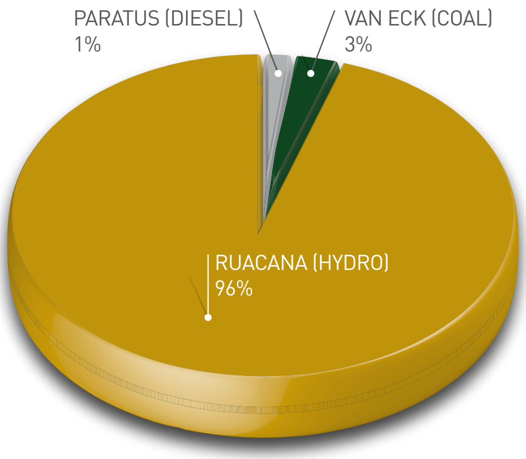
Approximately 2,316MW savings were achieved against a target of 3,200MW from demand side management initiatives from 2009 to 2012. This represents a success rate of 72.4% for the overall program. Key components include the compact fluorescent lamp program, followed by the solar water heater program. The targeted savings for 2013 is over 1,030MW.

Power Trading Market

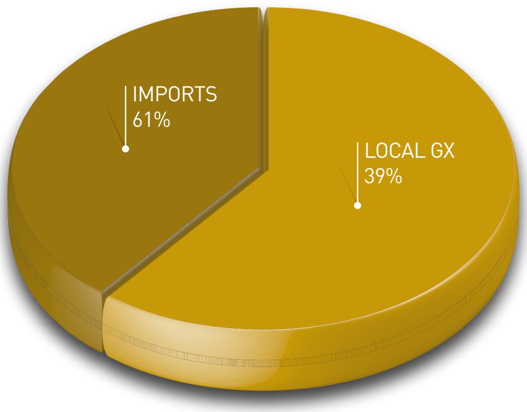
Generation and transmission constraints are key factors affecting bilateral trading in SAPP, with the result that in the Day Ahead Market (DAM) there are low levels of participation and trading.



Total Imports for the
period June 2012 to July 2013



Total Local Generation for the
period June 2012 to July 2013



Imports vs. Local Generation for the
period June 2012 to July 2013

Operational Issues

System Disturbances: Eighteen major system disturbances were reported across SAPP for the period under review. The main causes have been loss of auxiliary supplies, faulty equipment, cooling system malfunctions, adverse weather conditions (heavy rain and lightning), distribution system problems, protection malfunction and bush fire.

Optic Fibre Telecommunications Links

ZESA completed linking the gap in optic fibre network between Kariba and Harare, and also installed a parallel route via Bulawayo, Victoria Falls to Livingstone in Zambia. The remaining gap was now between Francistown Substation (BPC) and Plumtree Border (ZESA) and between BPC and Eskom. BPC was working on securing funding to commence with the projects. Eskom was going to start installation soon after finalising internal approval processes.

SAPP System Viewer: The Energy Management Server of the SAPP SCADA System Viewer has experienced functionality problems which it is hoped will be remedied by the end of 2013.

Interconnector Transmission Projects Update

ZIZABONA

The ZIZABONA transmission project entails the development, financing, construction and operation of new extra high-voltage transmission facilities in Zimbabwe, Zambia, Botswana and Namibia, with a view to facilitating the establishment of a 'western transmission corridor' within SAPP.

The respective national utility companies driving ZIZABONA (ZESCO, ZESA, BPC and NamPower) signed a memorandum of understanding in December 2007 committing themselves to the development of the requisite transmission infrastructure in their countries. The total debt funding requirement of the project is currently estimated at approximately US$156 million, assuming a total funding requirement of US$223 million and a 70/30 debt to equity ratio.

The project was launched at the Investors Round Table that took place in July 2012 in Windhoek. Market and technical studies, the transmission charge methodology, financial modeling, project packaging, SPV structure and a Project Information Memorandum were presented. Responses in the form of debt contributions were pledged, and the governments of Botswana, Namibia, Zambia, and Zimbabwe signed off on implementation.

A Joint Development Agreement has since been signed by NamPower, ZESA, BPC and ZESCO. Eskom and CEC have been approached to take up a shareholding in the project as well. Financial closure is set for early 2014 with commercial operation targeted for 2016/2017.

The Central Transmission Corridor

This project aims to increase wheeling capacity through the ZESA network. The project will be implemented in different phases, i.e.:

- Marvel - Insukamini line: Designs done and tendering in progress.
- New SVC at Sherwood: Tender process completed.
- Alaska - Sherwood line: Environmental Impact Assessment phase.
- Orange Grove - Triangle line: Awaiting government financial go-ahead.

Zambia – Tanzania – Kenya Interconnector

TANESCO, the Tanzanian power utility, secured funding for phase 1 and the feasibility studies have been completed for the Singida portion. Funding from the Government of Norway has been secured for further feasibility studies for the Iringa to Mbeya portion, where conceptual design is expected to be finalized by October 2013. On the Zambian side, construction of the line up to Chipata has started.

Kafue – Livingstone Upgrade

The project to change the conductors and insulators from 220kV to 330kV is scheduled for completion at the end of 2013.

DRC – Zambia 220kV Interconnector Project

The Karavia – Luano 220 kV interconnector project between the DRC and Zambia has commenced on the DRC side, with commissioning planned for the end of 2013.

Table 3:

TRANSMISSION AND DISTRIBUTION GROWTH (2010-2013)				
Group Key Statistics	2013	2012	2011	2010
Transmission Lines				
- 400 kV (km)	987	987	987	987
- 350 kV (km)	953	953	-	-
- 330 kV (km)	522	522	522	522
- 220 kV (km)	2910	2910	2800	2800
- 132 kV (km)	2141	2113	2092	2092
- 66 kV (km)	3605	3605	3605	3605
Distribution Lines				
- 33 kV (km)	11475	11432	11305	11305
- 22 kV (km)	4875	4817	4724	4724
- 19 kV (SWER) (km)	4378	4372	4329	4258
- 11kV (km)	1149	1146	1092	1092

ENERGY TRADING

NamPower - ESKOM Supplemental Agreement

The extension of the Supplemental Agreement between NamPower and Eskom was signed during the period under review, and will be effective until March 2015. Although the Agreement was extended, Eskom has introduced both the right to terminate should NamPower exceed the allowable import energy value, and load shedding. In the event that load shedding is required in South Africa, Eskom will curtail exports to NamPower.

NamPower - ZESCO Power Supply Agreement

NamPower continues to receive a firm 50MW supply from Zambia's ZESCO through the Caprivi Link Interconnector. ZESCO performance under this agreement has been reliable and limited only by periodic transmission constraints. Negotiations between ZESCO and NamPower to supply Namibia with additional electricity for the next 12-15 years are ongoing.

NamPower - ZESA Power Supply Agreement

This agreement between Zimbabwe's ZESA and NamPower continues to yield 150MW of firm supply, plus another approximately 100MW during off-peak periods, subject only to occasional wheeling constraints.

NamPower - Aggreko - EDM Power Supply Agreement

A tripartite agreement between NamPower, Electricedade de Mocambique and Aggreko for the supply of 90MW from Aggreko's interim gas-to-power project has been finalized. NamPower will receive this quantum for 16 hours a day, 6 days a week between June 2013 and August 2015.

RURAL ELECTRIFICATION

NamPower Fund

In line with its mandate and corporate social responsibility policies, NamPower will continue to electrify localities in rural areas. In FY 2013, NamPower increased its rural electrification budget to N$20 million from N$15 million in the preceding Financial Year. In accordance with the Rural

Electrification Master Plan of the Ministry of Mines and Energy, the following projects (all but one of which are in areas served by Regional Electricity Distributors) were initiated:

PROJECT	REGION	STATUS
1 Lusu	Zambezi	In Progress
2 Sachinga	Zambezi	In Progress
3 Ngonga	Zambezi	In Progress
4 Isize	Zambezi	In Progress
5 Ehoma	Ohangwena	In Progress
6 Okauva	Ohangwena	In Progress
7 Shingunguma	Ohangwena	In Progress
8 Nevonga	Oshana	In Progress
9 Okomakuya	Omusati	In Progress
10 Okatutuwa	Omusati	In Progress
11 Oneeya	Omusati	In Progress
12 Ondalaye	Omusati	In Progress
13 Ethikilo	Oshikoto	In Progress
14 Ombundu	Oshikoto	In Progress
15 Onamupalula	Oshikoto	In Progress
16 Otjiwarongo	Omaheke	In Progress
17 Shamalindi	Otjozondjupa	In Progress

In addition, 143 commercial electrification applications were received during the Financial Year under review, of which 48 have so far been commissioned and another 7 nearing commissioning.

GENERATION

Kudu Gas-to-Power Plant

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

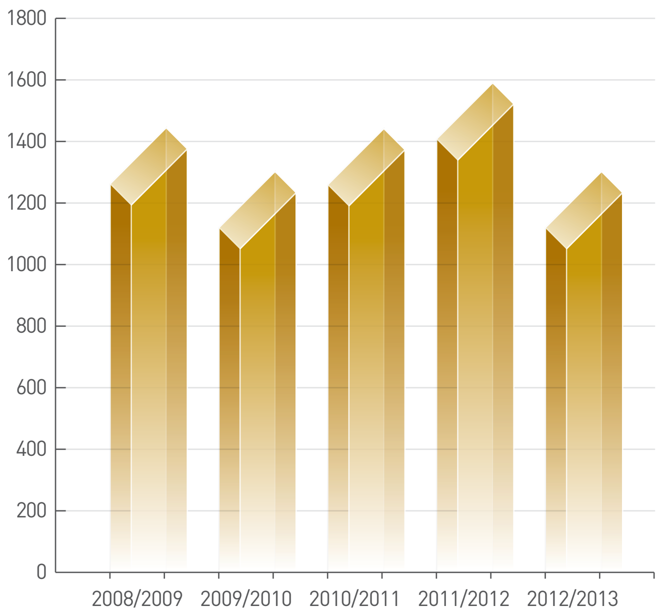
During the period under review, following a renewed mandate from the Government, NamPower negotiated and concluded a Project Development Agreement with the Kudu gas field developers, namely Namcor, Tullow Oil and Itochu, with a signing taking place in March 2013. A Steering Committee comprising all development partners in the Kudu gas-to-power project has now been established to coordinate the speedy development of this strategic national undertaking.

Further progress during 2013 financial year includes the following:

- Power Export Agreement term sheet negotiations with the Copperbelt Energy Corporation (CEC) of Zambia were concluded, while negotiations with Eskom for an additional off take commitment reached an advanced stage.
- The drafting of the Power Purchase Agreement between NamPower and KuduPower (Pty) Ltd has been completed.
- Joint Development Agreement negotiations between NamPower and the CEC with regards to CEC equity and other participation in the project were concluded, with the Agreement slated for signature this year, subject to completion of due diligence.
- Engineering, Procurement and Construction (EPC) tender documentation was completed, and the pre-qualification tender issued in April 2013. Forty-five international companies/consortia submitted bids and of these fifteen were shortlisted to advance to the full EPC tendering phase. The EPC tender is expected to close in late 2013, with the award of the contract to the successful bidder tentatively set for the first half of 2014.

Table 4:

Annual Energy Generated by Ruacana Power Station (MW)



- The process of procuring a Strategic Equity Partner with the requisite financial capabilities, expertise and experience to take up a minority equity stake in KuduPower started during the second quarter of 2013, and is expected to be concluded before the end of the year.
- NamPower carried out soundings to test the financial markets' prospective appetite for funding of the Kudu power project. The engagement of a Coordinating Bank to source such funding will be completed during FY 2014.
- NamPower will also this year issue the Operation & Maintenance (O&M) tender documentation, leading ultimately to the appointment of an O&M company with proven experience in operating and maintaining similarly sized CCGT power plants. The O&M contractor will be required to enter into a joint venture with NamPower for the O&M contract that will be signed with KuduPower.

According to the integrated Kudu gas-to-power project implementation schedule, the final investment decision is expected to be taken during the second quarter of 2014, with construction expected to commence towards the end of 2014 and commercial operation projected for the end of 2017 (or first quarter of 2018 should there be unforeseen delays).

While the original concept of the Kudu-gas-to-power project has changed from treating gas onshore to treatment offshore on a floating platform operation enabling dry specification gas to be piped the 170 kilometres to the power plant, the balance of that original concept has remained. With the latest F Class technology available, outputs for a nominal 800MW CCGT plant would vary from 850 to 1050MW.

Baynes Hydro Power Project

The Governments of Namibia and Angola are awaiting finalization of the Environmental, Social, Health Impact Assessment (ESHIA) report before reaching a decision to proceed with this project. Indications are that it is financially and technically viable and robust with regards to different sensitivities tested. The upstream water abstraction could play a critical role and thus the Namibia-Angola Permanent Joint Technical Committee is working on a bilateral agreement covering this issue in the event the project gets the political go-ahead.

The estimated project implementation cost will be US$1.3 billion (including environmental mitigation costs, but excluding associated infrastructure such as transmission lines, roads, runways and telecommunications). If approved, the project will contribute an additional 600MW to the national grid.

Erongo Coal-Fired Power Station

This project has been shelved, following Government's decision to prioritize the Kudu Gas-to-Power project.

Van Eck Power Station (installed capacity 120MW)

NamPower received a grant from the US Trade and Development Agency to conduct a study on the viability of rehabilitating the Van Eck coal-fired power station in Windhoek. The results were positive, and a decision was made to proceed with rehabilitation, thus extending the life of Van Eck for an additional 10 years.

The refurbishment works are being carried out in-house by the Generation Division and are progressing according to plan. Specialised services required throughout the project are being sourced as and when necessary.

The refurbishment entails major overhaul of the following:

- Boilers (1 - 4): complete overhaul.
- Turbines (1, 2 &3): complete inspection and overhaul.
- Generators (1 - 4): complete inspection and overhaul.
- Balance of plant: general refurbishment, civil repairs, and repainting.
- Automation: installation of new instrumentation and control systems on all units throughout the whole plant.
- Dust and bottom ash handling systems: completely new installation.

Paratus/ANIXAS Diesel Generator Power Station (installed capacity 24MW and 22MW respectively)

Paratus Power Station Refurbishment

The HFO storage tank and bund wall were repaired. The governors of Generators 1 - 4 are in the process of being overhauled.

ANIXAS Power Station

Following detection of insufficient HT cooling water flows and valve failures leading to cylinder head failures (all of which had a negative impact on the reliability and availability of both ANIXAS and Paratus during the period under review), the cylinder heads and HT water pumps were refurbished on Generators 1 – 3.

More generally, negotiations are under way to extend the defect notification period under the ANIXAS plant construction contract, as defects necessitating equipment replacement have come to light. The project was managed under the FIDIC Silver Book contract which effectively means that within the defect notification period the contractor has to foot the bill for defective parts replacement as well as certain re-designs.

Ruacana Power Station (installed capacity 332MW)

The Ruacana power station's contribution to NamPower's total system energy intake declined in FY 2013 by 20.6% from the previous FY, due to a 44% decrease in the Kunene river flow. The low rainfall and river flow resulted in operation of Ruacana mainly at mid merit/peaking mode. At a technical level, power station availability and reliability exceeded performance targets for the period under review.

The runner replacement project aimed at shoring up short-term critical supply was initiated, with installation of the turbine runner and associated components scheduled for completion in December 2014 (as the expectation is that installation of each new unit will take approximately three months).

Renewable Energy Projects

Independent Power Producers (IPPs)

NamPower continues to negotiate Power Purchase Agreements and Transmission Connection Agreements with Diaz Power (wind power generation of 44 MW at !Nami=Nüs (formerly Lüderitz)) and GreeNam (solar PV of a combined 20MW). A special steering committee chaired by the Permanent Secretary of Mines and Energy, and with representatives from ECB, NamPower and the Renewable Energy & Energy Efficiency Institute of the Polytechnic of Namibia, was formed to oversee all renewable energy projects.

Nationally, the Ministry of Mines and Energy has now implemented the Renewable Energy Procurement Mechanism that requires tendering for all renewable projects larger than 5MW in size. NamPower expects to acquire an additional 30MW of IPP capacity (3 projects of 10MW each) via this tendering route in the near future.

The C-Bend Bush-to-Energy IPP biomass project which has a signed Power Purchase Agreement with NamPower has encountered technical difficulties. NamPower remains hopeful that with help from the regional electricity distributor CENORED, this 250kW concept plant will ultimately fulfil its potential.

Off-grid

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

Net metering

NamPower continues to investigate new generation methods and to lead by example. The company has now completed two test solar projects, in Windhoek and Usib (Rehoboth). These projects, of 64 kW fixed PV and 26 kW tracking CPV respectively, utilise the latest technology to provide NamPower with data and direct operational experience. Further exploration in this area will occur as NamPower "solarizes" two of its residential premises in Okahandja and Rehoboth.

Biomass Feasibility Study

A pre-feasibility study via a grant from KfW of Germany has been completed and shows that it is technically feasible to build 10-20MW plants utilising invader bushes as a fuel source. NamPower seeks now to capitalise on this by investigating the building of a hybridized power plant combining biomass with solar to increase output and improve plant performance.

TRANSMISSION PROJECTS

Caprivi Link Interconnector

The Project entails upgrading the Interconnector, and its initial phases have now been completed within budget. The electrode stations design on each side, although not required for initial operation, is currently being finalised. Studies need to be conducted on the pilot earth electrodes to determine the existence of any stray currents or other impacts currently not foreseen. The line is currently operated in earth-return mode resulting in much lower transmission losses. The earth electrodes will have to be upgraded to allow full power transfer of up 300MW.

Rössing – Walmund 220kV line

The existing 220kV line has since its inception in 1972 been exposed to severe marine pollution and the integrity of the self-supporting steel pylons, ACSR phase conductors and earth wires is no longer sound. The entire line section is currently being replaced with a twin circuit 220kV line to cater for future load growth on the west coast. The line will be equipped with OPGW conductors as well.

Increased Supply to Walvis Bay

Following successful negotiations with the Erongo regional electricity distributor on an increased supply capacity to Walvis Bay, an investment decision was taken to upgrade the main Kuiseb GIS substation from 66 to 132kV, construct two 132kV lines from Kuiseb to Walvis Bay, and build a new 132/11kV GIS substation at Walvis Bay. All environmental clearances have been obtained and implementation of the project will commence soon.

New Husab Mine Supply

Negotiations with Husab were concluded to supply this new uranium mine with a 50MW firm supply. This necessitates the construction of a new 220kV line from Khan to Lithops, a new 220/132kV substation near Husab, a 220kV line from Walmund to Kuiseb and two 132kV lines from Lithops to Husab. A temporary 132kV supply will already be provided in 2013, whereas the main supply will only be made available in 2014.

Auas – Naruchas 132kV Project

Continuous system improvements at transmission level are planned and implemented to facilitate reliable and continuous supply to all customers. To this effect a new 80km 132kV transmission line has been completed to reinforce the supply to the central-southern area around Rehoboth. Costs for such infrastructure developments serving a whole area and not dedicated customers is born by NamPower alone. The line has been concluded and work is on-going on the substation Naruchas located outside Rehoboth.

Omatando – Efundja 132kV Project

The Angolan power utility ENE requested additional supply capacity at Ondjiva north of Oshikango. As it is no longer possible to serve all the Namibian and Angolan loads with 66kV, an upgrade to 132kV including a new 132/66kV substation called Efundja near Oshikango was constructed. The line was originally already built to 132kV specifications, which eased the upgrade, and is now carrying a new 132kV supply to Angola.

Namibia Custom Smelter

The customer applied for increased supply to its new smelter in Tsumeb. The project was successfully concluded by constructing a new 132kV line from Otjikoto substation. The smelter is supplied at 132kV voltage level.

Von Bach Pumping Scheme

A project has been launched to replace the entire 66kV line from the Osona substation at Von Bach dam to Windhoek to enable increased power supply to the city's main water line, and to support Namwater pumping systems as well as new electricity customers such as Namib Poultry.

Other Transmission Projects

Network extensions at 66kV level to supply new settlements and projects such as Finke, Sungate, Namib Poultry and Sendelingsdrift are being built. Extensions at 132kV level are currently under construction to supply Omuthiya.

Optical Ground Wire (OPGW) Retrofits

Negotiations between NamPower, Telecom Namibia and MTC for the lease of dark fibres were concluded and an agreement signed. Most routes are already commercially utilised. The agreement also caters for retrofitting existing transmission lines with either OPGW or MASS conductors on a capital cost sharing basis. Projects concluded included retrofitting Walmund–Swakopmund to accommodate the WACS connection, Gerus–Omburu to accommodate cross-border traffic across the Caprivi Link Interconnector, Regen station 1 on the Caprivi Link to Kombat (Asis) to provide a route to the north, and Auas–

Van Eck to cater for traffic towards the south. The retrofit of Otjikoto–Omatando (Oshakati)–Efundja (Oshikango) has been concluded as well. The latter was a joint cost-sharing project between MTC and NamPower. Apart from Ruacana Namibia is now well covered with optic fibre routes on NamPower's transmission lines.

The Power Systems Development business unit tasked with the planning and execution of all large capital projects continues to fulfil its mandate as expected. Human resources to execute projects on this scale are limited, and programs have been put in place to train and mentor young and upcoming engineers to handle these functions. Project management and site supervision are excellent training grounds for young technical personnel.

2nd

"Best Company to Work for"

CORPORATE SERVICES

Human Resources Management

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 remain effective and live out its mission statement and corporate values. As such, and as a leader in the electricity supply industry, we realise the importance of investing heavily in our human capital and are proud of the fact that we have a diverse, dedicated and committed team always ready to go the extra mile in ensuring security of supply in the country. The following activities were, inter alia, the main focus areas in the year under review:

Performance Management

The performance management process continues to be a major, embedded tool for optimizing both NamPower operations and transparency and accountability in employee relations. During the year under review, the company commenced roll-out of the SAP R/3 performance management module. The module has enabled employees and supervisors to conduct mid-term and end-year appraisals successfully on the new system with minimal transitional issues.

Culture Change

During the Financial Year under review NamPower initiated a culture change program aimed at developing an even higher performance culture within the company. The program started with an assessment of the prevailing culture, targeting mainly employees in leadership roles (both in senior and supervisory positions) who have significant potential to cultivate team cohesiveness and attitude change. A number of development activities are planned as part of this important program.

Employment Equity

Our major affirmative action goal is to have female representation throughout the workforce incrementally increased from the current 19% to 20% by the end of 2013. The target set several years ago for representation in management was 30% by the end of 2013 - a target unlikely to be fully met, as the actual figure now stands at 24%. Closing the gender gap in the company remains a key challenge and priority. Table 5 below displays the representation of the designated groups.

Safety

The following safety record was compiled over the past Financial Year:

- Vehicle accidents: 41
- Injuries: 24 (14 loss time injuries; 10 non-loss time injuries)
- No fatal accidents
- No work site shut downs
- No major safety non-conformances
- Over 80 internal safety audits and inspections

NamPower continues to assign the highest priority to the safety of its employees, contractors and guests.

OVER THE COMING FINANCIAL YEAR NAMPOWER WILL FOCUS ON:

- Implementation of the base-load power project
- Implementation of the Short-term Critical Supply (STCS) programme, including the roll-out of the new Demand Side Management (DSM) program
- Implementation of the new Transmission Master Plan
- Increase contribution of Rural Electrification and other social responsibility obligations
- Continue with measures to increase productivity and efficiency

Table 5:

EMPLOYMENT EQUITY

	RACIALLY DISADVANTAGED		RACIALLY ADVANTAGED		PERSONS WITH DISABILITIES		TOTAL
JOB CATEGORY	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN	
Senior Management	5	1	2	0	0	0	8
Middle Management	15	9	11	0	0	0	35
Specialised/Supervisory	48	22	50	4	0	0	124
Skilled	192	74	47	17	1	2	333
Semi Skilled	161	8	5	0	0	1	175
Unskilled	188	27	0	0	0	0	215
TOTAL PERMANENT	609	141	115	21	1	3	890
CASUAL	35	11	3	2	0	0	51
TOTAL	644	152	118	23	1	3	941

Best Company to Work for

On an annual basis, NamPower participates in the Deloitte "Best Company to Work for" survey of Namibia. During FY 2013 the company received a certificate for achieving a "standard of excellence" as a best company to work for, and ranked second overall in the "large company" category.

Wellness

The following activities were undertaken during FY 2013 to promote the well-being of our employees and others:

Substance abuse: The company presented and promoted information sessions reaching over 1000 people, both in-house and external.

Wellness screening: Employees were tested on a voluntary basis for cholesterol, glucose, blood pressure, body mass index, and HIV, with associated counselling being provided.

Peer and professional counselling continued to extend the scope of wellness services available to staff at all NamPower locations.

Health

The company retained two registered nurses to operate its clinics, one in Ruacana and the other at the Van Eck Plant in Windhoek, and in FY 2013 further entered into an agreement with a private company to provide occupational health services outside these clinics. A total of 426 employees received periodic medical examinations through this new service portal. At the clinics themselves, a total of 1715 employees were seen at Van Eck and 1001 employees and dependants were seen at Ruacana. Separately, 449 employees and dependants received flu injections pursuant to company campaigns during the Namibian winter.

INFORMATION SERVICES (ISERV)

During the Financial Year under review the blade server environment, hosting most of NamPower's virtual servers, was refreshed. All the Microsoft virtual servers were moved onto newly procured host servers and in the process VMware was upgraded to 5.1 Update 1.

The configuration of the HP Integrity servers, hosting the SAP servers, was completed and the first set of servers were transferred onto these hosts after both the old and new host servers were brought on par with their patch levels.

NamPower replaced its old wireless network system with the latest technology offering connectivity for mobile devices and laptops for both NamPower employees and consultants. The Wi-Fi network was also extended to all the Windhoek area offices.

The Bank of Namibia approached NamPower to assist it with an authorisations review on the Bank's SAP system, which NamPower successfully concluded. In a similar vein, the regional electricity distributor CENORED requested and received NamPower's assistance in upgrading its SAP systems to the latest patch level.

NamPower possesses superior IT firewall security and virus protection systems, but these can be rendered less effective by insufficient employee awareness. To preempt this possibility NamPower's IT section produced both a brochure and several videos promoting security awareness.

Intranet Auctions

NamPower has a significant turnover of used vehicles, equipment and materials which are regularly auctioned to staff and others, and during FY 2013 iServ developed and implemented an intranet based auction system (called e-Auction) which has rendered the old, physical auctions obsolete, allowing registered participants to view items and prices online and take part in live bidding processes without having to leave their own offices or premises. This has resulted in immediate cost savings as well as a deeper pool of bidders for company assets put up for sale.

Future Plans

- In the upcoming year the IT section plans to upgrade its current ITIL service delivery maturity state from a 1.5/5 to a 3/5.
- NamPower's Office productivity suite, Microsoft Office, will be upgraded to Office 2013 and testing of Windows 8 will commence.
- Testing and a possible roll-out of a virtual desktop environment for NamPower users is in the pipeline, but will depend on the performance of the virtual server environment and storage system.
- Some final configuration changes to the storage systems will bring the disaster protection site to an optimal operational state. Once completed, regular testing of the site can commence.

OUTLOOK

Namibia's electricity supply-demand balance will remain tight over the next few years. While surmounting the country's electricity challenges can only be achieved through the efforts of all Namibians, and while Namibia's continuing import dependence puts some of these challenges beyond the company's immediate control, NamPower has resolved to try and prevent as far as possible measures such as load shedding. We will continue in the short term to promote the role of IPPs and other reliable external sources to reduce excess dependence on a single foreign supplier, while acknowledging that there are no easy or risk-free immediate solutions to a structural shortfall in supply predominant throughout the whole of southern Africa.

More specifically, we can expect the period of chronic shortfall to endure till 2018, with the risks being most acute in 2015 and 2016. The base forecast is for a supply shortfall of between 878 GWh in 2015 and 1474 GWh in 2016, which is comparable to the output of a 150MW power station in a year. NamPower alone cannot solve this problem, but if all Namibians and all companies save at least 10% on their electricity use, we can close the supply gap.

ACKNOWLEDGEMENTS

I would like to express my sincere thanks to the board, and especially our past Chairman Leevi Hungamo who guided the ship with energy and courage for eight years. Special thanks too must go to our colleagues at the Ministry of Mines and Energy and especially the Honourable Minister Isak Katali, as well as our principal regulator the ECB, and the distributors.

Partnership has a special meaning at NamPower and we value the contributions of those in the private and public sectors that have joined forces with us in various endeavours during FY 2013. We acknowledge as well the constructive role of our customers and other stakeholders, who provide a constant impetus for us to do better.

Finally, the achievements for the past year were possible only because of the efforts and dedication of all those who work at NamPower, especially all the shift workers who toiled tirelessly to keep our plants running 24 hours a day. I thank them all. Working together we can achieve great things.

CONTENTS

Financial Statements

VALUE ADDED STATEMENT

for the year ended 30 June 2013

	GROUP				COMPANY			
	2013		2012		**2013**		2012	
	N$'000	**%**	N$'000	%	**N$'000**	**%**	N$'000	%
VALUE ADDED								
Turnover	**3,305,641**		2,555,559		**3,305,641**		2,555,559	
Less: Cost of primary energy, materials and services	**2,276,890**		1,940,469		**2,276,820**		1,940,341	
Value added by operations	**1,028,751**	**68.26**	615,090	60.78	**1,028,821**	**68.26**	615,218	60.70
Interest and sundry income	**478,513**	**31.74**	396,856	39.22	**478,513**	**31.74**	398,340	39.30
	1,507,264	**100.00**	1,011,946	100.00	**1,507,334**	**100.00**	1,013,558	100.00
VALUE DISTRIBUTED								
To remunerate employees	**460,182**	**30.53**	406,156	40.14	**460,182**	**30.53**	406,156	40.07
To providers of debt	**261,765**	**17.37**	255,246	25.22	**261,765**	**17.37**	255,246	25.18
Taxation paid	**(37,956)**	**(2.52)**	76,135	7.52	**(37,915)**	**(2.53)**	76,537	7.55
	683,991	**45.38**	737,537	72.88	**684,032**	**45.38**	737,939	72.80
VALUE RETAINED								
To maintain and develop operations	**823,273**	**54.62**	274,409	27.12	**823,301**	**54.62**	275,619	27.20
	1,507,264	**100.00**	1,011,946	100.00	**1,507,334**	**100.00**	1,013,558	100.00

DIRECTORS' RESPONSIBILITY STATEMENT

The directors are responsible for the preparation and fair presentation of the consolidated and separate annual financial statements of Namibia Power Corporation (Proprietary) Limited, comprising the statements of financial position at 30 June 2013, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, and the directors' report, in accordance with International Financial Reporting Standards, 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 the financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

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

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

Approval of consolidated and separate annual financial statements

The consolidated and separate annual financial statements of Namibia Power Corporation (Proprietary) Limited, as identified in the first paragraph, were approved by the board of directors on 23 October 2013 and signed by:

MMN NAKALE
CHAIRPERSON

PI SHILAMBA
MANAGING DIRECTOR

INDEPENDENT AUDITOR'S REPORT

To the shareholder of Namibia Power Corporation (Proprietary) Limited

We have audited the consolidated and separate annual financial statements of Namibia Power Corporation (Proprietary) Limited, which comprise the consolidated and separate statements of financial position at 30 June 2013, and the consolidated and separate statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, and directors' report, as set out on pages 45 to 128.

Directors' Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the consolidated and separate financial position of Namibia Power Corporation (Proprietary) Limited at 30 June 2013, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Namibian Companies Act.

KPMG

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

Windhoek, 04 November 2013
30 Schanzen Road, Klein Windhoek, Windhoek, Namibia

The directors have pleasure in presenting their report for the year ended 30 June 2013.

1. Principal Activities

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

The activities of the subsidiaries and associates comprise:
- The provision of technical, management and other related services;
- The sale and distribution of electricity and
- Property investment.

2. Operating Results

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

Units into the system and sold:

	GROUP AND COMPANY	
	2013 GWh	2012 GWh
Ruacana Hydro Power Station	**1,272**	1,607
Van Eck Power Station	**41**	15
Paratus Power Station	**-**	-
Anixas Power Station	**18**	21
Eskom	**1,718**	1,645
ZESCO	**389**	378
EDM	**-**	-
ZESA	**781**	496
Aggreko	**19**	-
Total units into system	**4,238**	4,162
To customers in Namibia	**2,986**	2,840
Exports	**89**	91
Orange River	**139**	133
To Skorpion Zinc Mine^	**647**	662
Total units sold	**3,861**	3,726

^ 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	**9.7%**	11.7%

Growth

During the year under review there was an increase of 5.1% in units sold to customers in Namibia excluding Skorpion (2012: increase of 7.1%). The power imported by the Company during the year under review increased by 388 million units (2012: increase of 39 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$394 million (2012: N$346 million). The expenditure on intangible assets during the financial year amounted to: Group and Company N$1 million (2012: N$64 thousand).

This expenditure is mainly attributable to:

5.1 Electrification:

- Northern S/S: Yard stones, Ligting and other upgrades
- Naute Irrigation Project
- Buitepos: HC Clinic
- New Sewer Pump Station
- Electrification: Okayenongo
- Electrification: Ohnokolo School Ohangwena
- Electrification: Otjiwarongo Locality
- Electrification: CWA School Okavango
- Electrification: x3 Villages-Oshikoto Region
- Electrification: x3 Villages-Omusati Region

5.2 Substation Development:

- Walvis Bay 132kV
- Husab Power Supply
- Finke
- Omburu T/S: New Office Building

5.3 Refurbishment and Upgrading:

- Van Eck Power Station
- Ruacana Power Station Units 1-3: Vibration Monitors
- Ruacana Power Station: Upgrade Control Room
- Ruacana Power Station: 330kV Protection Refurbishment

5.4 Transmission System:

- Northern Transmission Master Plan
- Otjikoto-Oshakati: Fibre Optical Retrofit
- Onuno-Ondangwa : 132kV Line
- Gerus-Otjikoto Line
- Tx Kudu Integration

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 amounts to N$47.0 million based on replacement value. NamPower has granted a N$3.7 million loan in respect of the Gove dam to the Angolan authorities. The recovery of this loan depends 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

LA Hungamo	Chairman until 27 February 2013
MMN Nakale	Chairperson; as from 1 April 2013
PI Shilamba	Managing Director
G Narib	
PA Kiiyala	
PJ Maritz	
ST Hawala	Resigned: 1 November 2012
SP Utonih	Appointed: 1 December 2012
EJ Roeber	Appointed: 1 April 2013

9.2 Board Committees

In conformity with Corporate Governance, 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:

MMN Nakale	Chairperson until 30 November 2012
SP Utonih	Chairperson; Appointed 1 December 2012
ST Hawala	Resigned: 1 November 2012
G Narib	
EJ Roeber	Appointed: 1 April 2013

9.2.2 Remuneration and Nomination Committee

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

PJ Maritz	Chairman
PI Shilamba	Managing Director
PA Kiiyala	
MMN Nakale	Until 31 March 2013
SP Utonih	Appointed: 1 December 2012
EJ Roeber	Appointed: 1 April 2013

9.2.3 Board Tender Committee

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

G Narib	Chairman
PJ Maritz	
ST Hawala	Resigned: 1 November 2012
SP Utonih	Appointed: 1 December 2012

9.2.4 Investment Committee

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

PA Kiiyala	Chairman
MMN Nakale	Until 31 March 2013
ST Hawala	Resigned: 1 November 2012
EJ Roeber	Appointed: 1 April 2013
SP Utonih	Appointed: 1 December 2012

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:	14	5	6	3	3
Attendance:					
LA Hungamo	6	n/a	n/a	n/a	n/a
PI Shilamba	12	n/a	5	n/a	n/a
G Narib	12	5	n/a	3	n/a
PA Kiiyala	14	n/a	2	n/a	3
PJ Maritz	14	n/a	6	3	n/a
MMN Nakale	13	3	4	n/a	2
ST Hawala	1	0	n/a	0	0
SP Utonih	6	2	2	2	0
EJ Roeber	4	1	1	n/a	0

10. Secretary

Ms S Mavulu held office as Company Secretary for the year under review. The business and postal addresses are shown on page 129.

11. Going Concern

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

12. Registered address

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

STATEMENTS OF FINANCIAL POSITION

at 30 June 2013

	NOTE	GROUP 2013 N$'000	GROUP 2012 N$'000	COMPANY 2013 N$'000	COMPANY 2012 N$'000
Assets					
Total non-current assets		16,723,620	16,938,273	16,415,029	16,659,868
Property, plant and equipment	6	14,846,516	15,011,078	14,835,676	15,000,168
Investment properties	8	12,832	10,657	12,832	10,657
Intangible assets	9.1	6,511	8,242	6,511	8,242
Interest in subsidiaries	7.1	-	-	7,377	7,377
Investment in associates	7.2	478,360	448,104	173,232	173,232
Investments	11	1,168,130	1,227,474	1,168,130	1,227,474
Derivative assets	21.1	181,130	174,697	181,130	174,697
Loans receivable	10	30,141	58,021	30,141	58,021
Total current assets		5,493,234	4,639,492	5,493,234	4,639,492
Inventories	12	216,506	151,067	216,506	151,067
Trade and other receivables	13	710,859	631,010	710,859	631,010
Investments	11	2,870,302	2,477,901	2,870,302	2,477,901
Cash and cash equivalents	14	1,657,592	1,292,659	1,657,592	1,292,659
Loans receivable	10	37,975	86,855	37,975	86,855
Total assets		22,216,854	21,577,765	21,908,263	21,299,360
Equity					
Total equity attributable to equity holders		12,677,168	12,111,427	12,365,583	11,830,069
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		1,418,302	1,369,093	1,418,302	1,369,093
Development fund		3,019,141	2,502,892	2,923,242	2,437,220
Capital revaluation reserve		7,110,050	7,110,050	6,894,364	6,894,364
Strategic inventory revaluation reserve		63,856	63,856	63,856	63,856
Available for sale fair value adjustment reserve		819	536	819	536
Total equity		12,677,168	12,111,427	12,365,583	11,830,069
Liabilities					
Total non-current liabilities		8,065,582	8,101,920	8,062,186	8,098,483
Interest bearing loans and borrowings	17	2,617,714	2,753,381	2,617,714	2,753,381
Deferred revenue liabilities	18	720,181	725,385	720,181	725,385
Employee benefits	22	201,614	166,116	201,614	166,116
Retention creditors	20.3	9,522	8,283	9,522	8,283
Derivative liabilities	21.2	268,395	162,643	268,395	162,643
Deferred tax liabilities	19	4,248,156	4,286,112	4,244,760	4,282,675
Total current liabilities		1,474,104	1,364,418	1,480,494	1,370,808
Trade and other payables	20	1,100,220	935,403	1,100,226	935,409
Loans due to subsidiaries	7.1	-	-	6,384	6,384
Interest bearing loans and borrowings	17	218,896	255,913	218,896	255,913
Deferred revenue liabilities	18	154,988	173,102	154,988	173,102
Total liabilities		9,539,686	9,466,338	9,542,680	9,469,291
Total equity and liabilities		22,216,854	21,577,765	21,908,263	21,299,360

STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 30 June 2013

	NOTE	GROUP 2013 N$'000	GROUP 2012 N$'000	COMPANY 2013 N$'000	COMPANY 2012 N$'000
Continuing operations					
Revenue	25	**3,305,641**	2,555,559	**3,305,641**	2,555,559
Cost of Electricity		**(1,658,658)**	(1,117,369)	**(1,658,658)**	(1,117,369)
Gross profit		**1,646,983**	1,438,190	**1,646,983**	1,438,190
Foreign exchange gains		**382,901**	324,366	**382,901**	324,366
Foreign exchange losses		**(214,904)**	(207,478)	**(214,904)**	(207,478)
Depreciation and amortisation	6.1, 9.1	**(512,471)**	(695,791)	**(512,401)**	(695,721)
Other operating expenditure		**(733,939)**	(650,354)	**(733,939)**	(650,296)
Other income	25.1	**97,046**	60,575	**97,046**	62,059
Operating profit before net fair value adjustments and net finance income		**665,616**	269,508	**665,686**	271,120
Fair value loss on derivatives and foreign loans through profit or loss		**(67,237)**	(58,356)	**(67,237)**	(58,356)
Fair value (loss)/gain on embedded derivatives- Power Sales Agreement (PSA)		**(72,948)**	107,656	**(72,948)**	107,656
Fair value (loss) on embedded derivatives- Power Purchase Agreement (PPA)		**(138,167)**	(186,903)	**(138,167)**	(186,903)
Fair value (loss)/gain on firm commitments		**(9,720)**	3,444	**(9,720)**	3,444
Operating profit before net finance income		**377,544**	135,349	**377,614**	136,961
Net finance income		**119,702**	81,035	**119,702**	81,035
Finance income	24	**381,467**	336,281	**381,467**	336,281
Finance costs	24	**(261,765)**	(255,246)	**(261,765)**	(255,246)
Share of profit of associates net of tax	7.2	**30,256**	10,254	**-**	-
Profit before taxation	26	**527,502**	226,638	**497,316**	217,996
Taxation	15	**37,956**	(76,135)	**37,915**	(76,537)
Profit for the year from continuing operations		**565,458**	150,503	**535,231**	141,459
Profit attributable to:					
Owners of the Company		**565,458**	150,503	**535,231**	141,459
Other comprehensive income					
Net change in fair value of available-for-sale financial assets		**283**	206	**283**	206
Share of other comprehensive income of associates, net of taxation		**-**	81,711	**-**	-
Taxation on other comprehensive income		**-**	(27,782)	**-**	-
Other comprehensive income for the year, net of taxation		**283**	54,135	**283**	206
Total comprehensive income for the year		**565,741**	204,638	**535,514**	141,665
Total comprehensive income attributable to:					
Owners of the Company		**565,741**	204,638	**535,514**	141,665

STATEMENTS OF CHANGES IN EQUITY

for the year ended 30 June 2013

	Share Capital N$'000	Share Premium N$'000	Reserve Fund N$'000
GROUP			
Balance at 1 July 2012	165,000	900,000	1,369,093
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	-	-	49,209
Transfer to reserve fund	-	-	49,209
Funds for capital expenditure requirements	-	-	-
Balance at 30 June 2013	165,000	900,000	1,418,302

	Share Capital N$'000	Share Premium N$'000	Reserve Fund N$'000
GROUP			
Balance at 1 July 2011	165,000	900,000	1,321,591
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	-	-	47,502
Transfer to reserve fund	-	-	47,502
Funds for capital expenditure requirements	-	-	-
Balance at 30 June 2012	165,000	900,000	1,369,093

Development Fund N$'000	Capital Revaluation Reserve N$'000	Strategic Inventory Revaluation Reserve N$'000	Available for sale Fair value adjustment Reserve N$'000	Retained Earnings N$'000	Total Equity N$'000
2,502,892	**7,110,050**	**63,856**	**536**	**-**	**12,111,427**
-	**-**	**-**	**-**	**565,458**	**565,458**
-	**-**	**-**	**283**	**-**	**283**
-	**-**	**-**	**283**	**565,458**	**565,741**
516,249	**-**	**-**	**-**	**(565,458)**	**-**
-	**-**	**-**	**-**	**(49,209)**	**-**
516,249	**-**	**-**	**-**	**(516,249)**	**-**
3,019,141	**7,110,050**	**63,856**	**819**	**-**	**12,677,168**
2,399,891	7,056,121	63,856	330	-	11,906,789
-	-	-	-	150,503	150,503
-	53,929	-	206	-	54,135
-	53,929	-	206	150,503	204,638
103,001	-	-	-	(150,503)	-
-	-	-	-	(47,502)	-
103,001	-	-	-	(103,001)	-
2,502,892	7,110,050	63,856	536	-	12,111,427

STATEMENTS OF CHANGES IN EQUITY (continued)

for the year ended 30 June 2013

	Share Capital N$'000	Share Premium N$'000	Reserve Fund N$'000
COMPANY			
Balance at 1 July 2012	165,000	900,000	1,369,093
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	-	-	49,209
Transfer to reserve fund	-	-	49,209
Funds for capital expenditure requirements	-	-	-
Balance at 30 June 2013	165,000	900,000	1,418,302
COMPANY			
Balance at 1 July 2011	165,000	900,000	1,321,591
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	-	-	47,502
Transfer to reserve fund	-	-	47,502
Funds for capital expenditure requirements	-	-	-
Balance at 30 June 2012	165,000	900,000	1,369,093

Development Fund N$'000	Capital Revaluation Reserve N$'000	Strategic Inventory Revaluation Reserve N$'000	Available for sale Fair value adjustment Reserve N$'000	Retained Earnings N$'000	Total Equity N$'000
2,437,220	6,894,364	63,856	536	-	11,830,069
-	-	-	-	535,231	535,231
-	-	-	283	-	283
-	-	-	283	535,231	535,514
486,022	-	-	-	(535,231)	-
-	-	-	-	(49,209)	-
486,022	-	-	-	(486,022)	-
2,923,242	6,894,364	63,856	819	-	12,365,583
2,343,263	6,894,364	63,856	330	-	11,688,404
-	-	-	-	141,459	141,459
-	-	-	206	-	206
-	-	-	206	141,459	141,665
93,957	-	-	-	(141,459)	-
-	-	-	-	(47,502)	-
93,957	-	-	-	(93,957)	-
2,437,220	6,894,364	63,856	536	-	11,830,069

STATEMENTS OF CASH FLOWS

for the year ended 30 June 2013

	NOTE	GROUP 2013 N$'000	GROUP 2012 N$'000	COMPANY 2013 N$'000	COMPANY 2012 N$'000
Cash flows from operating activities					
Cash receipts from customers		**3,470,547**	2,688,529	**3,470,547**	2,688,486
Cash paid to suppliers and employees		**(2,317,749)**	(1,546,700)	**(2,317,749)**	(1,546,657)
Cash generated from operations	A	**1,152,798**	1,141,829	**1,152,798**	1,141,829
Increase in retention creditors		**1,239**	1,236	**1,239**	1,236
Interest received		**294,411**	216,993	**294,411**	216,993
Interest paid		**(177,067)**	(164,773)	**(177,067)**	(164,773)
Net cash from operating activities		**1,271,381**	1,195,285	**1,271,381**	1,195,285
Cash flows from investing activities					
Proceeds from the sale of property, plant and equipment		**1,605**	55	**1,605**	55
Acquisitions of intangible assets	9.1	**(1,187)**	(64)	**(1,187)**	(64)
Extension and replacement of property, plant and equipment to maintain operations	6.1	**(394,029)**	(346,455)	**(394,029)**	(346,455)
Dividend received		**1,701**	1,485	**1,701**	1,485
Government grant received		**10,000**	190,000	**10,000**	190,000
Proceeds from the de-registration of joint venture	B	**-**	249	**-**	249
Decrease/(increase) in investments		**59,626**	(333,248)	**59,626**	(333,248)
Increase in short term investments		**(392,401)**	(772,205)	**(392,401)**	(772,205)
Decrease in loans receivable		**76,759**	50,923	**76,759**	50,923
Net cash generated used in investing activities		**(637,926)**	(1,209,260)	**(637,926)**	(1,209,260)
Cash flows from financing activities					
Loans raised		**-**	342,436	**-**	342,436
Repayment of interest bearing loans and borrowings		**(268,522)**	(103,764)	**(268,522)**	(103,764)
Net cash generated (used in)/from financing activities		**(268,522)**	238,672	**(268,522)**	238,672
Net increase in cash and cash equivalents		**367,783**	240,295	**367,783**	240,295
Cash and cash equivalents at 1 July		**1,292,659**	1,067,962	**1,292,659**	1,067,962
Effect of exchange rate fluctuations on cash held		**(2,850)**	(15,598)	**(2,850)**	(15,598)
Cash and cash equivalents at 30 June	14	**1,657,592**	1,292,659	**1,657,592**	1,292,659

	GROUP 2013 N$'000	GROUP 2012 N$'000	COMPANY 2013 N$'000	COMPANY 2012 N$'000
A. CASH GENERATED FROM OPERATIONS				
Profit before taxation and interest and before share of profits from associates	**377,544**	135,349	**377,614**	136,961
Adjustments for:				
- Dividend received	**(1,701)**	-	**(1,701)**	(1,485)
- Net accrued interest	**(203)**	25,859	**(203)**	25,859
- Fair value movements of financial liabilities at fair value through profit or loss	**98,403**	81,413	**98,403**	81,413
- Fair value movements on derivative contracts	**(121,517)**	(52,130)	**(121,517)**	(52,130)
- Fair value movements on firm commitments	**9,720**	(3,444)	**9,720**	(3,444)
- Fair value movements on embedded derivative - Power Purchase Agreement (PPA)	**138,167**	186,903	**138,167**	186,903
- Fair value movements on embedded derivative - Power Sales Agreement (PSA)	**72,948**	(107,656)	**72,948**	(107,656)
- Coal survey adjustment	**3,226**	8,373	**3,226**	8,373
- Fair value movements on investment properties	**(1,759)**	(500)	**(1,759)**	(500)
- Depreciation on property, plant and equipment	**509,184**	692,656	**509,114**	692,586
- Gain on price variance - strategic inventory	**-**	(3,183)	**-**	(3,183)
- Amortisation on intangible assets	**3,287**	3,135	**3,287**	3,135
- Strategic inventory items issued	**48,362**	50,044	**48,362**	50,044
- Loss on de-registration of joint venture	**-**	16	**-**	97
- Government grant recognised in income	**(28,114)**	(218,460)	**(28,114)**	(218,460)
- Movement in deferred revenue liability	**(5,203)**	155,745	**(5,203)**	155,745
- Transfer to operating project from machinery and equipment	**-**	3,878	**-**	3,878
- Transfer to strategic inventory from inventory	**-**	(10,471)	**-**	(10,471)
- Employee benefits - defined benefit obligation	**2,534**	2,098	**2,534**	2,098
- Increase in provisions	**32,964**	13,679	**32,964**	13,679
- (Gain)/loss on realisation of property, plant and equipment	**(1,344)**	68	**(1,344)**	68
Operating profit before working capital changes	**1,136,498**	963,372	**1,136,498**	963,510
(Increase)/decrease in inventories	**(68,665)**	9,491	**(68,665)**	9,491
Increase in trade and other receivables	**(79,849)**	(145,013)	**(79,849)**	(145,013)
Increase in trade payables	**164,814**	313,979	**164,814**	313,841
	1,152,798	1,141,829	**1,152,798**	1,141,829
B. DISPOSAL OF JOINT VENTURE - OTAVI ELECTRICAL COMPANY (PTY) LTD				
Cost of investment - shares at cost	**-**	-	**-**	-
Asset held for sale	**-**	265	**-**	346
Net interest in joint venture at date of disposal	**-**	265	**-**	346
Proceeds received on disposal	**-**	249	**-**	249
Loss on disposal of joint venture	**-**	(16)	**-**	(97)

1. REPORTING ENTITY

Namibia Power Corporation (Proprietary) Limited is the holding company of the Group and is incorporated and domiciled in Namibia. The consolidated financial statements for the year ended 30 June 2013 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates.

2. BASIS OF PREPARATION

(a) Statement of compliance

The separate and consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations issued by the International Accounting Standards Board (IASB and the requirements of the Namibian Companies Act.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated and separate financial statements.

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

(b) Basis of measurement

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

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

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

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

Note 6 - revaluation of property, plant and equipment;

Note 8 - valuation of investment property;

Note 12 - inventories;

Note 22 - provisions 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

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

(a) Basis of consolidation (continued)

(i) Subsidiaries

Subsidiaries are those entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible, are considered when assessing whether the Group controls another entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases.

Loss of control

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

(ii) Investments in equity-accounted investees

Associates

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

The Group's share of its associates post-acquisition profits or losses is recognised within share of profit of equity-accounted investees, and its share of post-acquisition movement in reserve is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associates.

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated to the extent of the Group's interest in the enterprise. Unrealised losses are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

(iv) Business combinations

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Acquisition related costs are recognised in profit or loss as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date, which is the date that control is transferred to the Group. The excess of the cost of acquisition over fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in profit or loss as a bargain purchase gain.

(b) Property, plant and equipment

(i) Owned assets

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

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

Any revaluation increase arising on the revaluation of such property, plant and equipment is recognised in other comprehensive income and presented in equity in the capital revaluation reserve, except to the extent that it reverses a revaluation decrease for the same assets previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease

(b) Property, plant and equipment (continued)

(i) Owned assets (continued)

previously charged. A decrease in the carrying amount arising on the revaluation of such property, plant and equipment is recognised in other comprehensive income, but recognised in profit or loss to the extent that it exceeds the balance, if any, held in the capital revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of an item of revalued property, plant and equipment, the attributable revaluation surplus remaining in the capital revaluation reserve is transferred directly to retained earnings.

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

(ii) Subsequent costs

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

(iii) Stategic inventory

Spares that would normally have been classified as inventory but are major spare parts and/or stand-by equipment are classified as strategic inventory and included as property, plant and equipment, as the entity expects to use them during more than one period. Spare parts and servicing equipment that can be used only in connection with an item of property, plant and equipment are also included in property, plant and equipment. 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.

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

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

Strategic Inventory

The Company depreciates strategic inventory if the stock is unique and specific to items of property, plant and equipment. The strategic inventory is depreciated at the same rate as the main item of property, plant and equipment as these assets will be simultaneously retired with the main asset. Interchangeable strategic inventory items 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) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. The owner-occupied property acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses (see accounting policy 3(e)). The property held under finance leases and leased out under operating lease is classified as investment property and is measured using the fair value model. Lease payments are accounted for as described in the accounting policy on expenses (see accounting policy 3(o)). Property held under operating leases that would otherwise meet the definition of investment property may be classified as investment property on a property-by-property basis. If it is, such

(b) Property, plant and equipment (continued)

(vi) Leased assets (continued)

investment property interest is accounted for as if it were a finance lease and the recognised asset is measured using the fair value model.

(vii) Reclassification to investment property

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

(c) Intangible assets

(i) Research and development costs

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

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

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

(ii) Computer software

Acquired computer software is capitalised on the basis of costs incurred to acquire and bring to use a specific software. These costs are amortised over their estimated useful lives. If software is integral to the functionality of related equipment, then it is capitalised as part of the equipment.

(iii) Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

(iv) Amortisation

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of the intangible assets unless such lives are indefinite. Intangible assets are amortised from the date they are available for use. The estimated useful life for the current and comparative periods is as follows:

- Computer software 5 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(d) Investment properties

Investment properties are properties held to earn rental income and/or for capital appreciation purposes but not for sale in the ordinary course of business, use in production or supply of goods or services or for administrative purposes. Investment properties are measured initially at cost and subsequently at fair value with any change therein recognised in profit or loss. Cost includes expenditure that is directly attributable to acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour and other costs directly attributable to bringing the investment property to a working condition for their intented use and capitalised borrowing costs.

Any gain or loss on disposal of an investment property calculated as the difference between net proceeds from disposal and the carrying amount of the item, is recognised in profit or loss. When an investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

When the use of the investment property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

(e) Impairment of assets

(i) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories, deferred tax assets and investment properties are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

(e) Impairment of assets (continued)

(i) Non-financial assets (continued)

Calculation of recoverable amount

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

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

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

Reversals of impairment

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

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

(ii) Financial assets

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

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

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

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

(iii) Reversals of impairment

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

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

(g) Provisions (continued)

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.

(iii) Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

(h) Capitalisation of borrowing costs

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

(i) Financial Instruments

(i) Initial recognition

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

(ii) Derecognition

A financial asset is derecognised when, and only when:

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

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

A financial liability is derecognised when, and only when:

- the liability is extinguished, that is, when the obligation specified in the contract is discharged,
- cancelled;
- or has expired.

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

(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

(i) Financial Instruments (continued)

(iv) Held-to-maturity investments (continued)

than insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Group from classifying investment securities as held-to-maturity for the current and the following two financial years. Held-to-maturity investments comprise Namibian government bonds and treasury bills, Namibian commercial banks bonds and South African zero coupon bonds. Held-to-maturity investments are classified as investments on the statement of financial position.

(v) Available-for-sale financial assets

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

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

(vi) Loans and receivables

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

(vii) Cash and cash equivalents

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

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

A financial asset or financial liability is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial assets and financial liabilities are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Attributable transaction costs are recognised in profit or loss as incurred. Financial assets and financial liabilities at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss (see note 29).

(ix) Non-derivative financial liabilities

Other financial liabilities comprises loans and borrowings, trade and other payables and retention creditors.

Loans payable to subsidiaries are measured at cost which is assumed to be at fair value.

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

(x) Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes.

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

An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract, with the effect that some of the cash flows of the combined instrument vary in a way similar to those of a standalone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, or other variable. The hybrid contract is the entire contract and the host contract

(i) Financial Instruments (continued)

(x) Derivative financial instruments (continued)

is the main body of the contract excluding the embedded derivative.

An embedded derivative is separated from the host contract and accounted for as a derivative if:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative and
- the combined instrument is not measured at fair value with changes in fair value recognised in profit or loss.

The determination of the value of the host contract of a hybrid electricity contract (which includes an embedded derivative) is based on the standard electricity tariff specified in the contract and where no standard tariff is specified, the tariff that would normally apply to such a customer.

The changes in fair value are included in net fair value gain/(loss)on embedded derivatives in profit or loss. The impact of the fair value gains or losses is taken into account in the calculation of current and deferred taxation.

Embedded derivatives that are not separated are effectively accounted for as part of the hybrid instrument. The value at initial recognition is adjusted for cash flows since inception. The value of the embedded derivatives which involve a foreign currency is first determined by calculating the future cash flows and then discounting the cash flows by using the relevant interest rate curve and only then is the net present value of the cash flows converted at the relevant Namibia dollar foreign currency spot rate to the reporting currency.

The fair value of the embedded derivative is determined on the basis of its terms and conditions. If this is not possible, then the value of the embedded derivative is determined by fair valuing the whole contract and deducting from it the fair value of the host contract. If the Group is unable to determine the fair value of the embedded derivative using this method then the entire hybrid contract is designated as at fair value through profit or loss.

Where there is no active market for the embedded derivatives, valuation techniques are used to ascertain their fair values. Financial models are developed incorporating valuation methods, formulae and assumptions.The valuation methods include the following:

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

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

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

(xi) Hedging

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

Economic hedging

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

(j) Foreign currency transactions

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

(k) Deferred income (continued)

(i) Government grants (continued)

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 will in future only be credited with interest earned, after deduction of income tax, on the monthly balance. The interest earned is calculated on the outstanding balance of the reserve fund at a monthly average interest rate earned on the current account.

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

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

(m) Taxation

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

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

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

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

(n) Revenue

(i) Electricity Sales

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

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

(ii) Finance income

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale

(n) Revenue (continued)

(ii) Finance income (continued)

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) Expenses

(i) Operating lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense on a systematic basis.

(ii) Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(iii) Finance expenses

Finance costs 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. The discount rate is the yield of the 186 South African government bond as at 31 May 2013.

When benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in profit or loss on a straight line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss. Unrecognised actuarial gains and losses are recognised immediately in profit or loss.

(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 186 South African government bond as at 31 May 2013.

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 estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably. 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 deteriation 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 estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably.

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 heldto-maturity investments is determined for disclosure purposes only. The investments in unlisted equity are measured at cost.

(iv) Trade and other receivables

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

(v) Derivatives

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

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

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

(vi) Non-derivative financial liabilities

Fair value which is determined for disclosure purposes is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. The carrying value of short 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. STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

At the date of authorisation of the financial statements of NamPower (Pty) Ltd and the Group for the year ended 30 June 2013, the following Standards and Interpretations which affects the Group and Company were in issue but not yet effective:

Standards/Interpretations not early adopted	*Effective date**
IAS 19: Employee Benefits: Defined benefit plans	Annual periods beginning on or after 1 January 2013
IAS 27: Separate Financial Statements (2011)	Annual periods beginning on or after 1 January 2013
IAS 28: Investments in Associates and Joint Ventures (2011)	Annual periods beginning on or after 1 January 2013
IAS 32: Offsetting Financial Assets and Financial Liabilities	Annual periods beginning on or after 1 January 2014
IFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	Annual periods beginning on or after 1 January 2013
IFRS 9: Financial instruments - Classification and Measurement	Annual periods beginning on or after 1 January 2015
IFRS 9: (2010) Financial instruments	Annual periods beginning on or after 1 January 2015
IFRS 10: Consolidated Financial Statements	Annual periods beginning on or after 1 January 2013
IFRS 11: Joint Arrangements	Annual periods beginning on or after 1 January 2013
IFRS 12: Disclosure of Interests in Other Entities	Annual periods beginning on or after 1 January 2013
IFRS 13: Fair Value Measurement	Annual periods beginning on or after 1 January 2013
IFRS 10, IFRS 11 and IFRS 12 amendment: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	Annual periods beginning on or after 1 January 2014

* All standards will be adopted at their effective date.

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

5. STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE (continued)

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

IAS 19: Employee Benefits: Defined benefit plans

The amended IAS 19 includes the following requirements: actuarial gains and losses are recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation.The amendment is expected to change the Group's accounting policy from recognising actuarial gains and losses in profit or loss to recognising these in other comprehensive income.

IAS 27: Separate Financial Statements (2011)

IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. IAS 27 (2011) supersedes IAS 27 (2008). The amendment is not expected to have an impact on the Group's financial statements.

IAS 28: Investments in Associates and Joint Ventures (2011)

IAS 28 (2011) makes the following amendments: IFRS 5 applies to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture or vice versa, the entity does not remeasure the retained interest. The amendment is not expected to have a significant impact on the Group's financial statements.

IAS 32: Offsetting Financial Assets and Financial Liabilities

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

IFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities

This amendment will be adopted by NamPower for the first time for its financial reporting period ending 30 June 2014. This amendment sets out the additional disclosure requirements resulting from the IAS 32 offsetting amendment. The amendment is not expected to have a significant impact on the Group's financial statements.

IFRS 9: Financial Instruments

IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The Group is still determining the impact of the standard on the financial statements.

IFRS 9 (2010): Financial Instruments

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

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

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

IFRS 9 (2010) incorporates, the guidance in IAS 39 dealing with fair value measurement and accounting for derivatives embedded in a host contract that is not a financial asset, as well as the requirements of IFRIC 9 "Reassessment of Embedded Derivatives". The impact on the financial statements for 30 June 2016 cannot be reasonably estimated as at 30 June 2013.

IFRS 10: Consolidated Financial Statements

IFRS 10 introduces a new approach to determining which investees should be consolidated and provides a single model to be applied in the control analysis for all investees. An investor controls an investee when it is exposed or has rights to variable returns from its involvement with that investee; it has the ability to affect those returns through its power over that investee; and there is a link between power and returns. Control is reassessed as facts and circumstances change. The statement will not have an impact on the Group's financial statements. This statement will be adopted by NamPower for the first time for its financial reporting period ending 30 June 2014.

5. STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE (continued)

IFRS 11: Joint Arrangements

IFRS 11 focuses on the rights and obligations of joint arrangements, rather than the legal form (as is currently the case). It distinguishes joint arrangements between joint operations and joint ventures; and always requires the equity method for jointly controlled entities that are now called joint ventures; they are stripped of the free choice of using the equity method or proportionate consolidation. The Group has disposed of its remaining joint venture. The amendment will not have an impact on the Group's financial statements.

IFRS 12: Disclosure of Interests in Other Entities

IFRS 12 contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, aiming to provide information to enable users to evaluate the nature of, and risks associated with, an entity's interests in other entities; and the effects of those interests on the entity's financial position, financial performance and cash flows. The amendment will result in additional disclosures for the subsidiaries and associates owned by the Group.

IFRS 13: Fair Value Measurement

IFRS 13 replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value when it is required or permitted by other IFRSs. It does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The Group is still determining the impact of the standard on the financial statements.

IFRS 10, IFRS 11 and IFRS 12 amendment: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance

The amendments clarifies the transitional guidance in IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities. The amendments are in response to constituent requests for clarification on certain aspects of the transition guidance in IFRS 10, IFRS 11 and IFRS 12. The Group is still determining the impact of the amendments on the financial statements.

6. PROPERTY, PLANT AND EQUIPMENT

	Revalued/cost N$'000	Accumulated depreciation N$'000	Accumulated impairment N$'000	Carrying amount N$'000
GROUP				
2013				
Ruacana Power Station	**2,267,141**	**(560,698)**	**-**	**1,706,443**
Van Eck Power Station	**275,112**	**(82,444)**	**-**	**192,668**
Paratus Power Station	**61,345**	**(17,600)**	**(2,406)**	**41,339**
Anixas Power Station	**261,677**	**(14,622)**	**-**	**247,055**
Transmission systems	**13,134,191**	**(1,074,359)**	**(511,308)**	**11,548,524**
Machinery and equipment	**369,242**	**(253,789)**	**(6,866)**	**108,587**
Land and Buildings	**298,534**	**(18,237)**	**(4,691)**	**275,606**
Assets under construction	**381,628**	**-**	**-**	**381,628**
Strategic inventory	**346,302**	**(1,636)**	**-**	**344,666**
Total	**17,395,172**	**(2,023,385)**	**(525,271)**	**14,846,516**
2012				
Ruacana Power Station	2,254,164	(496,521)	-	1,757,643
Van Eck Power Station	275,040	(54,953)	-	220,087
Paratus Power Station	61,345	(11,726)	(2,406)	47,213
Anixas Power Station	261,677	(7,309)	-	254,368
Transmission systems	13,080,404	(709,502)	(511,308)	11,859,594
Machinery and equipment	332,182	(229,416)	(6,866)	95,900
Land and Buildings	285,775	(11,885)	(4,691)	269,199
Assets under construction	167,020	-	-	167,020
Strategic inventory	341,690	(1,636)	-	340,054
Total	17,059,297	(1,522,948)	(525,271)	15,011,078
COMPANY				
2013				
Ruacana Power Station	**2,267,141**	**(560,698)**	**-**	**1,706,443**
Van Eck Power Station	**275,112**	**(82,444)**	**-**	**192,668**
Paratus Power Station	**61,345**	**(17,600)**	**(2,406)**	**41,339**
Anixas Power Station	**261,677**	**(14,622)**	**-**	**247,055**
Transmission systems	**13,134,064**	**(1,074,232)**	**(511,308)**	**11,548,524**
Machinery and equipment	**366,744**	**(251,291)**	**(6,866)**	**108,587**
Land and Buildings	**286,957**	**(17,500)**	**(4,691)**	**264,766**
Assets under construction	**381,628**	**-**	**-**	**381,628**
Strategic inventory	**346,302**	**(1,636)**	**-**	**344,666**
Total	**17,380,970**	**(2,020,023)**	**(525,271)**	**14,835,676**
2012				
Ruacana Power Station	2,254,164	(496,521)	-	1,757,643
Van Eck Power Station	275,040	(54,953)	-	220,087
Paratus Power Station	61,345	(11,726)	(2,406)	47,213
Anixas Power Station	261,677	(7,309)	-	254,368
Transmission systems	13,080,277	(709,375)	(511,308)	11,859,594
Machinery and equipment	329,684	(226,918)	(6,866)	95,900
Land and Buildings	274,198	(11,218)	(4,691)	258,289
Assets under construction	167,020	-	-	167,020
Strategic inventory	341,690	(1,636)	-	340,054
Total	17,045,095	(1,519,656)	(525,271)	15,000,168

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

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

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

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				
2012				
Carrying amount at 1 July 2011	1,389,822	247,401	52,741	-
- At cost/valuation	1,635,824	274,871	61,007	-
- Accumulated impairment	-	-	(2,406)	-
- Accumulated depreciation	(246,002)	(27,470)	(5,860)	-
Additions	-	-	-	-
Transfer from inventory	-	-	-	-
Assets under construction completed	618,340	169	338	261,677
Transfer from assets under construction	-	-	-	-
Strategic inventory items issued	-	-	-	-
Transfer to intangible assets	-	-	-	-
Transfer to investment property	-	-	-	-
Transfer from investment property	-	-	-	-
Gain on price variance	-	-	-	-
Disposals	-	-	-	-
- At cost/valuation	-	-	-	-
- Accumulated depreciation	-	-	-	-
Depreciation for the year	(250,519)	(27,483)	(5,866)	(7,309)
Carrying amount at 30 June 2012	1,757,643	220,087	47,213	254,368
- At cost/valuation	2,254,164	275,040	61,345	261,677
- Accumulated impairment	-	-	(2,406)	-
- Accumulated depreciation	(496,521)	(54,953)	(11,726)	(7,309)

Included in additions are borrowing costs capitalised of N$19 million (2011: N$28 million).

The interest expense capitalised as borrowing cost is calculated using the NamPower Bond NMP20N interest rate of 9.35% and the NMP19N interest rate of 10% respectively.

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

Transmission Systems N$'000	Machinery and Equipment N$'000	Land and Buildings N$'000	Assets under Construction N$'000	Strategic Inventory N$'000	Total N$'000
12,147,776	100,097	264,795	828,131	360,450	15,391,213
13,005,024	304,427	275,613	828,131	362,086	16,746,983
(511,308)	(6,866)	(4,691)	-	-	(525,271)
(345,940)	(197,464)	(6,127)	-	(1,636)	(830,499)
11,009	22,922	-	298,779	13,745	346,455
-	-	-	-	10,471	10,471
64,371	7,756	4,990	(957,641)	-	-
-	-	-	(2,249)	2,249	-
-	-	-	-	(50,044)	(50,044)
-	(2,742)	-	-	-	(2,742)
-	-	(4)	-	-	(4)
-	-	5,326	-	-	5,326
-	-	-	-	3,183	3,183
-	-	(124)	-	-	(124)
-	(181)	(150)	-	-	(331)
-	181	26	-	-	207
(363,562)	(32,133)	(5,784)	-	-	(692,656)
11,859,594	95,900	269,199	167,020	340,054	15,011,078
13,080,404	332,182	285,775	167,020	341,690	17,059,297
(511,308)	(6,866)	(4,691)	-	-	(525,271)
(709,502)	(229,416)	(11,885)	-	(1,636)	(1,522,948)

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

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

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

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				
2012				
Carrying amount at 1 July 2011	1,389,822	247,401	52,741	-
- At cost/valuation	1,635,824	274,871	61,007	-
- Accumulated impairment	-	-	(2,406)	-
- Accumulated depreciation	(246,002)	(27,470)	(5,860)	-
Additions	-	-	-	-
Transfer from inventory	-	-	-	-
Assets under construction completed	618,340	169	338	261,677
Transfer from assets under construction	-	-	-	-
Strategic inventory items issued	-	-	-	-
Transfer to intangible assets	-	-	-	-
Transfer to investment property	-	-	-	-
Transfer from investment property	-	-	-	-
Gain on price variance	-	-	-	-
Disposals	-	-	-	-
- At cost/valuation	-	-	-	-
- Accumulated depreciation	-	-	-	-
Depreciation for the year	(250,519)	(27,483)	(5,866)	(7,309)
Carrying amount at 30 June 2012	1,757,643	220,087	47,213	254,368
- At cost/valuation	2,254,164	275,040	61,345	261,677
- Accumulated impairment	-	-	(2,406)	-
- Accumulated depreciation	(496,521)	(54,953)	(11,726)	(7,309)

Included in additions are borrowing costs capitalised of N$19 million (2011: N$28 million).

The interest expense capitalised as borrowing cost is calculated using the NamPower Bond NMP20N interest rate of 9.35% and the NMP19N interest rate of 10% respectively.

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

Transmission Systems N$'000	Machinery and Equipment N$'000	Land and Buildings N$'000	Assets under Construction N$'000	Strategic Inventory N$'000	Total N$'000
12,147,776	100,097	253,815	828,131	360,450	15,380,233
13,004,897	301,929	264,036	828,131	362,086	16,732,781
(511,308)	(6,866)	(4,691)	-	-	(525,271)
(345,813)	(194,966)	(5,530)	-	(1,636)	(827,277)
11,009	22,922	-	298,779	13,745	346,455
-	-	-	-	10,471	10,471
64,371	7,756	4,990	(957,641)	-	-
-	-	-	(2,249)	2,249	-
-	-	-	-	(50,044)	(50,044)
-	(2,742)	-	-	-	(2,742)
-	-	(4)	-	-	(4)
-	-	5,326	-	-	5,326
-	-	-	-	3,183	3,183
-	-	(124)	-	-	(124)
-	(181)	(150)	-	-	(331)
-	181	26	-	-	207
(363,562)	(32,133)	(5,714)	-	-	(692,586)
11,859,594	95,900	258,289	167,020	340,054	15,000,168
13,080,277	329,684	274,198	167,020	341,690	17,045,095
(511,308)	(6,866)	(4,691)	-	-	(525,271)
(709,375)	(226,918)	(11,218)	-	(1,636)	(1,519,656)

6. PROPERTY, PLANT AND EQUIPMENT (continued)

6.2 Assets under construction

GROUP AND COMPANY	Power Stations N$'000	Transmission Systems N$'000	Machinery and Equipment N$'000	Land and Buildings N$'000	Total N$'000
2013					
Opening balance	**14,085**	**117,099**	**17,629**	**18,207**	**167,020**
Additions	**55,947**	**197,551**	**33,474**	**12,630**	**299,602**
Property, plant and equipment capitalised	**(12,977)**	**(40,732)**	**(18,111)**	**(13,174)**	**(84,994)**
Closing balance	**57,055**	**273,918**	**32,992**	**17,663**	**381,628**
2012					
Opening balance	320,703	56,858	17,279	433,291	828,131
Reclassification	424,544	-	-	(424,544)	-
Additions	149,362	126,861	8,106	14,450	298,779
Transfer to strategic inventory	-	(2,249)	-	-	(2,249)
Property, plant and equipment capitalised	(880,524)	(64,371)	(7,756)	(4,990)	(957,641)
Closing balance	14,085	117,099	17,629	18,207	167,020

6.3 Land and Buildings

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

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

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

6.4 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.

6.5 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.

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

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

Assumptions used:

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

6. PROPERTY, PLANT AND EQUIPMENT (continued)

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

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

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

6.7 Valuation of owner-occupied properties

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

7. INTERESTS IN SUBSIDIARIES AND ASSOCIATES

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

Loans due from:

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

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

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

Loans payable to:

Premier Electric (Pty) Ltd

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

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

Trade and other receivables/payables to the subsidiaries and associates are disclosed in note 27.

Issued Share Capital N$	Percentage holding 2013 %	Percentage holding 2012 %	Shares at Cost 2013 N$'000	Shares at Cost 2012 N$'000	Total Investment 2013 N$'000	Total Investment 2012 N$'000
2,500	100	100	2	2	2	2
-	-	-	(2)	(2)	(2)	(2)
2,500	100	100	5,000	5,000	5,000	5,000
100	100	100	944	944	944	944
			5,944	5,944	5,944	5,944

Due by subsidiaries 2013 N$'000	Due by subsidiaries 2012 N$'000
2	2
1,431	1,431
1,433	1,433
7,377	7,377
(6,384)	(6,384)

7. INTERESTS IN SUBSIDIARIES AND ASSOCIATES (continued)

	GROUP		COMPANY	
	2013 N$'000	2012 N$'000	2013 N$'000	2012 N$'000
Carrying amount of associates				
Carrying amount at beginning of year	448,104	385,406	173,232	173,232
Equity accounted earnings	30,256	10,254	-	-
Dividend received	-	(1,485)	-	-
Share of other comprehensive income of associates, net of taxation	-	53,929	-	-
	478,360	448,104	173,232	173,232
Directors' valuation	478,360	448,104		
Post-acquisition reserves				
Retained earnings	69,229	38,973		
Share of opening retained earnings	38,973	30,204		
Dividends declared	-	(1,485)		
Share of current year income	30,256	10,254		
Non-distributable reserves	409,131	409,131		
Share of opening revaluation and development reserve	409,131	355,202		
Share of other comprehensive income of associates, net of taxation	-	53,929		
	478,360	448,104		

The Group holds a 33.33% equity interest in Nored Electricity (Pty) Ltd.

The Group holds a 45.05% equity interest in Central-North Electricity Distribution Company (Pty) Ltd (Cenored).

The summarised financial statements of the associate companies are as follows:

	2013 N$'000	2012 N$'000
Consolidated statement of financial position		
Non current assets	1,475,722	1,472,306
Current assets	252,229	205,718
Non current liabilities	(365,976)	(467,278)
Current liabilities	(180,365)	(114,733)
	1,181,610	1,096,013
Consolidated statement of comprehensive income		
Revenue	839,738	696,991
Expenditure	(797,747)	(660,961)
Profit before taxation	41,991	36,030
Taxation	8,555	(10,626)
Profit for the year	50,546	25,404
Cash Flow		
Cash generated in operating activities	98,551	70,093
Cash utilised in investing activities	(77,057)	(71,708)
Cash generated from financing activities	4,163	24,345
Net cash flows	25,657	22,730

The Company's associates are all incorporated in the Republic of Namibia.

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.

8. INVESTMENT PROPERTIES

	GROUP		COMPANY	
	2013 N$'000	2012 N$'000	2013 N$'000	2012 N$'000
Opening balance	10,657	15,479	10,657	15,479
Fair value adjustment	1,759	500	1,759	500
Transfer from property, plant and equipment	416	4	416	4
Transfer to land and buildings	-	(5,326)	-	(5,326)
Closing balance	12,832	10,657	12,832	10,657

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.

During June 2013 the fair value of all investment properties was determined by an independent qualified property valuer (Gert Hamman Property valuers) who has extensive experience in the Namibian property market.

The commercial properties' fair values were based on the market value determined by means of the Income Capitalisation Method. This method 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.

The fair values of the residential properties which are classified as investment property were determined based on market values of comparable properties by means of applying the direct sales comparison method.

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

	GROUP		COMPANY	
	2013 N$'000	2012 N$'000	2013 N$'000	2012 N$'000
Opening carrying amount - 1 July	8,242	12,449	8,242	12,449
- At cost	69,650	70,722	69,650	70,722
- At accumulated amortisation and accumulated impairment	(61,408)	(58,273)	(61,408)	(58,273)
Additions	1,186	64	1,186	64
Impairment	-	(3,878)	-	(3,878)
Transfer from property, plant and equipment	370	2,742	370	2,742
Amortisation	(3,287)	(3,135)	(3,287)	(3,135)
Closing carrying amount - 30 June	6,511	8,242	6,511	8,242
- At cost	71,206	69,650	71,206	69,650
- At accumulated amortisation and accumulated impairment	(64,695)	(61,408)	(64,695)	(61,408)

10. LOANS RECEIVABLE

Employee loans	1,606	232	1,606	232
Loan to ZESA Holdings (Pvt) Ltd	30,148	103,907	30,148	103,907
Loan to Angolan authorities	3,670	3,670	3,670	3,670
Impairment of loan to Angolan authorities	(3,670)	(3,670)	(3,670)	(3,670)
Loan to Ohorongo Cement (Pty) Ltd	14,622	17,165	14,622	17,165
Loan to City of Windhoek	21,740	23,572	21,740	23,572
	68,116	144,876	68,116	144,876
Less: Instalments receivable within one year transferred to current assets.	(37,975)	(86,855)	(37,975)	(86,855)
	30,141	58,021	30,141	58,021

Employee loans comprise of:

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

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

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

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

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

The short term portion of the Zesa loan was based on the following assumptions: That NamPower will receive an amount of USD800 000 for the following twelve months translated at an exchange rate of U$1=N$9.9 at 30 June 2013.

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

10. LOANS RECEIVABLE (continued)

Loan to Ohorongo Cement (Pty) Ltd (continued)

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		COMPANY	
	2013 N$'000	2012 N$'000	**2013 N$'000**	2012 N$'000
Non-current investments	**1,168,130**	1,227,474	**1,168,130**	1,227,474
Held-to-maturity debt instruments at amortised cost	**1,145,054**	1,204,398	**1,145,054**	1,204,398
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	**2,870,302**	2,477,901	**2,870,302**	2,477,901
Available-for-sale:				
- listed equity	**979**	901	**979**	901
Financial assets at fair value through profit or loss				
- collective investment schemes	**1,539,575**	-	**1,539,575**	-
Fixed deposits	**1,329,748**	2,477,000	**1,329,748**	2,477,000
Total investments	**4,038,432**	3,705,375	**4,038,432**	3,705,375

Held to maturity investments with a carrying value of N$84 million (2012: N$145 million) have been encumbered and act as security for long-term loans (refer note 17.1.5).

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

12. INVENTORIES

	GROUP		COMPANY	
	2013 N$'000	2012 N$'000	2013 N$'000	2012 N$'000
Maintenance spares and consumables	102,696	93,850	102,696	93,850
Fuel and coal	113,827	57,539	113,827	57,539
Obsolete stock recognised in profit or loss.	(17)	(322)	(17)	(322)
	216,506	151,067	216,506	151,067

No inventory was pledged as security.

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

Inventory amounting to N$11.0 million (2012: N$8.7 million) was recognised as an expense in profit or loss.

13. TRADE AND OTHER RECEIVABLES

Trade receivables	462,838	394,073	462,838	394,073
- Gross receivables	480,722	412,151	480,722	412,151
- Allowance for impairment losses	(17,884)	(18,078)	(17,884)	(18,078)
External project receivables	142,640	120,035	142,640	120,035
Prepayments	26,493	1,219	26,493	1,219
Project and other advances	523	662	523	662
Other receivables	19,213	18,830	19,213	18,830
Accrued interest	59,152	96,191	59,152	96,191
	710,859	631,010	710,859	631,010

An impairment gain of N$194 thousand (2012: N$1.3 million loss) in respect of trade receivables was recognised in profit or loss.

The Group's exposure to credit and currency risks related to trade and other receivables are disclosed in note 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	
	2013 N$'000	2012 N$'000	2013 N$'000	2012 N$'000
Cash and cash equivalents consist of:				
Cash on hand	63	17	63	17
Petty cash received - outsourcing of Eha Lodge	-	(92)	-	(92)
Bank balances	172,235	387,865	172,235	387,865
Short term deposits	1,485,294	904,869	1,485,294	904,869
	1,657,592	1,292,659	1,657,592	1,292,659

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

Current taxation	-	-	-	-
Current year	(18,423)	76,135	(18,382)	76,537
Prior year charge	(19,533)	-	(19,533)	-
Deferred taxation - current year	(37,956)	76,135	(37,915)	76,537
Tax rate reconciliation	%	%	%	%
Standard Tax Rate	33.00	34.00	33.00	34.00
Adjusted for:				
Items not deductible for tax purposes	1.73	11.41	1.83	11.86
Exempt income	(7.48)	(11.82)	(7.07)	(10.75)
Effect of tax rate change	(23.77)	-	(24.06)	-
Prior year charge	3.72	-	3.92	-
Effective tax rate	7.20	33.59	7.62	35.11

Taxation recognised in other comprehensive income	GROUP			COMPANY		
	Before tax	Tax (expense) benefit	Net of tax	Before tax	Tax (expense) benefit	Net of tax
2013						
Available-for-sale financial assets	283	-	283	283	-	283
Share of other comprehensive income of associates	-	-	-	-	-	-
	283	-	283	283	-	283
2012						
Available-for-sale financial assets	206	-	206	206	-	206
Share of other comprehensive income of associates	81,711	(27,782)	53,929	-	-	-
	81,917	(27,782)	54,135	206	-	206

16. SHARE CAPITAL AND RESERVES

	GROUP		COMPANY	
	2013 N$'000	2012 N$'000	2013 N$'000	2012 N$'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 (2012: 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.

(2012: 100 000 000 Ordinary shares of N$1 each and share premium of N$9.)

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:

17.1 Interest bearing borrowings

	Currency	Coupon interest rate	Effective interest rate	Year of maturity	30 June 2013 Carrying amount N$'000	30 June 2013 Face value N$'000	30 June 2012 Carrying amount N$'000	30 June 2012 Face value N$'000
17.1.1 Agence Francaise de Development *	EUR	3.00%	9.39%	2019	**34,393**	**16,807**	32,150	19,392
17.1.2 European Investment Bank - loan I *	EUR	3.81%	13.89%	2018	**270,336**	**129,022**	259,556	152,622
17.1.3 AB Svensk Exportkrediet *	ZAR	7.62%	7.62%	2015	**16,051**	**16,051**	24,077	24,077
17.1.4 African Development Bank *	ZAR	Jibar6m+.50	10.30%	2018	**21,014**	**21,014**	25,216	25,216
17.1.5 Development Bank of Southern Africa ^	ZAR	9.82%	9.82%	2022	**150,000**	**150,000**	220,000	220,000
17.1.6 European Investment Bank - loan II *	GBP	3.00%	7.62%	2021	**196,040**	**196,934**	184,176	215,738
17.1.7 NMP20N Bonds issued - Caprivi Link Interconnector[1]	ZAR	9.35%	9.35%	2020	**500,000**	**500,000**	500,000	500,000
17.1.8 Development Bank of Namibia[1]	NAD	Prime less 4.5%	Prime less 4.5%	2024	**50,371**	**50,371**	53,734	53,734
17.1.9 NMP19N Bonds issued - Ruacana 4th unit[1]	NAD	10.00%	10.00%	2019	**250,000**	**250,000**	250,000	250,000
17.1.10 European Investment Bank - loan III[1]	ZAR	9.26%	9.26%	2029	**362,752**	**362,752**	384,736	384,736
17.1.11 Agence Francaise de Development II[1]	ZAR	6.10%	6.10%	2027	**319,853**	**319,853**	341,912	341,912
17.1.12 KFW Bankengruppe[1]	ZAR	5.29%	5.29%	2020	**342,388**	**342,388**	391,300	391,300
17.1.13 KFW Bankengruppe[2]	ZAR	6.98%	6.98%	2021	**323,412**	**323,412**	342,437	342,437
					2,836,610	**2,678,604**	3,009,294	2,921,164
Less: Instalments payable within one year transferred to current liabilities					**218,896**	**186,752**	255,913	236,868
					2,617,714	**2,491,852**	2,753,381	2,684,296

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

^ The loan is secured by a pledge of investments with a carrying value of N$84 million and a nominal value of N$150 million.

[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.

18. DEFERRED REVENUE LIABILITIES

	GROUP		COMPANY	
	2013 N$'000	2012 N$'000	2013 N$'000	2012 N$'000
Non-current liability				
Deferred revenue government grant: generation assets	232,738	229,833	232,738	229,833
NamZinc (Pty) Ltd	14,554	22,871	14,554	22,871
Deferred revenue: Transfer of assets from customers	430,404	427,697	430,404	427,697
Interest rate subsidy - EIB Loan III	42,485	44,984	42,485	44,984
	720,181	725,385	720,181	725,385
Current liability				
Deferred revenue government grant: generation expenditure	77,460	142,156	77,460	142,156
Short-term portion NamZinc (Pty) Ltd	8,317	8,317	8,317	8,317
Short-term portion Deferred revenue: Transfer of assets from customers	10,039	9,774	10,039	9,774
Short-term portion Interest rate subsidy - EIB Loan III	4,249	5,998	4,249	5,998
Short-term portion Anixas powerstation	6,857	6,857	6,857	6,857
Deferred revenue: Long-run marginal cost	48,066	-	48,066	-
	154,988	173,102	154,988	173,102

18.1 Deferred revenue - NamZinc (Pty) Ltd

The Company received N$80.0 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

	Group 2013	Group 2012	Company 2013	Company 2012
Opening balance	142,156	177,473	142,156	177,473
New grant	-	-	-	-
Recognised in profit or loss	(64,696)	(35,317)	(64,696)	(35,317)
Closing balance	77,460	142,156	77,460	142,156

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. To date N$282.5 million of this amount has been utilised. Of this grant N$64.7 million (2012: N$35.3 million) was recognised as income during the current year while the N$77.5 million (2012: N$142.2 million) represents deferred income and will be recognised on a systematic basis over the periods in which the entity recognises the related costs in profit or loss as electricity generation expenditure is incurred. The grant is classified as a current asset, due to uncertain trading conditions in the energy market.

18. DEFERRED REVENUE LIABILITIES (continued)

18.2 Deferred revenue - Government Grants (continued)

18.2.2 Government Grant - generation assets

	GROUP		COMPANY	
	2013 N$'000	2012 N$'000	2013 N$'000	2012 N$'000
Reconciliation of deferred revenue - Government grant				
Opening balance	236,690	50,000	236,690	50,000
New grant	10,000	190,000	10,000	190,000
Recognised in profit or loss	(7,095)	(3,310)	(7,095)	(3,310)
Closing balance	239,595	236,690	239,595	236,690

A government grant of N$10.0 million (2012: N$190.0 million) was received during the year under review. The grant was received in respect of subsidising 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 (2012: N$3.3 million) was recognised as income during the current year while the N$239.6 million (2012: N$236.7 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$4.2 million (2012: N$5.9 million) was recognised as income during the current year whilst the remaining N$46.7 million (2012: N$50.9 million) represents deferred income and will be recognised over the life span 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 N$13.0 million (2012: Nil) was received from customers. The items comprise N$436.9 million transmission assets from Areva Resources Namibia and N$17.7 million distribution assets from distribution customers. The donation will be recognised as income over the useful life of the donated assets.

18.5 Deferred revenue: Long-run marginal cost

The Long-run marginal cost of 1.46 cents/kWh amounting to N$48.1 million (2012: N$ Nil) was received during the year under review. The Long-run marginal cost was introduced by the Electricity Control Board (ECB) and should be ring-fenced within the Company and reserved as deferred revenue which may only be utilized with the approval of the Electricity Control Board (ECB).

19. DEFERRED TAX LIABILITIES

	GROUP		COMPANY	
	2013 N$'000	2012 N$'000	2013 N$'000	2012 N$'000
Balance at the beginning of the year	4,286,112	4,209,977	4,282,675	4,206,138
Current charge recognised in profit or loss	(37,956)	76,135	(37,915)	76,537
Current year	106,964	76,135	107,005	76,537
Temporary differences	(64,263)	60,451	(64,222)	60,853
Calculated tax loss utilised to reduce liability	171,227	15,684	171,227	15,684
Effect of change in tax rate	(125,387)	-	(125,387)	-
Prior year charge	(19,533)	-	(19,533)	-
Balance at end of year	4,248,156	4,286,112	4,244,760	4,282,675
The balance comprises:				
Deferred tax asset (calculated tax loss)	(213,208)	(384,434)	(213,208)	(384,434)
Property, plant and equipment	4,554,371	4,711,200	4,550,975	4,707,763
Intangible asset	1,881	2,754	1,881	2,754
Investment property	2,059	1,382	2,059	1,382
Prepayments	8,743	-	8,743	-
Inventory	33,913	51,363	33,913	51,363
Interest accrued	29,682	30,222	29,682	30,222
Allowance for impairment losses	-	(1,783)	-	(1,783)
Severance pay liability	(14,563)	(12,792)	(14,563)	(12,792)
Fair value swaps, loans and unrealised foreign exchange losses	(32,351)	(46,581)	(32,351)	(46,581)
Strategic inventory	16,639	4,602	16,639	4,602
Post retirement medical benefit	(51,969)	(43,577)	(51,969)	(43,577)
Power purchase and power sales agreement- embedded derivative	(78,211)	(8,802)	(78,211)	(8,802)
Provisions and advance payments	(20,135)	(17,442)	(20,135)	(17,442)
Other temporary differences	11,305	-	11,305	-
	4,248,156	4,286,112	4,244,760	4,282,675
Deferred tax asset	(410,437)	(515,411)	(410,437)	(515,411)
Deferred tax liability	4,658,593	4,801,523	4,655,197	4,798,086
	4,248,156	4,286,112	4,244,760	4,282,675

A deferred tax asset amounting to N$213.2 million (2012: N$384.4 million) relating to unused tax losses has been recognised as it is probable that future taxable profits will be available against which the unused tax losses can be used.

20. TRADE AND OTHER PAYABLES

	GROUP 2013	GROUP 2012	COMPANY 2013	COMPANY 2012
Trade payables	968,951	809,099	968,957	809,105
Leave and bonus accruals	62,730	52,528	62,730	52,528
Swap and loan interest payable	64,429	69,399	64,429	69,399
Retention creditors	4,110	4,377	4,110	4,377
	1,100,220	935,403	1,100,226	935,409

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

20. TRADE AND OTHER PAYABLES (continued)

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 2013 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		COMPANY	
	2013 N$'000	2012 N$'000	**2013 N$'000**	2012 N$'000
Non-Current	**9,522**	8,283	**9,522**	8,283
Current (included in trade payables)	**4,110**	4,377	**4,110**	4,377
	13,632	12,660	**13,632**	12,660

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

21. DERIVATIVES

21.1 Derivative assets

	Group 2013	Group 2012	Company 2013	Company 2012
Forward exchange contract assets	**27,368**	2,707	**27,368**	2,707
Interest rate and cross currency swaps	**135,149**	80,429	**135,149**	80,429
Embedded Derivatives - Power Purchase/Sale Agreements (PPA/PSA)	**18,613**	91,561	**18,613**	91,561
	181,130	174,697	**181,130**	174,697

21.2 Derivative liabilities

	Group 2013	Group 2012	Company 2013	Company 2012
Forward exchange contract liabilities	**-**	-	**-**	-
Firm commitments	**11,445**	1,724	**11,445**	1,724
Interest rate and cross currency swaps	**8,289**	50,425	**8,289**	50,425
Embedded Derivatives - Power Purchase/Sale Agreements (PPA/PSA)	**248,661**	110,494	**248,661**	110,494
	268,395	162,643	**268,395**	162,643

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.

21. DERIVATIVES (continued)

The swap agreements have been entered into with Standard Bank Limited. The cross currency swaps are denominated in NAD, EUR and GBP.

The swap agreements have termination days ranging from 20 June 2018 to 15 September 2022. Refer to note 17 for the hedged loan repayment dates.

The electricity purchase 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	
	2013 N$'000	2012 N$'000	**2013 N$'000**	2012 N$'000
Post Retirement Medical Benefits	**157,483**	128,492	**157,483**	128,492
Severance pay liability	**44,131**	37,624	**44,131**	37,624
	201,614	166,116	**201,614**	166,116

22.1 Post Retirement Medical Benefits

Amounts for the current and previous four periods for Group & Company are as follows:

in thousands of Namibia Dollar	**2013**	2012	2011	2010	2009
Present value of obligations	**(157,483)**	(128,492)	(116,985)	(111,959)	(86,790)
Fair value of plan assets	**-**	-	-	-	-
Deficit	**(157,483)**	(128,492)	(116,985)	(111,959)	(86,790)
Experience adjustments on plan liabilities	**13,882**	(1,931)	(8,656)	12,394	(4,009)
Experience adjustments on plan assets	**-**	-	-	-	-

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 2013, as determined by an actuarial valuation, was N$157.5 million. This actuarial valuation was performed by Jacques Malan Consultants and Actuaries. The liability is expected to be settled over 20 years.

The Group expects to pay N$80.7 million in contributions to the defined benefit plans in 2014.

22. EMPLOYEE BENEFITS (continued)

22.1.1 Actuarial assumptions (continued)

	GROUP 2013 N$'000	GROUP 2012 N$'000	COMPANY 2013 N$'000	COMPANY 2012 N$'000
Liability for defined benefit obligations				
Principal actuarial assumptions at the reporting date:				
Discount rate at 30 June (%)	7.78	8.38	7.78	8.38
Medical cost trend rate (%)	9.78	6.38	9.78	6.38
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	159,058	129,777	159,058	129,777
1% decrease in medical cost trend	(155,908)	(127,207)	(155,908)	(127,207)

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

	GROUP 2013 N$'000	GROUP 2012 N$'000	COMPANY 2013 N$'000	COMPANY 2012 N$'000
Net liability for defined obligations as at 1 July	128,492	116,985	128,492	116,985
Interest cost	11,400	9,950	11,400	9,950
Current service costs	6,243	5,586	6,243	5,586
Benefits paid	(2,534)	(2,098)	(2,534)	(2,098)
Actuarial loss/(gain) on obligation	13,882	(1,931)	13,882	(1,931)
Net liability for defined obligations as at 30 June	157,483	128,492	157,483	128,492
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	17,819	15,691	17,819	15,691
1% decrease in current service + interest rate cost trend	(17,467)	(15,381)	(17,467)	(15,381)

22.1.3 Expense recognised in profit or loss

	GROUP 2013 N$'000	GROUP 2012 N$'000	COMPANY 2013 N$'000	COMPANY 2012 N$'000
Current service costs	6,243	5,586	6,243	5,586
Interest cost	11,400	9,950	11,400	9,950
Actuarial loss/(gain) on obligation	13,882	(1,931)	13,882	(1,931)
	31,525	13,605	31,525	13,605

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

22.2 Severance pay liability

	GROUP 2013 N$'000	GROUP 2012 N$'000	COMPANY 2013 N$'000	COMPANY 2012 N$'000
Present value of net obligations	44,131	37,624	44,131	37,624
Present value of unfunded obligations	44,131	37,624	44,131	37,624
Recognised liability for defined benefit obligations	44,131	37,624	44,131	37,624

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

22.2.1 Liability for severance pay obligations

Principal actuarial assumptions at the reporting date:

	GROUP 2013 N$'000	GROUP 2012 N$'000	COMPANY 2013 N$'000	COMPANY 2012 N$'000
Discount rate at 30 June (%)	7.81	8.38	7.81	8.38
Salary inflation rate at 30 June (%)	6.81	6.88	6.81	6.88

22. EMPLOYEE BENEFITS (continued)

22.2 Severance pay liability (continued)

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

	GROUP		COMPANY	
	2013 N$'000	2012 N$'000	2013 N$'000	2012 N$'000
Net liability for defined obligations as at 1 July	**37,624**	33,354	**37,624**	33,354
Interest cost	**1,358**	2,838	**1,358**	2,838
Current service costs	**3,153**	1,242	**3,153**	1,242
Benefits paid	**(436)**	(624)	**(436)**	(624)
Actuarial loss on obligation	**2,432**	814	**2,432**	814
Net liability for defined obligations as at 30 June	**44,131**	37,624	**44,131**	37,624

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

Current service costs	**3,153**	1,242	**3,153**	1,242
Interest on obligation	**1,358**	2,838	**1,358**	2,838
Actuarial loss on obligation	**2,432**	814	**2,432**	814
	6,943	4,894	**6,943**	4,894

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

23. CAPITAL COMMITMENTS

Projects for Capital Expenditure

Approved by Board of Directors	**833,326**	786,894	**833,326**	786,894
Less: Expenditure to 30 June	**(663,772)**	(635,741)	**(663,772)**	(635,741)
Amount still to be expended	**169,554**	151,153	**169,554**	151,153
Amounts contracted at year end	**22,438**	44,458	**22,438**	44,458
	22,438	44,458	**22,438**	44,458

The capital expenditure will be financed by internally generated funds and non-refundable capital contributions by customers, the Government of the Republic of Namibia and providers of debt.

24. NET FINANCING INCOME

Recognised in profit or loss

	GROUP 2013 N$'000	GROUP 2012 N$'000	COMPANY 2013 N$'000	COMPANY 2012 N$'000
Interest income on:	381,467	336,281	381,467	336,281
-Financial assets at amortised cost	325,111	314,368	325,111	314,368
-Financial assets at amortised cost derecognised	-	4,164	-	4,164
-Financial assets at fair value through profit or loss	56,356	17,749	56,356	17,749
Interest costs on:	(261,765)	(255,246)	(261,765)	(255,246)
-Financial liabilities designated at fair value through profit or loss	(141,260)	(147,978)	(141,260)	(147,978)
-Financial liabilities held for trading	(40,568)	(45,891)	(40,568)	(45,891)
-Financial liabilities at amortised cost derecognised	-	(3,356)	-	(3,356)
-Financial liabilities at amortised cost	(79,937)	(58,021)	(79,937)	(58,021)
	119,702	81,035	119,702	81,035

25. REVENUE

Revenue comprises

	GROUP 2013	GROUP 2012	COMPANY 2013	COMPANY 2012
- Sales of electricity	3,138,863	2,449,145	3,138,863	2,449,145
- Extension charges	59,688	57,316	59,688	57,316
- STEM sales	102,239	44,547	102,239	44,547
- Contribution Paratus	325	619	325	619
- Contributions by customers	4,526	3,932	4,526	3,932
	3,305,641	2,555,559	3,305,641	2,555,559

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

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

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

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

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

25.1 Other income comprises of:

	GROUP 2013	GROUP 2012	COMPANY 2013	COMPANY 2012
- Government grant	71,790	32,008	71,790	32,008
- Grant funding by customers	10,438	16,641	10,438	16,641
- Sundry income	14,818	11,926	14,818	13,410
	97,046	60,575	97,046	62,059

26. PROFIT BEFORE TAXATION

Profit before taxation is stated after charging/(crediting)

	GROUP		COMPANY	
	2013 N$'000	2012 N$'000	2013 N$'000	2012 N$'000
Directors' emoluments paid by Company				
fees for services as directors	3,323	3,302	3,323	3,302
- paid to non-executive directors	423	606	423	606
- paid to executive directors	2,900	2,696	2,900	2,696
Auditors' remuneration				
- audit fee	1,370	2,502	1,370	2,502
Depreciation of property, plant and equipment	509,184	692,656	509,114	692,586
Amortisation of intangible asset	3,287	3,135	3,287	3,135
Remuneration other than to employees for	12,819	9,853	12,819	9,853
- managerial services	1,536	3,421	1,536	3,421
- technical services	7,695	5,920	7,695	5,920
- other professional services	3,588	512	3,588	512
Research and development expenditure	8,842	9,676	8,842	9,676
Movement in allowance for impairment losses	-	1,315	-	1,315
Bad debts written off	-	-	-	-
Bad debts recovered	(56)	(3,378)	(56)	(3,378)
Contribution to Social Responsibility Programs	8,654	5,731	8,654	5,731
(Gain)/loss on disposal of property, plant and equipment	(1,375)	68	(1,375)	68
Loss on sale of interest in joint venture	-	16	-	97
Staff costs	460,182	406,156	460,182	406,156
Salaries and wages	424,565	374,717	424,565	374,717
Housing subsidies	1	(32)	1	(32)
Company contribution: Provident Fund	36,502	33,247	36,502	33,247
Others	(886)	(1,776)	(886)	(1,776)
Severance Pay	6,507	4,464	6,507	4,464
- Liability	6,943	4,894	6,943	4,894
- Benefits paid	(436)	(430)	(436)	(430)
Post retirement medical benefit	31,525	13,605	31,525	13,605
Foreign exchange gains on foreign exchange contracts				
- unrealised	(25,272)	(6,147)	(25,272)	(6,147)
Foreign exchange losses on foreign exchange contracts				
- unrealised	10,327	4,046	10,327	4,046
Foreign exchange gains on trade payables/receivables, bank balances and loans payable	(107,837)	(143,268)	(107,837)	(143,268)
- realised	(60,433)	(90,159)	(60,433)	(90,159)
- unrealised	(47,404)	(53,109)	(47,404)	(53,109)
Foreign exchange losses on trade payables/receivables, bank balances and loans payable	61,559	57,193	61,559	57,193
- realised	50,164	49,904	50,164	49,904
- unrealised	11,395	7,289	11,395	7,289

26. PROFIT BEFORE TAXATION (continued)

	GROUP		COMPANY	
	2013 N$'000	2012 N$'000	**2013 N$'000**	2012 N$'000
IAS 39 Fair value adjustments	**184,110**	105,447	**184,110**	105,447
- derivative contracts	**(96,855)**	(40,679)	**(96,855)**	(40,679)
- foreign denominated loans	**69,849**	66,879	**69,849**	66,879
- Unrealised loss on embedded derivative Power Purchase Agreement (PPA) and Power Sales Agreement (PSA)	**211,116**	79,247	**211,116**	79,247
Government grants recognised in profit or loss	**(71,790)**	(32,008)	**(71,790)**	(32,008)
Income generating Investment Property				
- rental income	**(4,176)**	(3,240)	**(4,176)**	(3,240)
- direct operating expenses	**1,167**	323	**1,167**	323
Non-income generating Investment Property				
- direct operating expenses	**49**	49	**49**	49
Fair value adjustment on investment properties	**(1,760)**	(500)	**(1,760)**	(500)

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 47.

Transactions with key management personnel

The key management personnel compensations are as follows:

	10,327	9,187	**10,327**	9,187
Short-term employee benefits	**1,189**	901	**1,189**	901
Post-retirement employment benefits	**105**	78	**105**	78
Other long-term employment benefits	**11,621**	10,166	**11,621**	10,166

Total remuneration is included in 'staff costs' (see note 26)
Directors' emoluments are disclosed in note 26.

27. RELATED PARTIES (continued)

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

Shareholder

Transactions with the Shareholder (The Government of the Republic of Namibia) refer note 18.2.

	GROUP		COMPANY	
	2013 N$'000	2012 N$'000	**2013 N$'000**	2012 N$'000
Associates				
Cenored (Pty) Ltd	**86,021**	67,431	**190,945**	149,679
- Electricity sales	**85,508**	66,916	**189,806**	148,536
- Service level agreement and technical support	**513**	515	**1,139**	1,143
Nored Electricity (Pty) Ltd	**97,621**	73,253	**292,893**	219,784
- Electricity sales	**97,382**	73,132	**292,174**	219,419
- Rental income	**30**	18	**89**	55
- Service level agreement and technical support	**210**	103	**630**	310
Municipal services from related parties	**1,549**	1,844	**4,594**	5,252
- Nored Electricity (Pty) Ltd	**1,481**	1,485	**4,443**	4,454
- Cenored (Pty) Ltd	**68**	359	**151**	798
Guarantees received	**4,606**	4,610	**11,834**	11,849
- Nored Electricity (Pty) Ltd	**2,063**	2,068	**6,189**	6,205
- Cenored (Pty) Ltd	**2,543**	2,542	**5,645**	5,644
Fellow government owned entities				
The individually significant sales transactions with fellow government owned entities are listed below:				
Electricity Sales	**211,762**	167,568	**211,762**	167,568
- Namibia Water Corporation	**96,132**	73,153	**96,132**	73,153
- Namibian Broadcasting Corporation (Pty) Ltd	**1,417**	1,209	**1,417**	1,209
- Namdeb Diamond Corporation (Pty) Ltd	**104,290**	85,374	**104,290**	85,374
- Namibia Airports Company Ltd	**5,658**	4,132	**5,658**	4,132
- Namibia Post & Telecom Holdings	**4,265**	3,700	**4,265**	3,700
Subsidiary				
Okaomba (Pty) Ltd	**-**	-	**284**	102
- Rent paid	**-**	-	**284**	102
Fellow government owned entities				
Other individually significant transactions with fellow government owned entities are listed below:				
Telecommunication, Transport services & related services	**6,977**	5,957	**6,977**	5,957
- Namibia Post & Telecom Holdings	**4,752**	3,013	**4,752**	3,013
- Air Namibia (Pty) Ltd	**3**	35	**3**	35
- Namibia Water Corporation (Pty) Ltd	**85**	444	**85**	444
- Namibia Airports Company	**109**	126	**109**	126
- Road Fund Administrators	**1,578**	1,177	**1,578**	1,177
- National Housing Enterprises	**-**	3	**-**	3
- Social Security Commission	**450**	1,159	**450**	1,159

27. RELATED PARTIES (continued)

	GROUP		COMPANY	
	2013 N$'000	2012 N$'000	2013 N$'000	2012 N$'000
Related party balances				
Due from / (due to)				
Associates	**21,370**	16,033	**56,274**	42,170
- Cenored (Pty) Ltd	**10,046**	7,602	**22,300**	16,874
- Cenored (Pty) Ltd	**-**	(2)	**-**	(4)
- Nored Electricity (Pty) Ltd	**11,508**	8,433	**34,528**	25,300
- Nored Electricity (Pty) Ltd	**(185)**	-	**(554)**	-
Fellow government owned entities	**27,328**	22,862	**27,328**	22,862
- Namibia Post & Telecom Holdings	**419**	277	**419**	277
- TransNamib (Pty) Ltd	**54**	48	**54**	48
- Namdeb Diamond Corporation (Pty) Ltd	**17,119**	12,810	**17,119**	12,810
- Namibia Water Corporation (Pty) Ltd	**9,156**	8,791	**9,156**	8,791
- Namibia Airports Company (Pty) Ltd	**435**	809	**435**	809
- Namibian Broadcasting Corporation (Pty) Ltd	**111**	98	**111**	98
- Roads Authority	**34**	29	**34**	29
Guarantees received	**21,625**	8,895	**21,625**	8,895
- Namibia Post & Telecom Holdings	**581**	422	**581**	422
- TransNamib (Pty) Ltd	**73**	73	**73**	73
- Namdeb Diamond Corporation (Pty) Ltd	**16,925**	4,809	**16,925**	4,809
- Namibia Water Corporation (Pty) Ltd	**3,961**	3,456	**3,961**	3,456
- Namibia Airports Company (Pty) Ltd	**2**	2	**2**	2
- Namibian Broadcasting Corporation (Pty) Ltd	**72**	121	**72**	121
- Roads Authority	**11**	12	**11**	12

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

During the year under review N$ Nil (2012: N$825 thousand) was written off against the bad debt provision for Nored Electricity (Pty) Ltd.

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$36.5 million (2012: N$33.2 million).

The Company's contribution paid to Fund for the key management amounted to N$1.2 million (2012: N$901 thousand).

29. FINANCIAL INSTRUMENTS

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

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

	Reference notes	Loans and receivables	Held-for-trading	Held-to-maturity	Available-for-sale	Designated / Fair value through profit or loss	Other financial liabilities at amortised cost	Total
GROUP								
2013								
Financial Assets								
Non-current investments	11, 29.4	-	-	1,145,054	23,076	-	-	1,168,130
Derivative assets	21.1, 29.4	-	181,130	-	-	-	-	181,130
Loans receivable	10, 29.4	68,116	-	-	-	-	-	68,116
Trade and other receivables	13, 29.4	683,844	-	-	-	-	-	683,843
Current investments	11, 29.4	1,329,748	-	-	979	1,539,575	-	2,870,302
Cash and cash equivalents	14, 29.4	1,657,592	-	-	-	-	-	1,657,592
		3,739,299	181,130	1,145,054	24,055	1,539,575	-	6,629,113
Financial liabilities								
Non-current interest bearing loans and borrowings	17	-	-	-	-	(500,769)	(2,335,841)	(2,836,610)
Derivative liabilities	21.2	-	(268,395)	-	-	-	-	(268,395)
Non-current retention creditors	20.3	-	-	-	-	-	(9,522)	(9,522)
Trade payables	20	-	-	-	-	-	(1,100,220)	(1,100,220)
Current interest bearing loans and borrowings	17	-	-	-	-	(69,739)	(149,157)	(218,896)
		-	(268,395)	-	-	(570,508)	(3,594,740)	(4,433,643)
2012								
Financial Assets								
Non-current investments	11, 29.4	-	-	1,204,398	23,076	-	-	1,227,474
Derivative assets	21.1, 29.4	-	174,697	-	-	-	-	174,697
Loans receivable	10, 29.4	144,876	-	-	-	-	-	144,876
Trade and other receivables	13, 29.4	629,129	-	-	-	-	-	629,129
Current investments	11, 29.4	2,477,000	-	-	901	-	-	2,477,901
Cash and cash equivalents	14, 29.4	1,292,659	-	-	-	-	-	1,292,659
		4,543,664	174,697	1,204,398	23,977	-	-	5,946,736
Financial liabilities								
Non-current interest bearing loans and borrowings	17	-	-	-	-	(475,882)	(2,533,412)	(3,009,294)
Derivative liabilities	21.2	-	(162,643)	-	-	-	-	(162,643)
Non-current retention creditors	20.3	-	-	-	-	-	(8,283)	(8,283)
Trade payables	20	-	-	-	-	-	(935,403)	(935,403)
Current interest bearing loans and borrowings	17	-	-	-	-	(55,619)	(200,294)	(255,913)
		-	(162,643)	-	-	(531,501)	(3,677,392)	(4,371,536)

29. FINANCIAL INSTRUMENTS (continued)

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

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

	Reference notes	Loans and receivables	Held-for-trading	Held-to-maturity	Available-for-sale	Designated / Fair value through profit or loss	Other financial liabilities at amortised cost	Total
COMPANY								
2013								
Financial Assets								
Non-current investments	11, 29.4	-	-	1,145,054	23,076	-	-	1,168,130
Derivative assets	21.1, 29.4	-	181,130	-	-	-	-	181,130
Loans receivable	10, 29.4	68,116	-	-	-	-	-	68,116
Trade and other receivables	13, 29.4	683,844	-	-	-	-	-	683,843
Current investments	11, 29.4	1,329,748	-	-	979	1,539,575	-	2,870,302
Cash and cash equivalents	14, 29.4	1,657,592	-	-	-	-	-	1,657,592
Interest in subsidiaries	7.1	7,377	-	-	-	-	-	7,377
		3,746,676	181,130	1,145,054	24,055	1,539,575	-	6,636,490
Financial liabilities								
Non-current interest bearing loans and borrowings	17	-	-	-	-	(500,769)	(2,335,841)	(2,836,610)
Derivative liabilities	21.2	-	(268,395)	-	-	-	-	(268,395)
Non-current retention creditors	20.3	-	-	-	-	-	(9,522)	(9,522)
Trade payables	20	-	-	-	-	-	(1,100,226)	(1,100,226)
Current interest bearing loans and borrowings	17	-	-	-	-	(69,739)	(149,157)	(218,896)
Loans due to subsidiaries	7.1	-	-	-	-	-	(6,384)	(6,384)
		-	(268,395)	-	-	(570,508)	(3,601,130)	(4,440,033)
2012								
Financial Assets								
Non-current investments	11, 29.4	-	-	1,204,398	23,076	-	-	1,227,474
Derivative assets	21.1, 29.4	-	174,697	-	-	-	-	174,697
Loans receivable	10, 29.4	144,876	-	-	-	-	-	144,876
Trade and other receivables	13, 29.4	629,129	-	-	-	-	-	629,129
Current investments	11, 29.4	2,477,000	-	-	901	-	-	2,477,901
Cash and cash equivalents	14, 29.4	1,292,659	-	-	-	-	-	1,292,659
Interest in subsidiaries	7.1	7,377	-	-	-	-	-	7,377
		4,551,041	174,697	1,204,398	23,977	-	-	5,954,113
Financial liabilities								
Non-current interest bearing loans and borrowings	17	-	-	-	-	(475,882)	(2,533,412)	(3,009,294)
Derivative liabilities	21.2	-	(162,643)	-	-	-	-	(162,643)
Non-current retention creditors	20.3	-	-	-	-	-	(8,283)	(8,283)
Trade payables	20	-	-	-	-	-	(935,409)	(935,409)
Current interest bearing loans and borrowings	17	-	-	-	-	(55,619)	(200,294)	(255,913)
Loans due to subsidiaries	7.1	-	-	-	-	-	(6,384)	(6,384)
		-	(162,643)	-	-	(531,501)	(3,683,783)	(4,377,926)

29. FINANCIAL INSTRUMENTS (continued)

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 the financial asset which are neither past due nor impaired is assessed, taking into account its financial position, past experience and other factors. The Group believes that these amounts 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. Credit risk arises from cash and cash equivalents, investment in securities, derivatives held for risk management, financial trading assets, deposits made with counterparties, loans receivable, trade and other receivables. Processes are in place to identify, measure, monitor, control and report credit risk. The objective of NamPower's credit risk management framework is firstly to protect cash and investments and, secondly to protect and maximise the rate of return of financial market instruments.

Responsibility and governance

The Asset and Liability Committee (ALCO), manages counter-party 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.

29. FINANCIAL INSTRUMENTS (continued)

29.3.1 Management of credit risk (continued)

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

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

Minimum credit-rating requirements for financial institutions are maintained to assess the risk categories by rating class and to ascertain the probability of default inherent in each rating class, approved concentrating risk parameters and collateral management procedures are in place.

Concentration of credit risk is managed by setting credit risk limits at a counterparty-specific level. Concentration credit risk limits are used as second tier limits in relation to counter-party 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	
		2013 N$'000	2012 N$'000	**2013 N$'000**	2012 N$'000
Current investments	**29.1, 11**	**1,330,727**	2,477,901	**1,330,727**	2,477,901
Non-current investments	**29.1, 11**	**1,145,054**	1,204,398	**1,145,054**	1,204,398
Loans receivables	**29.1, 10**	**68,116**	144,876	**68,116**	144,876
Trade and other receivables	**29.1, 13**	**683,844**	629,129	**683,844**	629,129
Cash and cash equivalents	**29.1, 14**	**1,657,592**	1,292,659	**1,657,592**	1,292,659
Derivative assets	**29.1, 21.1**	**181,130**	174,697	**181,130**	174,697
		5,066,463	5,923,660	**5,066,463**	5,923,660

29. FINANCIAL INSTRUMENTS (continued)

29.4.1 Financial income and expenses

	GROUP		COMPANY	
	2013 N$'000	2012 N$'000	**2013 N$'000**	2012 N$'000
Recognised in profit or loss				
Net gains and (losses) on financial assets and liabilities through profit or loss				
Realised Swap losses (FVTPL)	**(62,103)**	(56,309)	**(62,103)**	(56,309)
Realised Swap profits (FVTPL)	**158,958**	96,989	**158,958**	96,989
Loss from Swaps currency valuation (FVTPL)	**(143,017)**	(146,239)	**(143,017)**	(146,239)
Gain from Swaps currency valuation (FVTPL)	**73,678**	81,407	**73,678**	81,407
Unrealised foreign exchange losses on forward exchange contracts	**(10,327)**	(4,046)	**(10,327)**	(4,046)
Unrealised foreign exchange gain on forward exchange contracts	**25,272**	6,147	**25,272**	6,147
Realised foreign exchange losses (FVTPL)	**(50,164)**	(49,820)	**(50,164)**	(49,820)
Realised foreign exchange gain (FVTPL)	**60,433**	90,159	**60,433**	90,159
Realised exchange rate loss on foreign loans (FVTPL)	**(510)**	(2,130)	**(510)**	(2,130)
Fair value adjustment on embedded derivative - Power Purchases Agreement/Power Sales Agreement (Held for trading asset)	**(138,167)**	(186,903)	**(138,167)**	(186,903)
Fair value adjustment on embedded derivative - Power Sales Agreement/Power Purchase Agreement (Held for trading liability)	**(72,948)**	107,656	**(72,948)**	107,656
Unrealised foreign exchange gain	**47,404**	53,109	**47,404**	53,109
Recognised in other comprehensive income				
Net change in fair value of available-for-sale financial asset	**283**	206	**283**	206

* FVTPL - Fair value through profit or loss

29.4.2 Guarantees

The Group's policy is to provide financial guarantees only to wholly-owned subsidiaries. As at 30 June 2013 no guarantee was outstanding.

NamPower employee home loans

Suretyship for N$24.9 million (2012: N$21.3 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.

29. FINANCIAL INSTRUMENTS (continued)

29.4.3 Trade and other receivables (continued)

The Group has well-established credit control procedures that monitor activity on customer accounts and allow for remedial action should the customer not comply with payment terms. These procedures include an internal collection process, follow up with the customer either telephonically or in person, negotiations of mutually acceptable payment arrangements and the issue of letters of demand and notice of disconnection of supply. Non-payment will result in disconnection of supply. The legal collection process is pursued thereafter.

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

Progress on the collection process is reviewed on a regular basis and if it is evident that the amount will not be recovered, it is recommended for write-off in terms of the NamPower policy and delegation of authority. The process of recovery continues unless it is confirmed that there is no prospect of recovery or the costs of such action will exceed the benefits to be derived. Amounts written off are determined after taking into account the value of the security held.

The total cumulative allowance for impairment for electricity receivables at 30 June 2013 was N$17.9 million (2012: N$18.1 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.

	GROUP		COMPANY	
The maximum exposure to credit risk for trade receivables at the reporting date by geographic area:	**2013 N$'000 Carrying amount**	2012 N$'000 Carrying amount	**2013 N$'000 Carrying amount**	2012 N$'000 Carrying amount
Domestic- Namibia	**453,138**	377,849	**453,138**	377,849
Regional Exports/Cross border customers	**9,700**	16,224	**9,700**	16,224
	462,838	394,073	**462,838**	394,073
The maximum exposure to credit risk for trade and other receivables at the reporting date by type of customer was:				
Distributors	**289,154**	228,635	**289,154**	228,635
Mining	**76,974**	75,405	**76,974**	75,405
End-user customers	**60,069**	40,202	**60,069**	40,202
Other trade receivables	**36,641**	49,831	**36,641**	49,831
	462,838	394,073	**462,838**	394,073
Concentration of credit risk that arises from the Group's receivables in relation to industry categories of the customers by percentage of total receivables from customers is:	**2013 %**	2012 %	**2013 %**	2012 %
Distributors	**62**	58	**62**	58
Mining	**17**	19	**17**	19
End-user customers	**13**	10	**13**	10
Other trade receivables	**8**	13	**8**	13
	100	100	**100**	100

29. FINANCIAL INSTRUMENTS (continued)

29.4.3 Trade and other receivables (continued)

	GROUP and COMPANY 2013 N$'000	GROUP and COMPANY 2012 N$'000
Aging of trade receivables past due but not impaired at the reporting date for Group and Company are as follows:	Gross	Gross
Not past due	435,079	346,878
Past due 0-30 days	1,145	5,531
Past due 31-120 days	(341)	(8,718)
More than one year	26,955	50,382
	462,838	394,073

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$29.8 million (2012: N$43.8 million) that are only recognised as revenue when all performance obligations have been performed eg. when the customer is energised and the remainder is held as a liability under trade payables.

29.4.4 Impairment losses (Group and Company)

	2013 N$'000 Gross	2013 N$'000 Impairment	2012 N$'000 Gross	2012 N$'000 Impairment
Not past due	646,372	103	581,845	750
Past due 0-30 days	1,954	337	6,069	378
Past due 31-120 days	1,744	926	(4,930)	3,444
More than one year	51,658	16,518	64,223	13,506
	701,728	17,884	647,207	18,078

	GROUP 2013 N$'000	GROUP 2012 N$'000	COMPANY 2013 N$'000	COMPANY 2012 N$'000
Balance 1 July	18,078	21,416	18,078	21,416
- Impairment loss recognised	-	1,315	-	1,315
- Impairment utilised	(194)	(4,653)	(194)	(4,653)
Balance at 30 June	17,884	18,078	17,884	18,078

29. FINANCIAL INSTRUMENTS (continued)

29.4.4 Impairment losses (Group and Company) (continued)

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

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

The remainder of the impairment loss at 30 June 2013 to several customers who have been struggling to pay and have indicated that they will not be able to pay their outstanding balances. Electricity supply to these customers has been suspended.

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

Security relating to trade receivables

The security held against trade receivables for the Group and comprises bank guarantees and cash deposits. The estimate of the fair value of the security is:

	GROUP and COMPANY	
	2013 N$'000	2012 N$'000
(a) Cash deposits		
Electricity receivables security deposit -Cash		
Domestic Namibia	13,188	11,523
Regional Exports/Cross Border customers	486	467
(b) Bank Guarantees		
Domestic- Namibia	111,115	103,089
Cross border customers	58	58

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.

	Carrying amount N$ '000	Total contractual cash flows N$ '000	Contractual cash flows 1 year or less N$ '000	Contractual cash flows 1- 5 years N$ '000	Contractual cash flows 5 years or more N$ '000
GROUP					
2013					
Non-derivative financial liabilities					
Secured long term loans					
- GBP fixed rate loan	(196,040)	(210,548)	(23,385)	(93,552)	(93,611)
- EUR floating rate loan	(304,729)	(316,712)	(63,148)	(245,681)	(7,883)
- ZAR denominated loans	(2,035,469)	(3,150,504)	(299,027)	(1,164,851)	(1,686,626)
- NAD denominated loans	(300,371)	(477,860)	(30,924)	(123,697)	(323,239)
Non-current retention creditors	(9,522)	(9,522)	-	(9,522)	-
Trade and other payables	(1,037,490)	(1,037,490)	(1,037,490)	-	-
Derivative financial liabilities					
- Interest rate swaps and cross currency interest rate swaps used for hedging	(8,289)	51,959	5,169	56,689	(9,899)
2012					
Non-derivative financial liabilities					
Secured long term loans					
- GBP fixed rate loan	(184,176)	(200,977)	(20,085)	(80,364)	(100,528)
- EUR floating rate loan	(291,706)	(306,757)	(51,446)	(200,357)	(54,954)
- ZAR denominated loans	(2,229,678)	(3,512,870)	(362,366)	(1,136,529)	(2,013,975)
- NAD denominated loans	(303,734)	(510,564)	(31,086)	(124,344)	(355,134)
Non-current retention creditors	(8,283)	(8,283)	-	(8,283)	-
Trade and other payables	(882,875)	(882,875)	(882,875)	-	-
Derivative financial liabilities					
- Interest rate swaps and cross currency interest rate swaps used for hedging	(50,425)	(46,076)	(11,784)	(14,584)	(19,708)

29. FINANCIAL INSTRUMENTS (continued)

29.5.1 Contractual cash flows (continued)

	Carrying amount N$ '000	Total contractual cash flows N$ '000	Contractual cash flows 1 year or less N$ '000	Contractual cash flows 1- 5 years N$ '000	Contractual cash flows 5 years or more N$ '000
COMPANY					
2013					
Non-derivative financial liabilities					
Secured long term loans					
- GBP fixed rate loan	(196,040)	(210,548)	(23,385)	(93,552)	(93,611)
- EUR floating rate loan	(304,729)	(316,712)	(63,148)	(245,681)	(7,883)
- ZAR denominated loans	(2,035,469)	(3,150,504)	(299,027)	(1,164,851)	(1,686,626)
- NAD denominated loans	(300,371)	(477,860)	(30,924)	(123,697)	(323,239)
Non-current retention creditors	(9,522)	(9,522)	-	(9,522)	-
Trade and other payables	(1,037,496)	(1,037,496)	(1,037,496)	-	-
	(6,384)	(6,384)	(6,384)	-	-
Derivative financial liabilities					
- Interest rate swaps and cross currency interest rate swaps used for hedging	(8,289)	51,959	5,169	56,689	(9,899)
2012					
Non-derivative financial liabilities					
Secured long term loans					
- GBP fixed rate loan	(184,176)	(200,977)	(20,085)	(80,364)	(100,528)
- EUR floating rate loan	(291,706)	(306,757)	(51,446)	(200,357)	(54,954)
- ZAR denominated loans	(2,229,678)	(3,512,870)	(362,366)	(1,136,529)	(2,013,975)
- NAD denominated loans	(303,734)	(510,564)	(31,086)	(124,344)	(355,134)
Non-current retention creditors	(8,283)	(8,283)	-	(8,283)	-
Trade and other payables	(882,881)	(882,881)	(882,881)	-	-
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	(50,425)	(46,076)	(11,784)	(14,584)	(19,708)

29. FINANCIAL INSTRUMENTS (continued)

29.5.2 Derivative financial instruments

Exposure to currency, interest rate and credit risk arises in the normal course of the Group's business. 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.

	GROUP and COMPANY	
	2013 N$'000	2012 N$'000
The principal or contract amount of derivative financial instruments were:		
Net interest rate and cross currency swaps	135,149	30,005
Forward exchange contracts	509,868	41,741

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:

	2013 N$'000	2012 N$'000
General banking facilities	363,500	363,500

The overdraft facilities, if utilised are repayable strictly on demand and will be charged at the prevailing bank's prime lending rate from time to time. The prime lending rate of the commercial banks at 30 June 2013 was 9.7%.

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

29. FINANCIAL INSTRUMENTS (continued)

29.6 Market risk (continued)

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$211.1 million (2012: N$79.2 million loss). At 30 June 2013 the embedded derivative asset amounted to N$18.6 million (2012: N$91.5 million) for the Group and Company. The embedded derivative liability at 30 June 2013 was N$248.7 million (2012: N$110.4 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		COMPANY	
	2013 N$'000 Carrying amount	2012 N$'000 Carrying amount	2013 N$'000 Carrying amount	2012 N$'000 Carrying amount
Variable rate financial instruments				
Financial assets	-	-	-	-
Financial liabilities	(50,371)	(53,734)	(50,371)	(53,734)
	(50,371)	(53,734)	(50,371)	(53,734)
Fixed rate financial instruments				
Financial assets	6,629,113	5,946,738	6,636,490	5,954,113
Financial liabilities	(4,383,272)	(4,317,802)	(4,389,662)	(4,324,192)
	2,245,841	1,628,936	2,246,828	1,629,921

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 2012.

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

GROUP AND COMPANY	Equity 100 bp increase	Equity 100 bp decrease	Profit or (loss) 100 bp increase	Profit or (loss) 100 bp decrease
30 June 2013				
Variable rate instruments				
Interest rate swap				
-DBN				
NAD Curve	(332)	332	(504)	504
30 June 2012				
Variable rate instruments				
Interest rate swap				
-DBN				
NAD Curve	(355)	355	(537)	537

29. FINANCIAL INSTRUMENTS (continued)

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 2013 is set below

in thousands of Namibia Dollar	N$	ZAR	AU$	US$	Euro	GBP	SEK	Total
Assets								
Other financial assets	-	-	-	44,455	136,090	-	585	181,130
Loans receivable	37,968	-	-	30,148	-	-	-	68,116
Trade and other receivables	701,159	-	-	9,700	-	-	-	710,859
Current investments	1,407,428	1,403,126	-	59,748	-	-	-	2,870,302
Cash and cash equivalents	61,030	1,485,491	-	111,004	32	35	-	1,657,592
	2,207,585	2,888,617	-	255,055	136,122	35	585	5,488,999
Liabilities								
Interest bearing loans and borrowings	(300,371)	(2,035,470)	-	-	(304,729)	(196,040)	-	(2,836,610)
Other financial liabilities	-	-	-	(248,662)	(17,100)	-	(2,633)	(268,395)
Trade and other payables	(864,776)	(120,411)	-	(115,039)	-	-	-	(1,100,226)
Non-current retention creditors	(9,286)	-	-	-	(236)	-	-	(9,522)
	(1,174,433)	(2,155,881)	-	(363,701)	(322,065)	(196,040)	(2,633)	(4,214,753)
Gross statement of financial position exposure	1,033,152	732,736	-	(108,646)	(185,943)	(196,005)	(2,048)	1,273,246
Next year's forecast sales	3,878,499	-	-	-	-	-	-	3,878,499
Next year's forecast purchases	-	(613,708)	-	(1,404,772)	-	-	-	(2,018,480)
Gross exposure	4,911,651	119,028	-	(1,513,418)	(185,943)	(196,005)	(2,048)	3,133,265
Foreign exchange contracts	-	-	-	505,082	18,386	-	13,768	537,236
Net exposure	4,911,651	119,028	-	(1,008,336)	(167,557)	(196,005)	11,720	3,670,501

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

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

The currency position at 30 June 2012 is set below

in thousands of Namibia Dollar	N$	ZAR	AU$	US$	Euro	GBP	SEK	Total
Assets								
Other financial assets	-	-	-	94,109	80,429	-	159	174,697
Loans receivable	40,969	-	-	103,907	-	-	-	144,876
Trade and other receivables	603,043	-	-	27,967	-	-	-	631,010
Current investments	2,377,901	100,000	-	-	-	-	-	2,477,901
Cash and cash equivalents	192,301	905,062	-	195,246	17	33	-	1,292,659
	3,214,214	1,005,062	-	421,229	80,446	33	159	4,721,143
Liabilities								
Interest bearing loans and borrowings	(303,735)	(2,229,677)	-	-	(291,706)	(184,176)	-	(3,009,294)
Other financial liabilities	-	(2,805)	-	(110,494)	(205)	(47,620)	(1,519)	(162,643)
Trade and other payables	(684,983)	(197,799)	(900)	(38,032)	(13,654)	(35)	-	(935,403)
Non-current retention creditors	(8,047)	-	-	-	(236)	-	-	(8,283)
	(996,765)	(2,430,281)	(900)	(148,526)	(305,801)	(231,831)	(1,519)	(4,115,623)
Gross statement of financial position exposure	2,217,449	(1,425,219)	(900)	272,703	(225,355)	(231,798)	(1,360)	605,520
Next year's forecast sales	3,446,121	-	-	-	-	-	-	3,446,121
Next year's forecast purchases	-	(586,014)	-	(621,147)	-	-	-	(1,207,161)
Gross exposure	5,663,570	(2,011,233)	(900)	(348,444)	(225,355)	(231,798)	(1,360)	2,844,480
Foreign exchange contracts	-	-	-	33,375	-	-	11,069	44,444
Net exposure	5,663,570	(2,011,233)	(900)	(315,069)	(225,355)	(231,798)	9,709	2,888,924

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

Currency translation rates :	30 June 2012
1 SA Rand	N$ 1.0
1 SEK	N$ 0.8
1 US Dollar	N$ 8.3
1 Euro	N$ 10.5
1 GBP	N$ 13.0
1 AUD	N$ 0.1

29. FINANCIAL INSTRUMENTS (continued)

29.6.2 Currency risk (continued)

COMPANY

The currency position at 30 June 2013 is set below

in thousands of Namibia Dollar	N$	ZAR	AU$	US$	Euro	GBP	SEK	Total
Assets								
Other financial assets	-	-	-	44,455	136,090	-	585	181,130
Loans receivable	37,968	-	-	30,148	-	-	-	68,116
Trade and other receivables	701,159	-	-	9,700	-	-	-	710,859
Current investments	1,407,428	1,403,126	-	59,748	-	-	-	2,870,302
Cash and cash equivalents	61,030	1,485,491	-	111,004	32	35	-	1,657,592
	2,207,585	2,888,617	-	255,055	136,122	35	585	5,488,999
Liabilities								
Interest bearing loans and borrowings	(300,371)	(2,035,470)	-	-	(304,729)	(196,040)	-	(2,836,610)
Other financial liabilities	-	-	-	(248,662)	(17,100)	-	(2,633)	(268,395)
Trade and other payables	(864,776)	(120,411)	-	(115,039)	-	-	-	(1,100,226)
Non-current retention creditors	(9,286)	-	-	-	(236)	-	-	(9,522)
	(1,174,433)	(2,155,881)	-	(363,701)	(322,065)	(196,040)	(2,633)	(4,214,753)
Gross statement of financial position exposure	1,033,152	732,736	-	(108,646)	(185,943)	(196,005)	(2,048)	1,273,246
Next year's forecast sales	3,878,499	-	-	-	-	-	-	3,878,499
Next year's forecast purchases	-	(613,708)	-	(1,404,772)	-	-	-	(2,018,480)
Gross exposure	4,911,651	119,028	-	(1,513,417)	(185,943)	(196,005)	(2,048)	3,133,265
Foreign exchange contracts	-	-	-	505,082	18,386	-	13,768	537,236
Net exposure	4,911,651	119,028	-	(1,008,336)	(167,557)	(196,005)	11,720	3,670,501

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

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

The currency position at 30 June 2012 is set below

in thousands of Namibia Dollar	N$	ZAR	AU$	US$	Euro	GBP	SEK	Total
Assets								
Other financial assets	-	-	-	94,109	80,429	-	159	174,697
Loans receivable	40,969	-	-	103,907	-	-	-	144,876
Trade and other receivables	603,043	-	-	27,967	-	-	-	631,010
Current investments	2,377,901	100,000	-	-	-	-	-	2,477,901
Cash and cash equivalents	192,301	905,062	-	195,246	17	33	-	1,292,659
	3,214,214	1,005,062	-	421,229	80,446	33	159	4,721,143
Liabilities								
Interest bearing loans and borrowings	(303,735)	(2,229,677)	-	-	(291,706)	(184,176)	-	(3,009,294)
Other financial liabilities	-	(2,805)	-	(110,494)	(205)	(47,620)	(1,519)	(162,643)
Trade and other payables	(684,989)	(197,799)	(900)	(38,032)	(13,654)	(35)	-	(935,409)
Non-current retention creditors	(8,047)	-	-	-	(236)	-	-	(8,283)
	(996,771)	(2,430,281)	(900)	(148,526)	(305,801)	(231,831)	(1,519)	(4,115,629)
Gross statement of financial position exposure	2,217,443	(1,425,219)	(900)	272,703	(225,355)	(231,798)	(1,360)	605,514
Next year's forecast sales	3,446,121	-	-	-	-	-	-	3,446,121
Next year's forecast purchases	-	(586,014)	-	(621,147)	-	-	-	(1,207,161)
Gross exposure	5,663,564	(2,011,233)	(900)	(348,444)	(225,355)	(231,798)	(1,360)	2,844,474
Foreign exchange contracts	-	-	-	33,375	-	-	11,069	44,444
Net exposure	5,663,564	(2,011,233)	(900)	(315,069)	(225,355)	(231,798)	9,709	2,888,918

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

Currency translation rates :	30 June 2012
1 SA Rand	N$ 1.0
1 SEK	N$ 0.8
1 US Dollar	N$ 8.3
1 Euro	N$ 10.5
1 GBP	N$ 13.0
1 AUD	N$ 0.1

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 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 2012.

	GROUP		COMPANY	
	2013 Equity N$'000	2012 Equity N$'000	**2013 Profit or (loss) N$'000**	2012 Profit or (loss) N$'000
US Dollar (10 percent strengthening)	**87,694**	28,019	**132,869**	42,454
Euro (10 percent strengthening)	**(20,110)**	(20,153)	**(30,470)**	(30,534)
GBP (10 percent strengthening)	**(12,936)**	(12,156)	**(19,601)**	(18,418)

A weakening of the N$ against the following currencies at 30 June would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2012.

	GROUP		COMPANY	
US Dollar (10 percent weakening)	**(87,694)**	(28,019)	**(132,869)**	(42,454)
Euro (10 percent weakening)	**20,110**	20,153	**30,470**	30,534
GBP (10 percent weakening)	**12,936**	12,156	**19,601**	18,418

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 profit or loss is:

29. FINANCIAL INSTRUMENTS (continued)

29.6.3 Other price risk (continued)

	GROUP and COMPANY			
	2013 1% increase N$'000	2013 1% decrease N$'000	2012 1% increase N$'000	2012 1% decrease N$'000
Profit/(loss), including embedded derivatives				
United States PPI	(34,709)	34,044	(53,600)	51,448

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	
	2013 N$'000	2012 N$'000	2013 N$'000	2012 N$'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	2,999,684	2,502,892	2,903,785	2,437,220
Longterm debt	2,836,610	3,009,294	2,836,610	3,009,294
	6,901,294	6,577,186	6,805,395	6,511,514

The major items that impact the capital of Nampower include:

- the revenue received from electricity sales (which is a function of price and sales volumes and the cost of funding the business;
- the cost of operating the electricity business;
- the cost of expanding the business to ensure that capacity growth is in line with electricity sales demand (funding and additional depreciation);
- interest paid;
- taxation and
- dividends.

The Board has the responsibility to ensure that the Company is adequately capitalised through debt and equity management.

NamPower Treasury is tasked with the duties of managing the Company's short-term and long term capital requirements. The treasury department fulfils these functions within the framework that has been approved by the NamPower Board of Directors consisting of and not limited to an overall treasury policy, a hedging policy and investment policy.

Under NamPower's current debt portfolio consisting of local and foreign denominated loans, certain covenants are imposed on NamPower's capital requirements. These covenants being a minimum debt service cover ratio of 1.4, debt to EBITDA of a maximum of 4 and a maximum debt equity ratio of 65:35. The Company maintained the required covenants for the year under review as follows: debt service cover ratio of 3.22, debt to EBITDA of -3.21 and a debt equity ratio of 18:82. 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.

29. FINANCIAL INSTRUMENTS (continued)

29.7 Capital management (continued)

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

29.8 Critical accounting estimates and judgements

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

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

(a) Embedded derivatives

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 2013

Input	Unit	2013	2014	2015	2016	2017	2018
NAD/USD	USD per NAD	10.00	10.53	11.16	11.86	12.56	13.27
ZAR discount factor		1.00	0.94	0.88	0.82	0.76	0.69
United States PPI	Year-on-year (%)	3.14%	3.26%	3.34%	3.58%	3.82%	3.83%

29. FINANCIAL INSTRUMENTS (continued)

29.9 Fair values

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

		2013		2012	
	Reference notes	Carrying amount	Fair value	Carrying amount	Fair value
GROUP					
in thousands of Namibia Dollar					
Assets carried at fair value					
Current investments	29.1, 11	1,540,554	1,540,554	901	901
Derivative assets	29.1, 21.1	181,130	181,130	174,697	174,697
		1,721,684	1,721,684	175,598	175,598
Assets carried at amortised cost					
Loans and receivables	29.1, 10, 11	68,116	68,116	144,876	144,876
Non-current investments	29.1, 11	1,145,054	1,145,054	1,204,398	1,204,398
Cash and cash equivalents	29.1, 14	1,657,592	1,657,592	1,292,659	1,292,659
Trade and other receivables	29.1, 13	683,844	683,844	629,129	629,129
		3,554,606	3,554,606	3,271,062	3,271,062
Liabilities carried at fair value					
Derivative liabilities	29.1, 21.2	(268,395)	(268,395)	(162,643)	(162,643)
Current interest bearing loans and borrowings	29.1, 17	(218,896)	(218,896)	(255,913)	(255,913)
Non-current interest bearing loans and borrowings	29.1, 17	(2,617,714)	(2,617,714)	(2,753,381)	(2,753,381)
		(3,105,005)	(3,105,005)	(3,171,937)	(3,171,937)
Liabilities carried at amortised cost					
Trade and other payables	29.1, 20	(1,100,220)	(1,100,220)	(935,403)	(935,403)
		(1,100,220)	(1,100,220)	(935,403)	(935,403)
COMPANY					
Assets carried at fair value					
Current investments	29.1, 11	1,540,554	1,540,554	901	901
Derivative assets	29.1, 21.1	181,130	181,130	174,697	174,697
		1,721,684	1,721,684	175,598	175,598
Assets carried at amortised cost					
Loans and receivables	29.1, 10, 11	68,116	68,116	144,876	144,876
Non-current investments	29.1, 11	1,145,054	1,145,054	1,204,398	1,204,398
Cash and cash equivalents	29.1, 14	1,657,592	1,657,592	1,292,659	1,292,659
Trade and other receivables	29.1, 13	683,844	683,844	629,129	629,129
		3,554,606	3,554,606	3,271,062	3,271,062
Liabilities carried at fair value					
Derivative liabilities	29.1, 21.2	(268,395)	(268,395)	(162,643)	(162,643)
Current interest bearing loans and borrowings	29.1, 17	(218,896)	(218,896)	(255,913)	(255,913)
Non-current interest bearing loans and borrowings	29.1, 17	(2,617,714)	(2,617,714)	(2,753,381)	(2,753,381)
		(3,105,005)	(3,105,005)	(3,171,937)	(3,171,937)
Liabilities carried at amortised cost					
Loans due to subsidiary	29.1, 7.1	(6,384)	(6,384)	(6,384)	(6,384)
Trade and other payables	29.1, 20	(1,100,226)	(1,100,226)	(935,409)	(935,409)
		(1,106,610)	(1,106,610)	(941,793)	(941,793)

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

29. FINANCIAL INSTRUMENTS (continued)

29.9 Fair values (continued)

Fair value hierarchy for Group and Company

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

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

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

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

in thousands of Namibia Dollar	Level 1	Level 2	Level 3	Total
30 June 2013				
Current investments	979	1,539,575	-	1,540,554
Derivative financial assets	-	162,517	18,613	181,130
	979	1,702,093	18,613	1,721,684
Interest bearing loans and borrowings	-	(570,508)	-	(570,508)
Derivative financial liabilities	-	(19,734)	(248,661)	(268,395)
	-	(590,242)	(248,661)	(838,903)
30 June 2012				
Current investments	901	-	-	901
Derivative financial assets	-	83,136	91,561	174,697
	901	83,136	91,561	175,598
Interest bearing loans and borrowings	-	(531,501)	-	(531,501)
Derivative financial liabilities	-	(52,150)	(110,494)	(162,644)
	-	(583,651)	(110,494)	(694,145)

There have been no transfers between the fair value hierarchy levels (2012: no transfers).

29. FINANCIAL INSTRUMENTS (continued)

29.9 Fair values (continued)

A reconciliation has been performed for fair value measurements in level 3 of the fair value hierarchy as follows:	2013 N$'000	2012 N$'000
Embedded derivative assets		
Carrying value at beginning of the year	(110,494)	76,409
Net fair value loss on embedded derivatives recognised in profit or loss	(138,167)	(186,903)
Carrying value at end of the year	(248,661)	(110,494)
Embedded derivative liabilities		
Carrying value at beginning of the year	91,561	(16,095)
Net fair value (loss)/gain on embedded derivatives recognised in profit or loss	(72,948)	107,656
Carrying value at end of the year	18,613	91,561

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.

29.9.1 Estimation of fair values

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

(a) Securities

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

(b) Collective investment

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

(c) Derivatives

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

(d) Interest bearing loans and borrowings

Fair value is the present value of future cashflows.
Refer note 17.

29. FINANCIAL INSTRUMENTS (continued)

29.10 Borrowing costs

	GROUP		COMPANY	
	2013 N$'000	2012 N$'000	2013 N$'000	2012 N$'000
29.10.1 Borrowing cost capitalised	-	18,828	-	18,828

Borrowing cost in respect of the construction of the Caprivi Link Interconnector and the Ruacana 4th unit. The borrowing cost capitalised for the Caprivi Link Interconnector and the Ruacana 4th unit is calculated using the NamPower Bond NMP20N interest rate of 9.4% and NMP19N interest rate of 10% respectively.

29.11 Defaults and breaches

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

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$'000	2013 N$'000	2012 N$'000	2013 N$'000	2012 N$'000	2013 N$'000	2012 N$'000	2013 N$'000	2012 N$'000
Total revenues	593,561	569,593	1,718,244	1,069,294	5,494,022	4,680,170	7,805,827	6,319,057
Intersegment revenue	(593,561)	(569,593)	(1,170,046)	(1,193,380)	(2,736,579)	(2,000,525)	(4,500,186)	(3,763,498)
Total Segment revenue	-	-	548,198	(124,086)	2,757,443	2,679,645	3,305,641	2,555,559
Interest Income	-	-	3,445	2,698	378,022	333,583	381,467	336,281
Interest expense	-	-	(141,260)	(147,978)	(120,506)	(107,268)	(261,765)	(255,246)
Depreciation & amortisation	(107,736)	(294,271)	(369,279)	(381,215)	(35,456)	(20,305)	(512,471)	(695,791)
Staff costs	(111,494)	(91,152)	(173,957)	(150,108)	(174,730)	(164,895)	(460,182)	(406,156)
Post retirement medical benefit	(7,251)	(3,129)	(11,980)	(5,170)	(12,295)	(5,306)	(31,525)	(13,605)
Foreign exchange gains on trade payables/receivables, bank balances and loans payable	-	-	-	-	107,837	143,268	107,837	143,268
Foreign exchange losses on trade payables/receivables, bank balances and loans payable	-	-	-	-	(61,559)	(57,193)	(61,559)	(57,193)
Segment result (before tax)	(244,028)	(420,251)	2,061,111	1,526,269	(1,289,581)	(879,380)	527,502	226,638
Other material non-cash items:								
Impairment on property, plant and equipment	-	-	-	-	-	-	-	-

30. SEGMENT REPORTING (continued)

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

	2013 N$'000	2012 N$'000
Revenues		
Total revenue for reportable segments	7,805,827	6,319,057
Other income	97,046	60,575
Elimination of intersegment revenue	(4,500,186)	(3,763,498)
	3,402,687	2,616,134
Profit or loss		
Total profit or loss	527,502	226,638
Other profit	-	-
Elimination of intersegment profits	-	-
Total profit before income tax	527,502	226,638

Other material items 2013

in thousands Namibia Dollar	Reportable segment totals	Adjustments	Totals
Finance income	381,467	-	381,467
Finance expense	(261,765)	-	(261,765)
Depreciation and amortisation	(512,471)	-	(512,471)
Staff costs	(460,182)	-	(460,182)
Post retirement medical benefit	(31,525)	-	(31,525)
Foreign exchange gains on trade payables/receivables, bank balances and loans payable	107,837	-	107,837
Foreign exchange losses on trade payables/receivables, bank balances and loans payable	(61,559)	-	(61,559)

Other material items 2012

in thousands Namibia Dollar			
Finance income	336,281	-	336,281
Finance expense	(255,246)	-	(255,246)
Depreciation and amortisation	(695,791)	-	(695,791)
Staff costs	(406,156)	-	(406,156)
Post retirement medical benefit	(13,605)	-	(13,605)
Foreign exchange gains on trade payables/receivables, bank balances and loans payable	143,268	-	143,268
Foreign exchange losses on trade payables/receivables, bank balances and loans payable	(57,193)	-	(57,193)

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