# 2019 ANNUAL REPORT

NamPower

Powering the Nation and beyond


SWABOU
look
forward
to never
looking
back
momentum

## Contents

## Theme

THE POWER THAT ENABLES

NamPower's successful ability to continuously deliver on its mandate is one of the many ways that the company ensures that Namibia's electricity supply is secure going into the future. Through the powering of the varied industries and sectors, this Annual Report highlights the invisible force (electricity) behind the growth and development of the country, and the impact it has on the everyday lives of Namibians. NamPower enables growth and has since its establishment consistently remained a mainstay and the engine that drives the nation's economy, communities and our everyday lives.

## About This Report

The report includes an overview of NamPower's strategy and business model, the principal risks we face, and our operations. Information on our human capital and all matters relating to sustainability are additionally reported on, followed by the consolidated financial statements for the financial year ended 30 June 2019.

## Assurance

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

The consolidated Annual Financial Statements from pages 59 to 179 were audited by Deloitte & Touche and Grand Namibia.

# Highlights of the Year

THE GRID ONLINE

NamPower officially launched The GridOnline, its Fibre Optic commercialisation project, in March 2019

## 0% Load-shedding

67%

67% additional renewable energy capacity

71%

71% participation in SAPP (bilateral and short term market)

**99.86%**

The overall power transmission system availability was 99.86% during the period under review


**2.5%**

Securing the approval of a 2.5% reduction in electricity tariffs for the financial period 2019/2020, effective 1 July 2019

**Declaration of a dividend of N$82.6 million to the Shareholder**

**Payment of N$550.8 million in respect of income tax**

Average customer restoration time after a power interruption (CAIDI) decreased from 3.05 to 2.52 minutes of loss of supply, compared to the previous reporting period

**N$3.5 mil**

NamPower Foundation spends over **N$3.5 million** on corporate social investments

NamPower invests **N$12.3 million** in educational assistance programmes for employees, employees' depenants, students and trainees

# Our Business Model

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

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

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

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

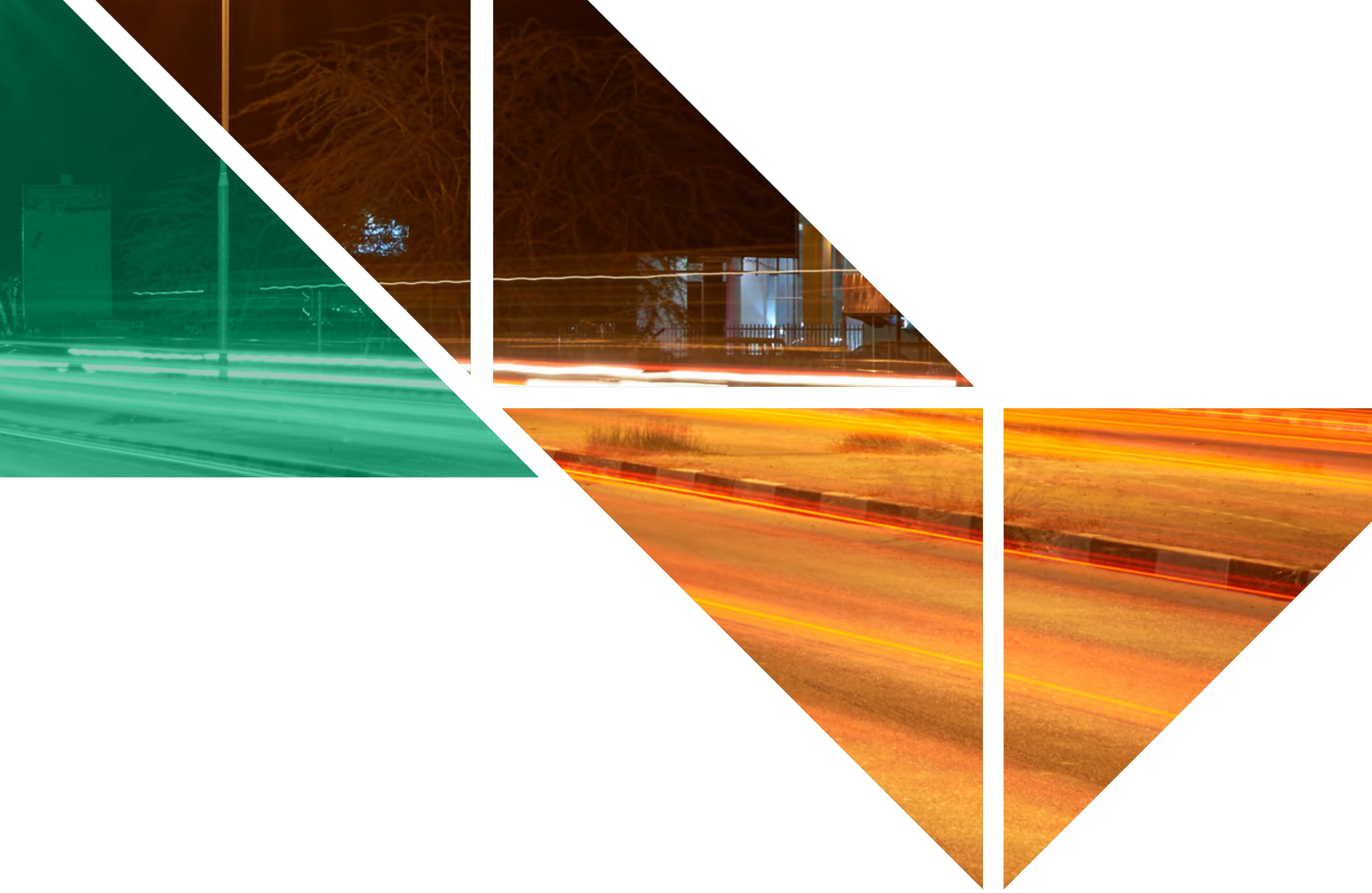
The economic returns include generation and transmission infrastructure of a high quality, which provides all sectors of the economy and its citizens with reliable, safe and secure sources of energy.

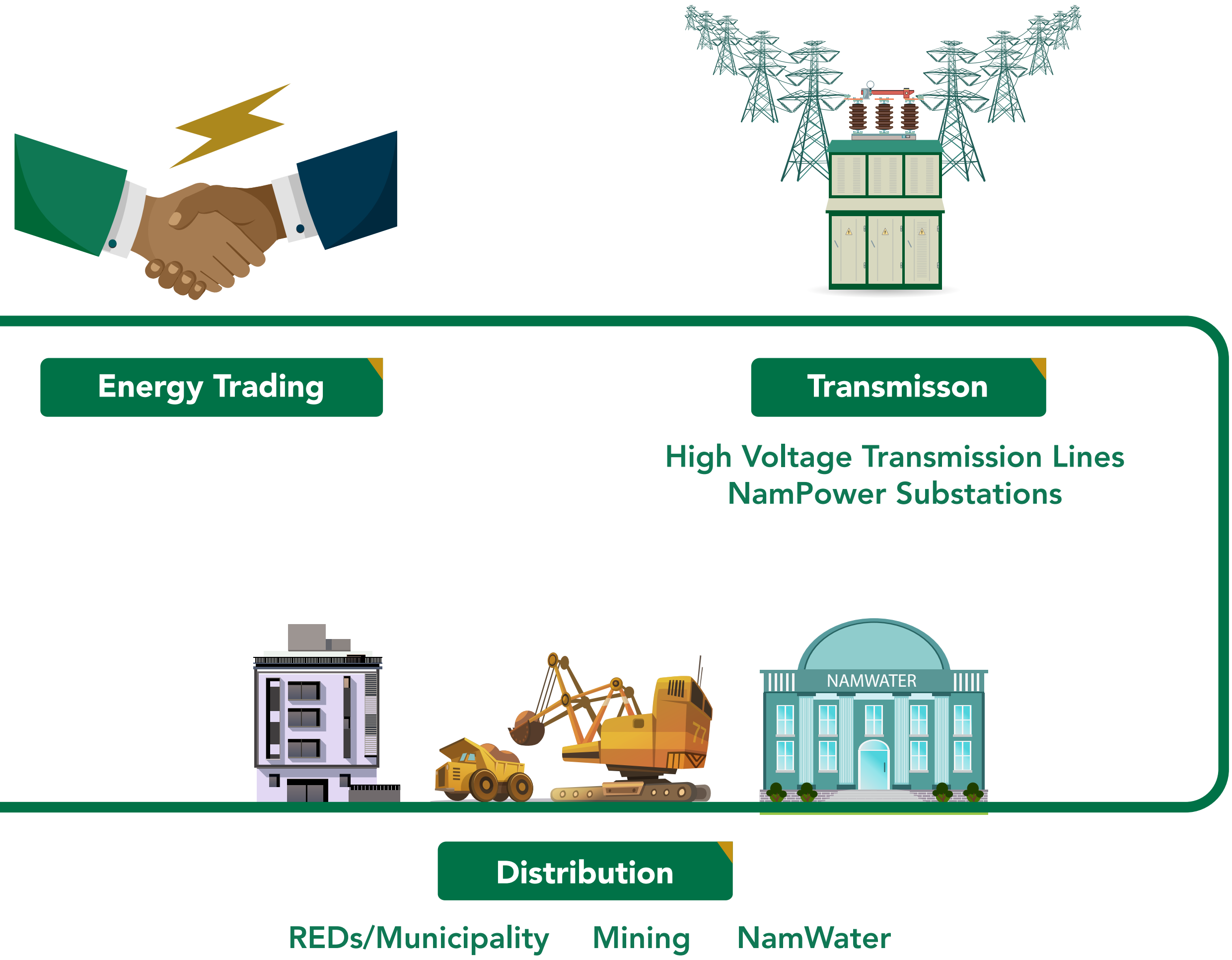
**General**

Renewable Generation    Non-Renewable Generation


**Customers**

Hospitals    Industries    Farms    Schools    Residental/Commercial





Energy Trading
Transmisson
High Voltage Transmission Lines
NamPower Substations
NAMWATER
Distribution
REDs/Municipality
Mining
NamWater

# About Us

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

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

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

## Our Core Business

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

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

## Our Infrastructure

### Generation

NamPower owns and operates three power stations with the combined installed capacity of 459.50 MW. These power stations are the main sources of local power generation capacity in the country:

**347 MW**

**Ruacana hydro-electric power station in the Kunene Region**

**90 MW**

**Van Eck coal-fired power station outside of Windhoek**

**22.5 MW**

**Anixas diesel-powered power station at Walvis Bay**

### Transmission

NamPower owns a world-class transmission system and a network of 66 kV to 400 kV of overhead lines spanning a distance of more than 11,709 km, one of the longest of its kind in the world. The national grid has been designed and largely built by Namibians.

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

### Energy Trading

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

### National Control Centre

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

## Our People

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

## MISSION

To provide the electricity needs of our customers, fulfil the aspirations of our staff and satisfy the expectations of our stakeholders in a competitive and evolving environment.

## VISION

To be the leading electricity service company of choice in SADC.

## MANDATE

To generate, transmit, supply and trade electricity, including the importing and exporting of electricity.

# VALUES

**NamPower values express the aspiration to achieve high ethical standards in delivering its mandate, to build a culture of teamwork that will bring out the best in each individual, to focus on serving its customers, and to place priority on the safety of staff and the public at all times.**

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

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

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

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

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

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

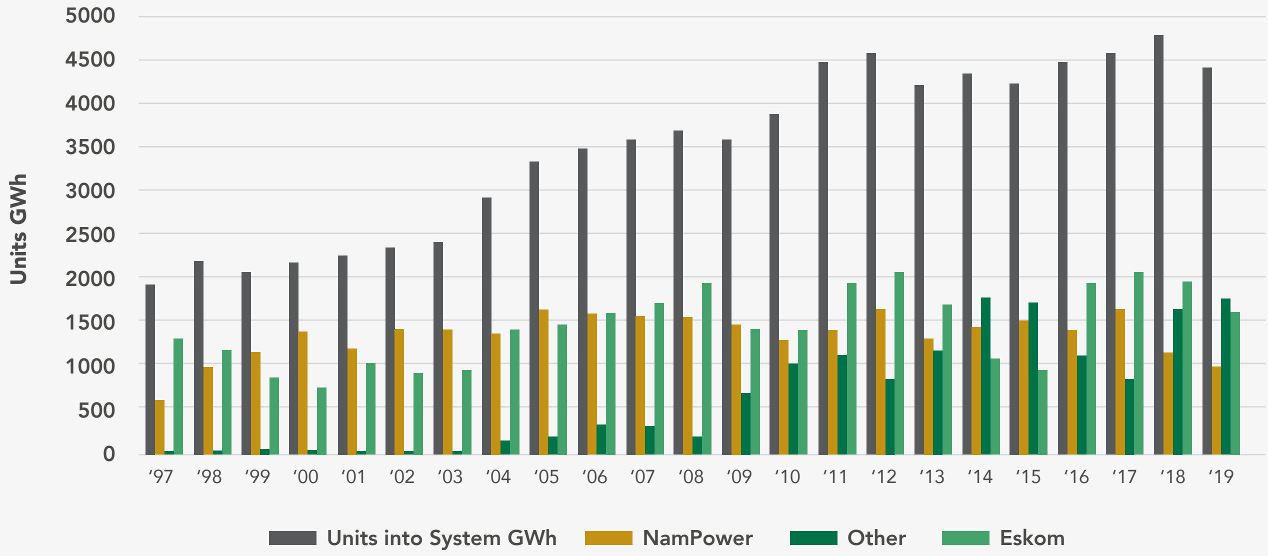
# Consolidated Key Statistics

| | 2019 | 2018 |
|---|---|---|
| 1. Total revenue (N$'000) | **6,579,468** | 6,594,816 |
| 2. Taxation (N$'000) | **(600,903)** | (522,247) |
| 3. Capital Expenditure (N$'000) | **276,027** | 663,140 |
| Property, plant and equipment | **275,292** | 656,393 |
| Intangible assets | **735** | 6,747 |
| 4. Coal Cost Per Ton (N$) | **2,423** | 2,011 |
| 5. Average Price per unit sold (Cents) | **175.0** | 166.9 |
| 6. Number of electricity customers | **2,916** | 2,879 |
| 7. System Maximum (Hourly demand (MW) | | |
| - Excluding Skorpion | **633** | 602 |
| - Including Skorpion | **684** | 639 |
| 8. Units into System (GWh) | **4,435** | 4,826 |
| NamPower (Pty) Ltd | **1,006** | 1,165 |
| ZESCO | **324** | 361 |
| Eskom | **1,640** | 1,991 |
| ZPC | **281** | 357 |
| STEM | **916** | 828 |
| Omburu Sun Energy (Pty) Ltd (Innosun) | **12** | 12 |
| REFITs | **150** | 112 |
| Greenam | **34** | - |
| Alten Solar Power Hardap Pty (Ltd) | **72** | - |
| 9. Units sold (GWh) | **4,159** | 4,285 |
| Customers in Namibia | **3,503** | 3,585 |
| Skorpion Zinc mine | **409** | 444 |
| Orange River | **128** | 142 |
| Exports | **119** | 114 |
| 10. Installed Capacity (MW) | **760** | 760 |
| - Ruacana | **347** | 347 |
| - Van Eck | **90** | 90 |
| - Interconnector | **300** | 300 |
| - Anixas | **22.5** | 22.5 |
| 11. Transmission Lines | | |
| - 400 kV (km) | **1,179** | 1,179 |
| - 350 kV (km) | **953** | 953 |
| - 330 kV (km) | **522** | 522 |
| - 220 kV (km) | **3,207** | 3,207 |
| - 132 kV (km) | **2,269** | 2,263 |
| - 66 kV (km) | **3,579** | 3,549 |
| 12. Distribution Lines | | |
| - 33 kV (km) | **11,887** | 11,682 |
| - 22 kV (km) | **4,983** | 4,980 |
| - 19 kV (SWER) (km) | **4,580** | 4,580 |
| - 11kV (km) | **1,132** | 1,128 |
| 13. Employees | **1,123** | 1,086 |

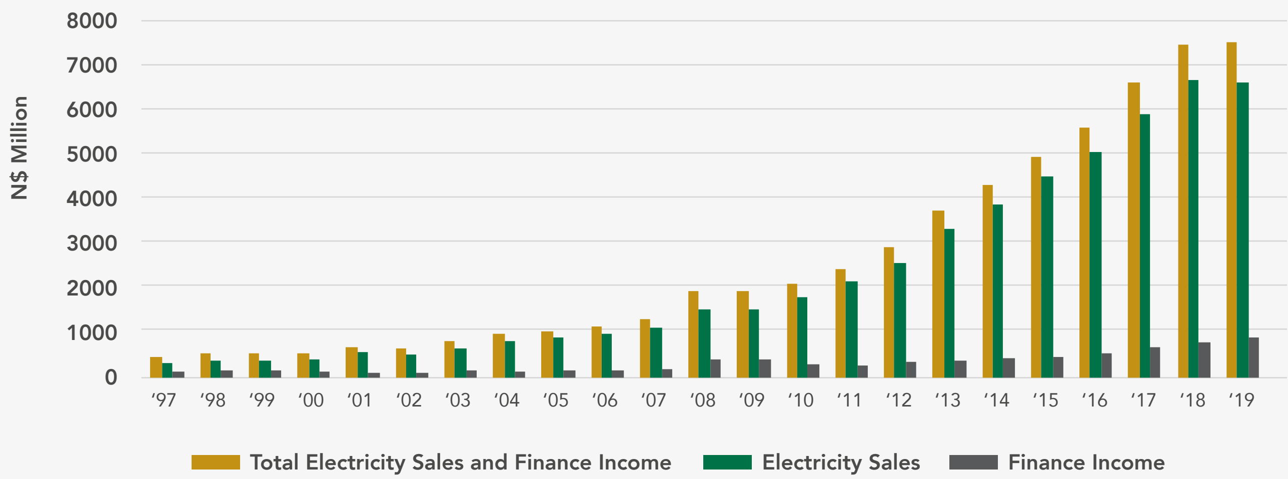
**Abbreviations:**

| | |
|---|---|
| **ECL** | Expected credit losses |
| **EDM** | Electricidade de Mozambique |
| **EUR** | Euro |
| **FV** | Fair Value |
| **GBP** | Great British Pound |
| **GWh** | Gigawatt hour |
| **Km** | Kilometre |
| **kV** | Kilovolts |
| **LRMC** | Long-run marginal cost |
| **MME** | Ministry of Mines and Energy |
| **MTC** | Mobile Telecommunications |
| **MW** | Megawatt |
| **N$** | Namibia Dollar |
| **NamPower** | Namibia Power Corporation (Pty) Ltd |
| **NNF** | Namibia Nature Foundation |
| **OCI** | Other comprehensive income |
| **P+L** | Profit or loss |
| **REFITs** | Renewable Energy Feed-in Tariffs |
| **SOCI** | Statement of comprehensive income |
| **SOCIE** | Statement of changes in equity |
| **SOFP** | Statement of financial position |
| **STEM** | Short Term Energy Market |
| **SWER** | Single Wire Earth Return |
| **US$** | United States Dollar |
| **ZAR** | South African Rand |
| **ZESA** | Zimbabwe Electricity Supply Authority |
| **ZESCO** | Zambia Electricity Supply Corporation |
| **ZPC** | Zimbabwe Power Company |

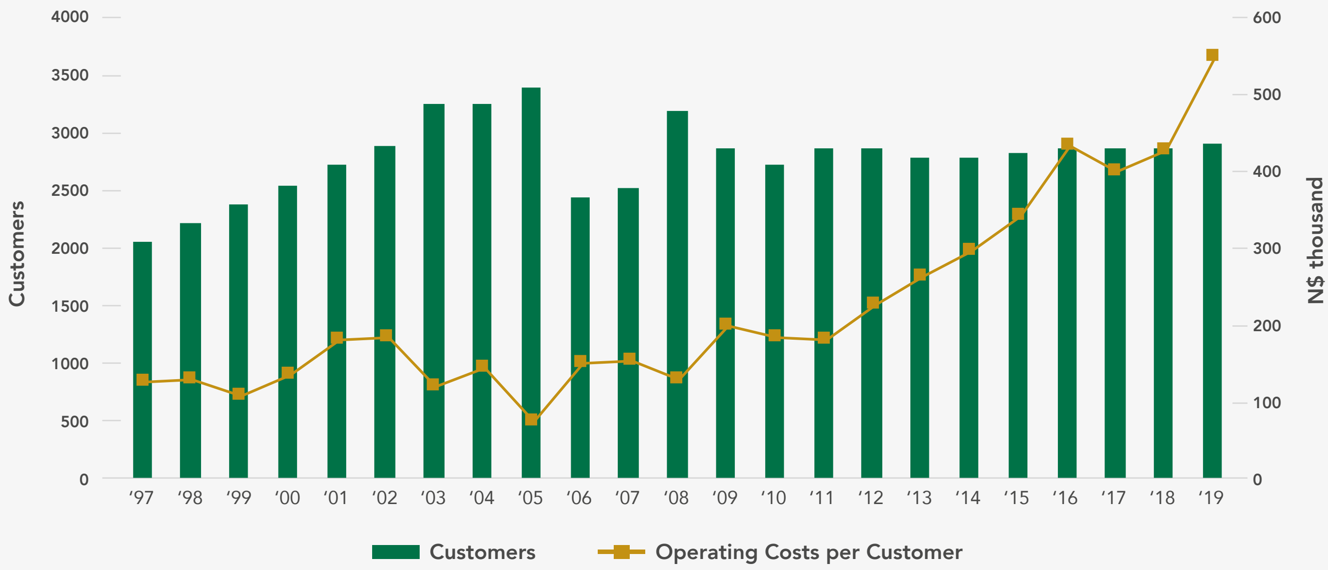
## Units Into System



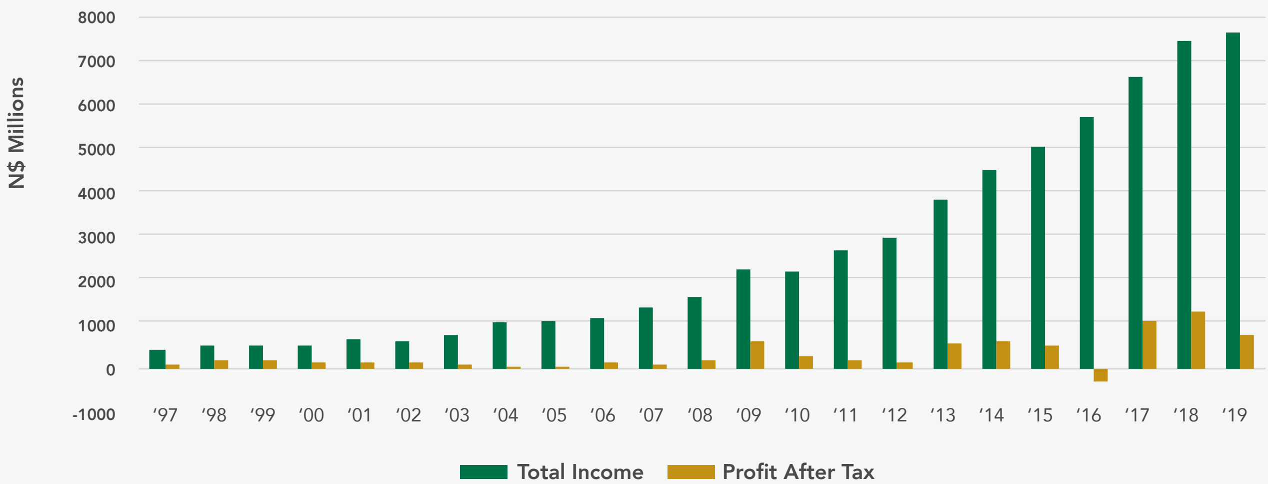

## Electricity Sales and Finance Income



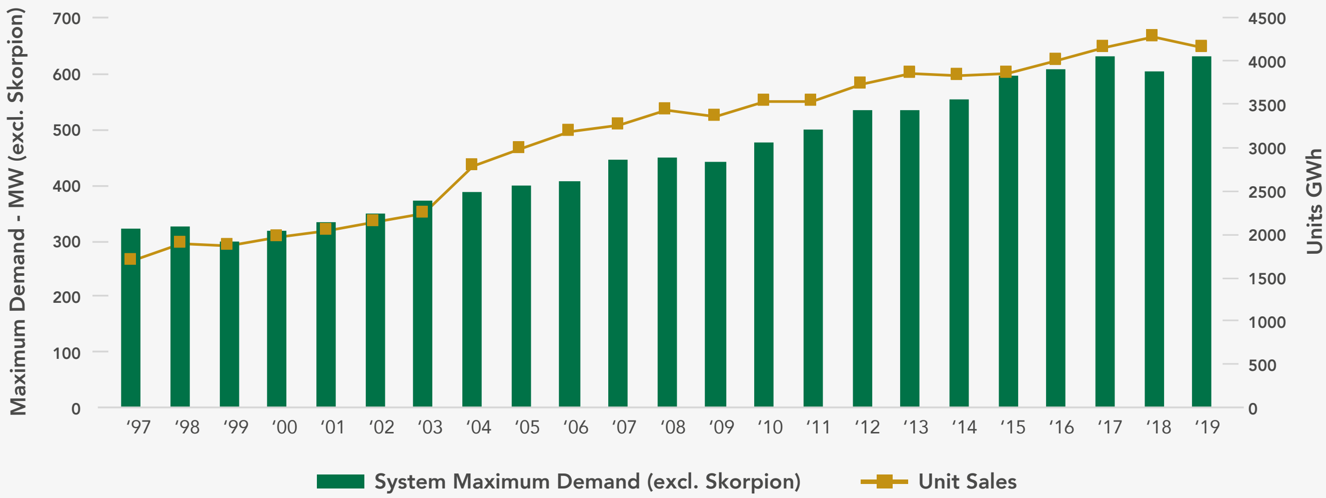
## Customers and Operating Cost Per Customer



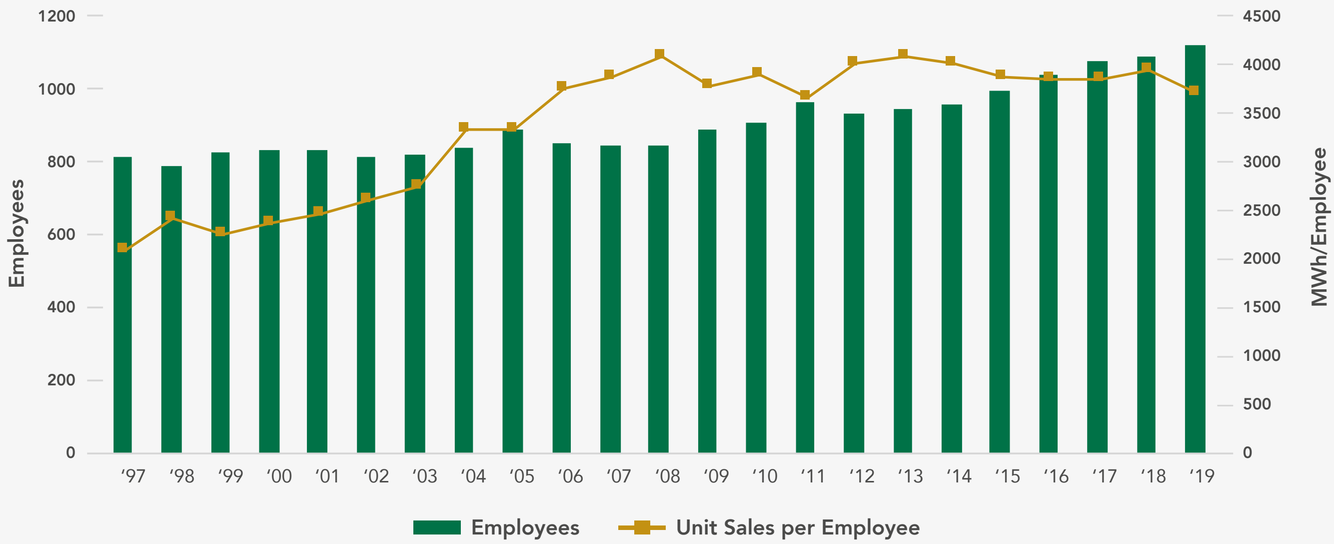

## Total Income and Profit After Tax (N$ Million)



## System Maximum Demand (excl. Skorpion) and Unit Sales




## Employee Performance



# Strategic Overview

## Vision

*"To be the leading electricity service company of choice in SADC"*

## Mission

*"To provide the electricity needs of our customers, fulfil the aspirations of our staff and satisfy the expectations of our stakeholders in a competitive and evolving environment"*

## Strategic pillars & goals

### Ensuring security of supply

- Deliver a least cost electricity supply mix
- Strengthen Namibia's transmission network
- Prepare business units for a change in the local market model
- Leverage regional market opportunities in SAPP
- Support government in the development of strategic projects

### Unlocking the value of electricity sector collaboration

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

### Optimising financial sustainability

- Implement an investment framework to align to market requirements
- Leverage new sources of funding
- Form financial and technological partnerships
- Support the development of a sustainable electricity market

### Driving organisational & operational excellence

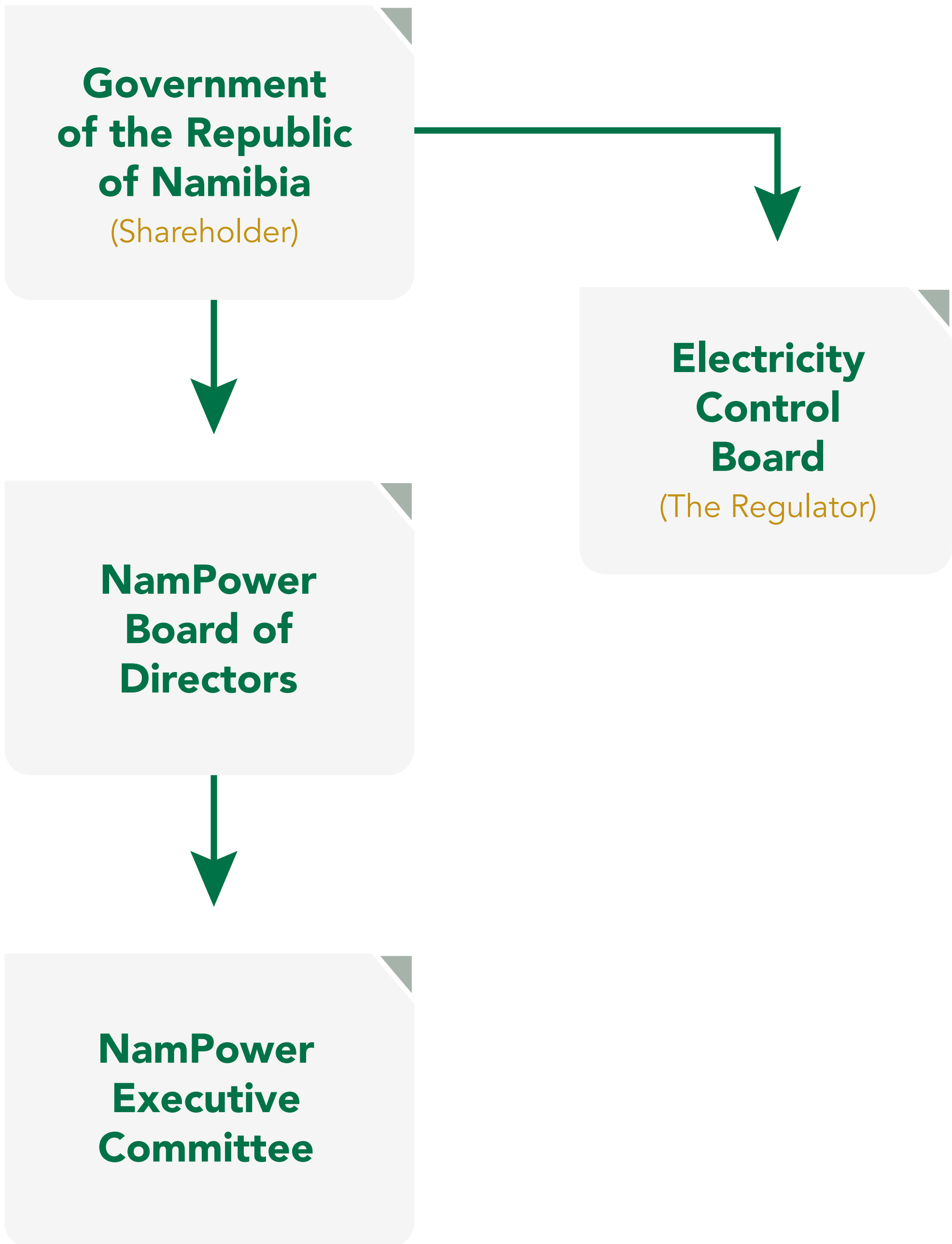
- Drive innovation and new business opportunites
- Achieve and retain top employer status
- Develop additional capabilities to meet the new market requirements
- Build an ethical, engaging and high performance culture

## Values

*Customer focus; Integrity; Teamwork; Accountability; Empowerment; Health, Safety, Environment*

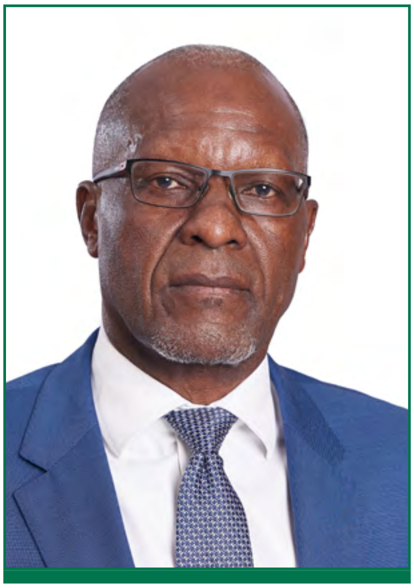
NamPower completed the fifth and final year of its five-year Corporate Strategy and Business Plan (2014 – 2018) on 30 June 2018 and consequently NamPower's management, in close collaboration with the Board of Directors, started the process of developing a new five-year Corporate Strategy and Business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

# Governance Structure



# Corporate Structure

## Ministry of Mines and Energy



**Hon. Tom K. Alweendo**
Minister of Mines and Energy

**Hon. Kornelia Shilunga**
Deputy Minister of Mines and Energy

**Mr. Simeon Negumbo**
Executive Director of Mines and Energy

# Board of Directors

## Ms. Kaunapaua Ndilula

(Chairperson)

## Mr. Daniel Motinga

(Deputy Chairperson)

## Dr. Detlof von Oertzen

(Director)

**MBA – Stellenbosch University, South Africa**
**M.A. Development Economics (Massachusetts, USA)**

Holding two master's degrees and with diverse experience in business management, strategy formulation and execution, Ms. Ndilula's more than 20 years of experience holds significant value to the NamPower Board.

As founder of the BFS group of companies, she serves as Managing Director. Her institutional development capacity comes in handy in steering the NamPower Board into a sustainable future.

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

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

He has served as a consulting economist for the banking industry and is currently a Senior Relationship Manager for RMB Namibia.

**PhD – Physics (High Energy Nuclear Physics), University of Cape Town, South Africa. Advanced MBA – Finance University of Adelaide, Australia**

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

## Ms. Sara Katiti

(Director)

**Master's in Development Finance, University of Stellenbosch, South Africa**

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

## Ms. Anna Matebele

(Director)

**Master's - Commercial and Financial Law, Kings College London, United Kingdom**

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

## Mr. Andreas Kanime

(Director)

**MBA – University of KwaZulu Natal, South Africa**

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

# Executive Committee

**Left to Right:**

**Braam Vermeulen** (Divisional Manager, Transmission)
**Christo Bezuidenhoudt** (Senior Manager, Internal Audit)
**Kahenge Simson Haulofu** (Managing Director)
**Michael Gotore** (Chief Officer, Finance)
**Isac Tjombonde** (Chief Officer, Corporate Services)

## Left to Right:

**Zoe Nambahu** (Chief Legal Advisor)
**Reiner Jagau** (Chief Officer, Power Systems Development)
**Bertholdt Mbuere** (Divisional Manager, Energy Trading)
**Lucia Hiveluah** (Head NamPower Foundation)
**Rinus Carstens** (Acting Divisional Manager, Generation)
**Gerson Rukata** (Acting Chief Officer, Technical)

"With this new strategy, NamPower will oversee the development of generation projects of 220 MW with the emphasis of the generation mix being least cost."

**K Ndilula**
Chairperson

# Chairperson's Report

When we embarked upon our three-year journey on 1 January 2017 as a newly appointed NamPower Board of Directors, my fellow Board members and I set ourselves the goal of positioning the Utility as a high performance and highly ethical organisation. Now, as we come to the end of our three-year term, we believe that we were able to lay the foundation that will propel NamPower on its path to improve local generation capacity, as it claims its place as a relevant and high performing organisation.

Successful organisations subscribe to the principles of partnership with their key stakeholders, and as a Board, we share the same sentiments. We undertook to engage you at the time of our appointment and throughout our term. Stakeholder engagement remained a priority for us. Testament to this, the Board on many occasions solicited the inputs, direction and opinions of various stakeholders in the crafting of our plans, which included the soliciting of inputs for the development of the NamPower Corporate Strategy and Business Plan.

As our stakeholders, be assured that NamPower will continue to engage you as we seek new meaning to innovation, collaboration and partnerships in order to fulfill the objectives as stated in our corporate strategy and ultimately, ensure the realisation of our mandate.

Last year we started the process of developing a new 5-year corporate strategy and business plan with the assistance of PriceWaterhouseCoopers (PWC). It was an extensive and consultative exercise which involved internal and external stakeholders. As a result, the Utility's new 2019 – 2023 Corporate Strategy and Business Plan was launched on 1 July 2019 with the support of our shareholder – the Government of the Republic of Namibia. The strategy will guide NamPower as it strives to be the leading electricity service company in Namibia and in the region.

The 2019 – 2023 Strategy is geared towards ensuring reliable supply of power, whilst improving local generation capacity. The new strategy is intended to be cognisant of developments in technology and to remain robust and responsive to technological advancements as they unfold over the strategy period. It is our intention to deliver a sustainable power supply supported by a least-cost tariff path that will facilitate economic growth.

With the shift towards a Modified Single-Buyer Market Model, an increased number of market participants, which will significantly increase market complexity, is envisaged. NamPower has ensured that the new strategic plan is responsive to the imminent transition in the energy sector, and will ensure that the Utility remains relevant. The Plan embraces partnerships, innovation and market responsiveness thus unlocking the value of electricity sector collaboration. We are, indeed, committed towards driving customer-centricity and operational excellence, to make NamPower the electricity service company of choice.

With this new strategy, NamPower will oversee the development of generation projects of 220 MW with the emphasis of the generation mix being least cost. Independent Power Producers will develop 70 MW of the 220 MW, while 150 MW will be on NamPower's balance sheet. This generation mix is in accordance with the National Integrated Resource Plan (NIRP), which is the Government's 20-year development plan for Namibia's Electricity Supply Industry spanning the 2016 – 2035 period. As a result of these anticipated future plans, we have embarked upon consultations with prospective financiers and lenders.

The Utility has broken new grounds by diversifying and venturing into new business opportunities by launching The Grid Online during the review period. The Grid Online signals the opening of NamPower's spare fibre capacity on its fibre optic network to licensed telecommunication service providers.

Other notable achievements during the year under review include:

- Declaration of a dividend of N$ 82.6 million to the Shareholder.
- Payment of N$ 550.8 million for income tax.
- Securing the approval of a 2.5 per cent reduction in electricity tariffs for the financial period 2019/2020, effective 1 July 2019.

The electricity supply industry is one of the most challenging of industries. However, the support we received from our shareholder in policy direction and the guidance of our regulator in shaping the industry, has made our role more manageable.

Despite the immense challenges that the industry presented over the three-year period, we are proud of the road-map we have put in place to ensure the financial sustainability and relevance of the company in the long term.

On behalf of the Board of Directors, I would like to extend my appreciation and thanks to our shareholder, the Government of the Republic of Namibia, through the Minister of Mines and Energy Hon. Tom Alweendo as well as the Minister of Public Enterprise Hon. Leon Jooste, and their teams, for the fruitful engagements we had during the period under review.

To all our stakeholders, thank you for your continued support and constructive engagement.

I wish to also thank the Managing Director Mr Kahenge Simson Haulofu and his Executive team for their commitment in serving NamPower. Last but definitely not least, to the employees of NamPower, the mighty green and gold army, we thank you for your invaluable contribution to the performance of the organisation. We commend and recognise your tireless efforts in ensuring that the nation continues to enjoy an uninterrupted power supply.

"I wish to acknowledge the hard work and loyalty of NamPower's employees who worked ceaselessly to keep the lights on; something that is often taken for granted."

**K S. Haulofu**
Managing Director

# Managing Director's Report

Namibia recorded significantly lower river flows during the 2017/2018 and 2018/2019 financial years. As a result, NamPower was unable to depend on the source of power supply from the Ruacana Power Station. The Utility was thus compelled to import the second highest amount of energy over the past five years.

Despite these challenges, NamPower managed to pull all its resources to effectively ensure an uninterrupted supply of electricity. Our association with the Southern African Power Pool (SAPP) stood us in good stead as we benefitted from the agreements that we have with member states that form part of the pool.

Our financial performance for the year reflects the impact of the drought and the alternative supply measures instituted by management to ensure uninterrupted service on our cost of supply. Cost of electricity increased by 16% in comparison to that incurred in the previous year. As a result, our gross profit margin reduced to 40% from 49% achieved in the previous year and our profit before tax reduced by 39% to N$ 1.050 billion from N$ 1.734 billion achieved in the previous year.

Independent Power Producers (IPP), who form part of the supply mix, contributed 6.1% of the total energy supply during the year under review. The contribution from IPPs is envisaged to increase meaningfully in the following financial year, as developing projects under the Renewable Energy Feed-In Tariff (REFIT) programme, would by then have been commissioned.

As a result of the concerted efforts of our dedicated workforce, customers enjoyed a power supply system reliability of at least 99.86% during the period under review. In addition, average customer restoration time (after a power interruption) decreased from 3.05 to 2.52 minutes of loss of supply compared to the previous reporting period. Above all, a commendable highlight of the system performance was that the NamPower grid did not experience any total system blackout.

NamPower experienced a number of challenges that affected its operations during the year under review. One such challenge was in relation to the wheeling path constraints caused by unplanned outages of interconnectors in the region. This resulted in the Utility not receiving its contracted power from ZESCO and ZPC, the power utilities of Zambia and Zimbabwe respectively.

Another challenge being experienced, which is a major concern, is the slow and non-payment of outstanding accounts by customers. Debtors' days increased from 66 days in the previous year to 85 days in the year under review. The foregoing is against the company's target of 38 days. Although we are cognisant of the fact that customers are affected by the slow economic activity that has affected almost every sector, these arrears have accumulated to unsustainable levels for the company, and as a result, NamPower is looking into measures to mitigate this challenge. This is explained in detail later in the report.

Furthermore, as an employer of choice, over 45% of employees have been in the employment of NamPower for more than ten years, putting the company in a unique situation. Thus, a challenge facing the utility is the fast tracking of skills transfer from the 12% of employees reaching retirement in the next five years. In addition, NamPower is also faced with the challenge of having to find innovative ways to engage and retain its growing number of millennials, that currently stands at 20%.

As a result of the significant changes in the electricity supply industry, it can never be business as usual for NamPower. There are challenging times lying ahead of us and the Utility needs to adapt to the changing environment in order to remain relevant. In our quest to create and build the NamPower of the future, we, nonetheless, regard the changing environment as an exciting opportunity for the company.

**Appreciation and Thanks**

The three-year tenure of our Board will soon end. Therefore, the NamPower management and staff would like to thank all the Directors for their leadership and support during their term. I would also like to thank our regulator, the Electricity Control Board of Namibia (ECB), for their valuable engagements, which are of benefit to our electricity consumers.

In closing, I wish to acknowledge the hard work and loyalty of NamPower's employees who worked ceaselessly to keep the lights on; something that is many a time taken for granted. I would like to encourage one and all to approach the coming years with equal enthusiasm and resolve, and to set even higher standards for ourselves to create a company we all can be proud of.

# Corporate Governance and Risk Management

The changes in the regulatory environment from a Single Buyer Model (SBM) to a Modified Single Buyer Model (MSB) with the drive to self-sufficiency as a country, create uncertainty in the energy market and opportunities and threats to NamPower. Therefore, fulfilling the Utility's mandate as a state-owned enterprise is about taking and accepting risks. Effective management of risks is thus critical to achieving NamPower's strategic objectives.

### Key Strategic Risks

Below is a risk matrix as at June 2019, representing the top strategic risks. These risks are recorded and tracked through the Corporate Risk Register (CRR) as well as the Governance Risk and Compliance System (GRCS).

| Consequences | A 0-5% | B 6-20% | C 21-50% | D 51-98% | E 99-100% |
|---|---|---|---|---|---|
| 6 | | | 1 | | |
| 5 | | 2 | 3, 4, 6, 8 | 13 | |
| 4 | | | 5, 7, 10, 12 | 9 | |
| 3 | | | 11, 14 | 15 | |
| 2 | | | | | |
| 1 | | | | | |

Likelihood

Catastrophic
Very High
Medium
Insignificant

### High Level Strategic Risks:

1. Delayed implementation of Transmission Master Plan
2. Disengaged employees (staff morale)
3. Delay in executing procurement activities
4. Failure to implement projects as per defined budget and timelines
5. Unethical and poor leadership practices
6. Slow implementation of Generation Projects
7. Policy Change (Modified Single Buyer Model)
8. Lack of engagement/agreements with research institutions and other organisations for research/benchmark purposes
9. No defined high-performance culture
10. Non-implementation of capacity building initiatives
11. Insufficient funding
12. Imposed Government directives
13. Inadequate revenue collection
14. Funding risk
15. Slow implementation of Business Continuity Management

### Assessing Our Risks

NamPower carried out a robust risk assessment—at all management levels—of the key strategic risks of the organisation as listed in figure 1 above. This was carried out to assist the board in managing the risks and resilience to assure the shareholders, customers and employees. The Utility will thus continue to monitor the potential impact of the changes in the regulatory framework.

### Managing Our Risks

The Utility manages risks through the Risk Management Policy and Framework aimed at embedding risk awareness in all decision-making, and a commitment to managing risks proactively and effectively. These include:

- Identification and evaluation of threats, and
- Assign mitigating responses/controls to threats before they materialise and responding effectively if they do.

The accountability for risk management is stipulated in our governance structures and policies as a key performance indicator for business units. The risk team supports the understanding and management of threats at all levels of the organisation. The team reports on risks and escalates vital issues to the Executive Committee and ultimately to the Board's Audit and Risk Management Committee.

The process to identify, evaluate and manage business risks is designed to minimise the risk exposure rather than eliminate threats because where appropriate, a degree of risk is accepted.

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

### NamPower's Risk Management Framework

The organisation-wide risk management philosophy is based on the ISO 31000: 2018 Risk Management Principles and Guidelines Standard. The responsibility to identify, evaluate and manage risks thus lies with all employees. Moreover, the Executive Committee operates within the organisation's Integrated Risk Management Framework in order to manage risks within their designated roles.

The Risk Management Framework also defines the oversight responsibilities of the Board's Audit and Risk Management Committee and the Executive Committee. These are supported by the central support functions of the Corporate Risk and Internal Audit sections, to enable effective identification, evaluation and management of risk throughout the business.

### Achievements

The Utility has experienced a significant improvement in project risk management with regards to the involvement of both internal and external stakeholders in assessing, analysing and evaluating risks before the commencement of projects. The process of project risk management aims at identifying and implementing mitigating risk actions that can have both negative and positive impacts on the project. This process also aims at improving communication and aligning NamPower's risk management process to the operations of service providers, external consultants, as well as other key stakeholders.

### Future Outlook for Risk Management

Our focus going forward is to:

- Conduct a risk function maturity review
- Strengthen risk management practice through the development of a risk appetite statement, determining the risk tolerance thresholds and key risk indicators
- Develop a holistic control view through exchanges and reviews between Risk Management, Compliance Management, Internal Audit, SHEW and Corporate Strategy teams
- Utilise risk management software for efficiency and a comprehensive view of the organisation's risks

# Stakeholder Management and Engagement

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

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

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

**Business**

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

**International/ Regional Relations**

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

**Civil Society**

Namibian, African and International

**Media**

Representative Union body

**Organised Labour**

Employees, Exco, Board

**Employees/Board Of Directors**

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

## Key Customers

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

## Suppliers

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

## Government

Electricity Control Board (ECB)

## Regulator

Associations and industry experts

## Industry

# Our Operations

Central to NamPower's core operations is it's generation and transmission infrastructure geared at providing excellent customer services.

## Demand and Supply

### System Demand

During the year under review, the highest demand of 633 MW (without Skorpion Mine) was registered on 18 July 2018, while a new maximum demand of 684 MW (with Skorpion Mine) was registered on 13 June 2019.

The figures on Table 1 show a 0.91% decrease in the system's year on year maximum demand when compared to the previous record of 633 MW (without Skorpion Mine) which was registered on 22 August 2017.

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

| 01:00 Monday - 00:00 Friday | |
|---|---|
| Weekday Maximum | 633 |
| Weekday Minimum | 229 |
| **01:00 Saturday - 00:00 Sunday** | |
| Weekend Maximum | 597 |
| Weekend Minimum | 273 |

## Performance of Generation and Transmission Infrastructure

### Generation

NamPower takes great pride in the maintenance and operations of its power stations. The power stations form the backbone of the supply-mix of the country. They are the crucial elements in addressing electricity demand by helping to offset costly imported electricity during peak hours.

*Table 2: NamPower's Current Fleet of Power Stations*

| Name | Type | Installed Capacity | Operating Regime |
|---|---|---|---|
| Ruacana Power Station | Run-of-the-river Hydro | 347 MW | Variable |
| Van Eck Power Station | Coal | 90 MW | Emergency Stand-by |
| Anixas Power Station | Diesel/Heavy Fuel Oil | 22.5 MW | Emergency Stand-by |

### Van Eck Power Station Refurbishment Project

Van Eck Power Station has undergone extensive refurbishment, which started in 2013. The scope of the work based on findings during the USAID funded Black and Veatch (B&V) study of 2012. The research proposed refurbishment activities which would result in a useful lifetime extension of the Power Station by another 5 to 10 years. However, after certain components were opened for detailed inspections, more equipment was found to be in deteriorated condition and major updating was needed. This condition resulted in a significant increase in the original scope of work and caused an extension in the project timeline.

Regrettably, the anticipated project completion date of June 2019 could not materialise, mainly due to the fact that unit 1 was required to run in Synchronous Condenser (SCO) mode to help stabilise the Namibian grid. Similarly, a steady supply of coal was not available to perform test-runs and optimisation on units 2 and 3 in generation mode. Despite these challenges, the project team managed to complete some cold commissioning activities, which did not impact the availability and reliability of unit 1 running in SCO mode.

The bid for the procurement of 30 000 tonnes of coal, referred to the Central Procurement Board of Namibia, has not been finalised during the period under review. However, the Generation Business Unit managed to source sufficient coal for the interim, after declaring an emergency on the coal stock levels. This provided the perfect opportunity for the project team to complete the outstanding work and also allowed the despatch of at least one unit on a 24-hour basis since the beginning of May 2019. It further helped to offset costly imports from the region during the higher electricity demand in winter.

Figure 2 below is a summary of Units Sent Out (USO) for 2016/2017, 2017/2018 and 2018/2019 financial years, respectively. There is a noticeable increase of USO from May 2019 onwards.

**Units Sent Out**

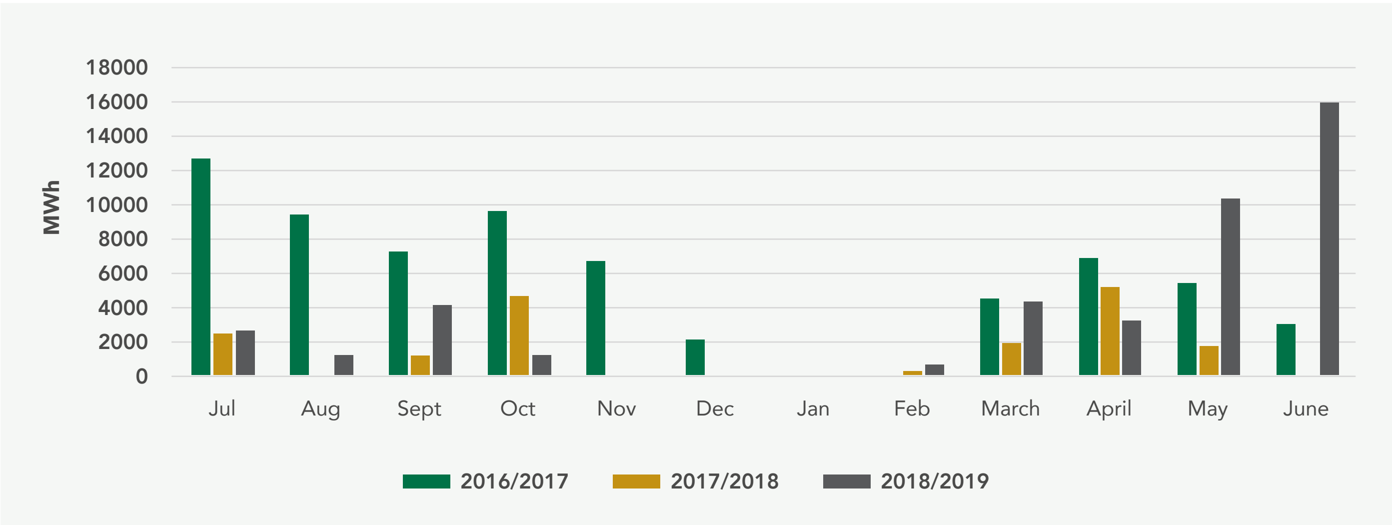



*Figure 2: Units Sent Out for 2016/2017, 2017/2018 and 2018/2019 financial years*

### Ruacana Power Station

Ruacana Power Station is the largest power station in Namibia by installed capacity (347 MW) and continues to be a paramount contributor to meeting Namibia's energy demand. NamPower appreciates the critical role of Ruacana Power Station as it off-sets the number of power imports during the past financial year by more than 21%.

NamPower Energy Trading optimises the dispatch of Ruacana Power Station to maximise the energy generation from the available river flow. This is done by operating the Power Station at base-load during the times of high river flows and as a mid-merit/peaking power plant during the remainder of the year when the flow of the river is lower.

The operation of the Ruacana Power Station continues to be affected by the variable flow of the Kunene River. Significantly lower river flows were recorded during the 2017/2018 and 2018/2019 financial years compared to the past five years. During the wet season of 2018-2019 financial year, the highest recorded average river flow was 169.83 m3/s while the required flow for continuous operation of all four generators at full load is 280 m3/s. The figure below clearly shows the effect of the drought during the past year, which caused a downward trend in the average river flow recorded at Ruacana since 2014.

# **Our Operations** (continued)

**Monthly Average River Flow**

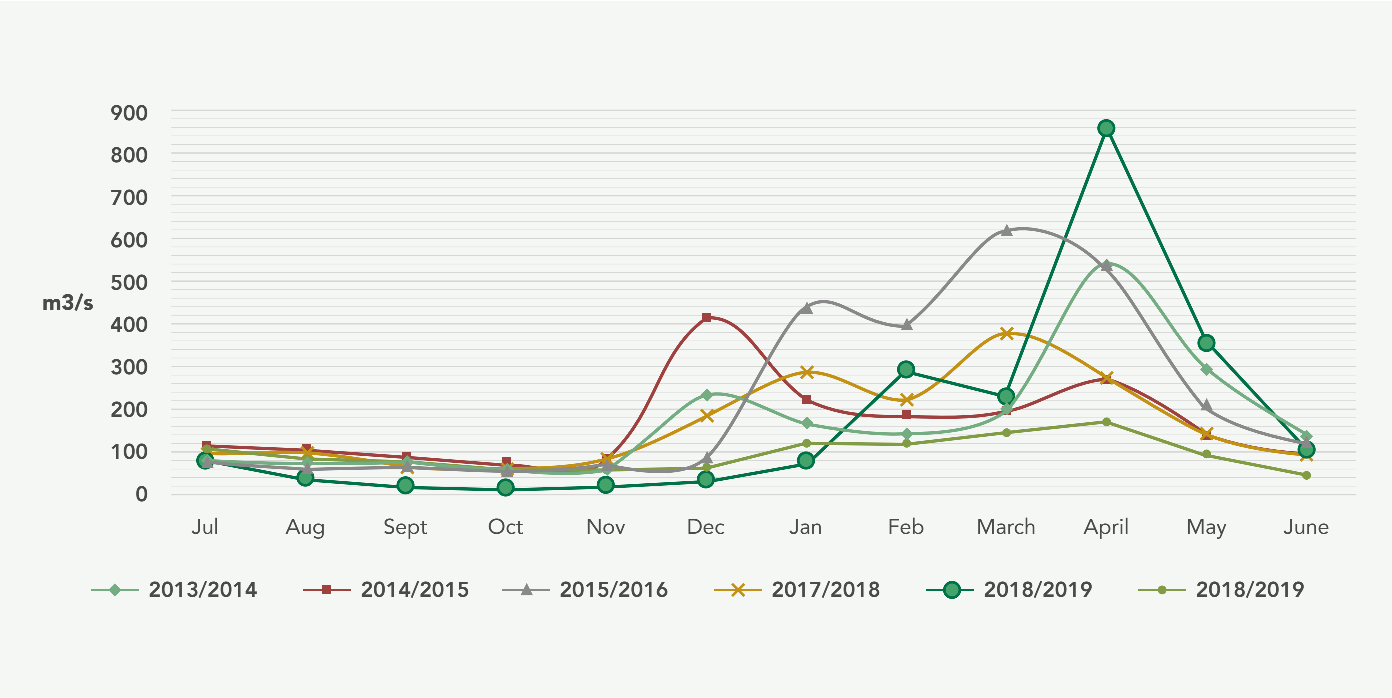



*Figure 3: Average Kunene River flows since 2014*

The total energy generated and sent out during the 2018/19 financial year amounted to 954 GWh. The latter is a record low for the past 10 years and significantly below the 10-year average of 1400 GWh/annum. The figure below shows the energy generated and sent out at the Ruacana Power Station during the past three financial years.

**Energy Sent Out**

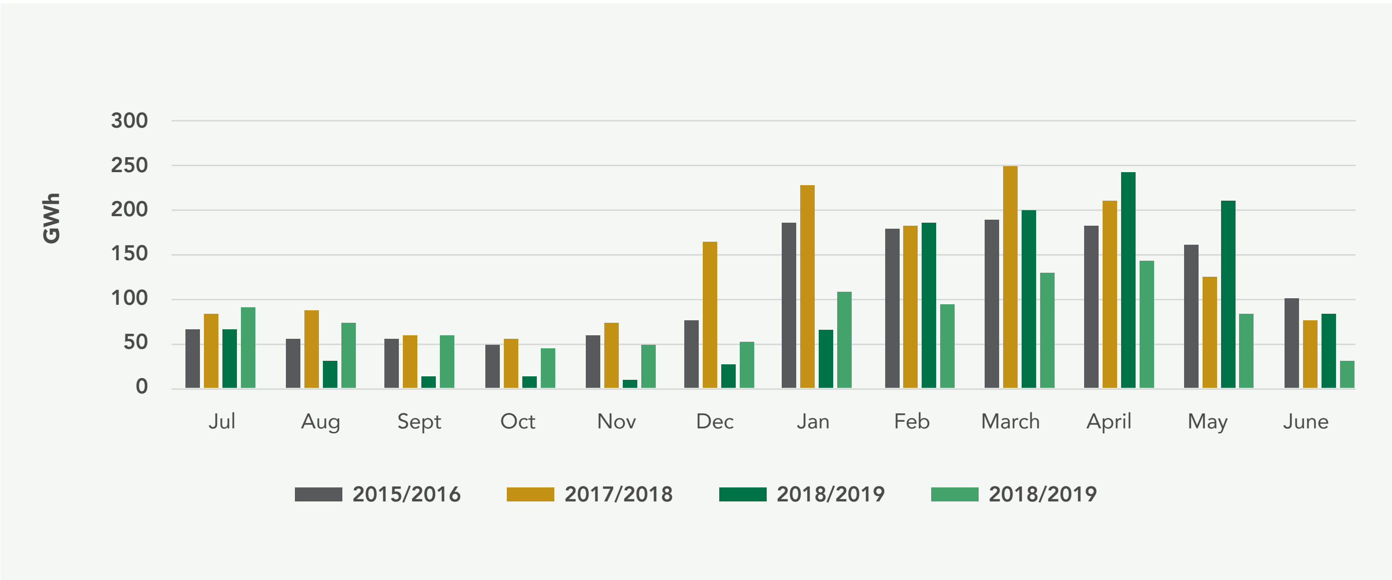



*Figure 4: Energy sent out at Ruacana per month for the past 3 financial years*

Despite the challenging climate and low river flow recorded, generation continues to attain high values of reliability and availability by continuously improving the operation and maintenance of the generating units. Unfortunately, the availability of Generator No.3 was hampered by a prolonged outage due to major repairs that had to be undertaken on the Unit 3 330 kV Generator Circuit Breaker. The figure below shows the availability and reliability of the Ruacana Power Station for the 2018/19 financial year.

**Availability and Reliability 2019 Financial Year**

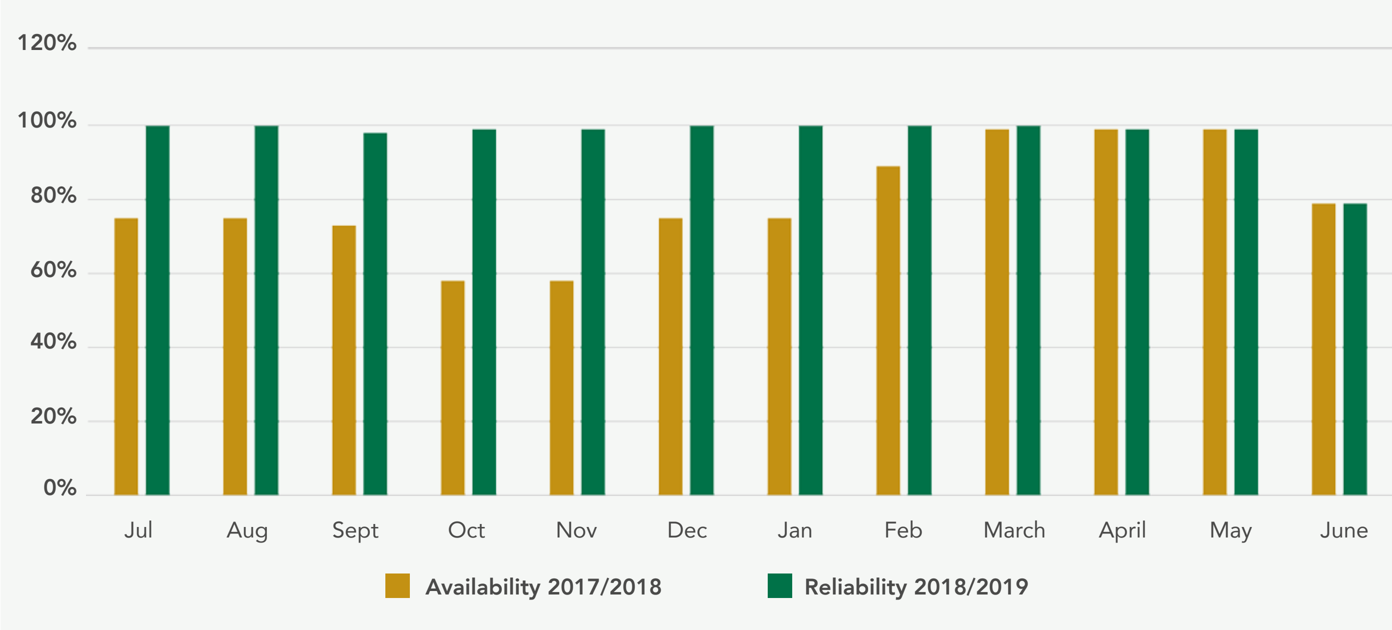



*Figure 5: Ruacana Power Station Availability and Reliability*

### Anixas Power Station

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

The construction of a new emergency water reservoir for back-up cooling water supply and fire-fighting purposes was completed and commissioned.

During the months of April, May and June 2019, Anixas Power Station was despatched as a peaking power plant, and a total of 7,137 MWh was generated. The total fuel consumption during this period was:

- HFO: 1 478 024 litres (N$7,13 per litre)
- LFO: 125 538 litres (N$12.38 per litre)

Load reduction had to be initiated at times to avoid overheating of the engines as a result of the scorching east weather conditions experienced during the period, along with the severely deteriorated radiators. Replacement of the radiators are scheduled for 2020, and are foreseen to prevent the recurrence of load reduction in the future.

### Transmission System Performance

The NamPower grid did not experience any total system blackout during the year under review. However, a major system disturbance was recorded on 14 June 2019, when the Kokerboom – Aries 400 kV line tripped. The foregoing was due to a transient fault on the line resulting in a total loss of 272 MW of load on the NamPower network.

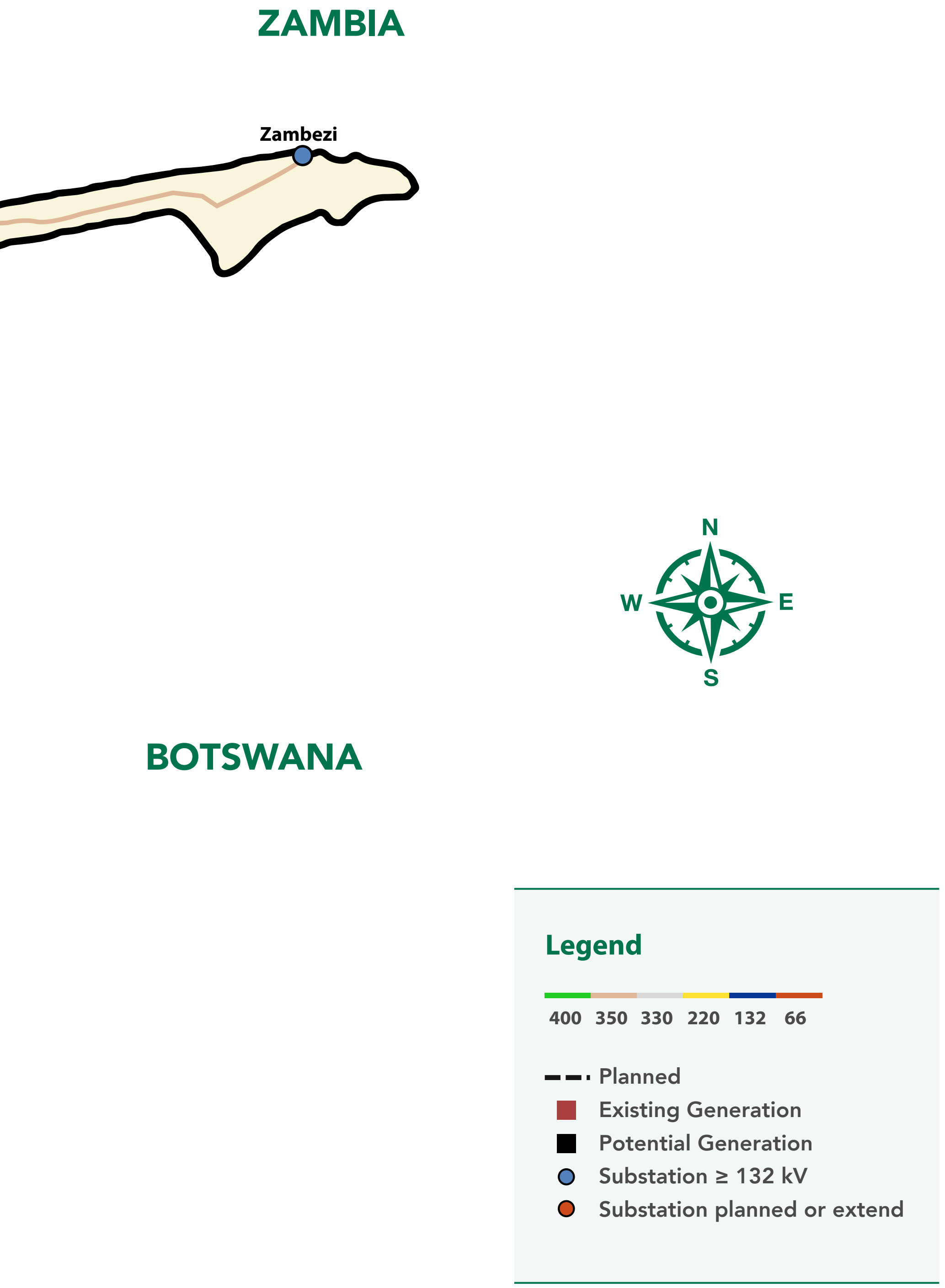
It is critical in the current competitive economic environment for the Utility to measure the performance of its networks accurately. The reliability reporting indices, as stated in table 3 below, are based on the duration and frequency of supply interruptions experienced by an average consumer on the NamPower network.

*Table 3: Transmission System Performance Data 2018/2019*

| Unscheduled System Minute Losses (USML) (minutes) | Scheduled System Minute Losses (SSML) (minutes) | System Average Interruption Duration Index (SAIDI) (minutes) | System Reliability (SAIFI) (interruption/ customer) | Average Restoration Time (CAIDI) (minutes) |
|---|---|---|---|---|
| 29.55 | 32.29 | 0.54 | 0.23 | 2.52 |
| Exceptional | Above Target | Exceptional | Above Target | Exceptional |

Based on the results above, the system reliability (SAIFI) was above the set target, as illustrated by the fact that the average NamPower customer experienced less than one interruption (0.23) over the period under review. The average customer restoration time after a power interruption (CAIDI) decreased from 3.05 to 2.52 minutes of loss of supply, compared to the previous reporting period. This can be attributed to the concerted efforts of NamPower personnel when attending to the restoration of power supply to affected customers. The overall power transmission system availability was 99.86% during the period under review.


ANGOLA
Ruacana
Kunene
Omatando
Okatope
Rundu
Masivi
Otjikoto
Gerus
Omburu
Trekkopje
Khan
Osona
Rössing
Lithops
Van Eck
Auas
Omaere
Walmund
Anixas
Kuiseb
Hardap
Kokerboom
Namib
Obib
Harib
Rock
SOUTH AFRICA


ZAMBIA
Zambezi
N
W
E
S
BOTSWANA
Legend
400 350 330 220 132 66
Planned
Existing Generation
Potential Generation
Substation ≥ 132 kV
Substation planned or extend

# Our Operations (continued)

## Our Customers

### Customer Profile

The Utility is servicing 58 customers (individual transmission customers) in total with multiple supply points. These include, Mining Customers, Import and Export Customers, Regional Electricity Distributors (REDs), Local Authorities and Regional Councils (which are not within established RED areas), Independent Power Producers (IPPs), Re-distributors (which are not within established RED areas), Water Pumping, Refineries and Industrial Customers.

### New Customer Connections

NamPower has completed and commissioned Phase 2 of the Whale Rock Cement plant power supply, which increased the total demand from 5 MVA to 12 MVA. The Utility has also commissioned the Interim 66/6.6 kV, 2.5 MVA power supply to Calueque Pump Station as phase 1 of a 5 MVA upgrade on the existing NamPower Calueque Substation requested by NamWater.

As part of the REFIT programme, the following Independent Power Producers (IPPs) were successfully commissioned and connected to the NamPower Transmission grid:

i. Sertum Energy (5 MW)
ii. Camelthorn Business Ventures No.2 (5 MW)

The following IPPs were also connected and supply energy to the NamPower grid:

i. Greenam Kokerboom (10 MW)
ii. Greenam Hardap (10 MW)
iii. Alten (37 MW)

### NamPower Prepaid System for Transmission Customers

NamPower debtors' days have increased over a number of years, due to slow and non-payment of outstanding accounts. The Utility's Transmission, IT, Supply Business and Tariff sections, have been working on a prepaid system for transmission customers as part of a wider debt collection method to address the problem. The Project team has briefed the Electricity Control Board (ECB) on the purpose of the project.

The ECB has expressed support for the project as it forms a mechanism to reduce the debtor days, as well as ensure the payment of services. It was also made clear that there is no license implication since the proposed tariff will be the Normal Time of Use Tariff, with fixed charges billed daily. ECB has also emphasised the need to inform the customers to be affected in advance on the proposed project. The SMS Gateway quotation has also been obtained and will form part of the notification process. The ECB will be updated regularly on the progress of the project.

### Milestones still to be completed

Most of the outstanding activities are within the SAP system and will be implemented following the approval of the procurement process. Authorisation from the Procurement Committee has been obtained, and the full implementation of the SAP AMI and SAP Process Orchestration is expected to be completed within two months, from November 2019. The enhancement of the current metering infrastructure will be done by the Meter Data Management System (MDMS). When all these are in place, a pilot site will be set up for a test run, and the outcome will be presented to the Executive Committee for approval to go live.

### Net Metering

NamPower has taken ownership of the Test Bench, a new calibration energy meter which was successfully commissioned at Brakwater. A total of 93 Net-metering customers have been commissioned and connected to the distribution network. In addition, the metering section is assisting in a five-year metering audit plan and has to date completed 32 substations with all associated distribution and transmission lines.

## Asset Maintenance

### Transmission

### Line Maintenance

In order to optimise the existing line management strategy, the Utility focused on simplifying the tracking of line inspections and standardising the format of reporting to provide useful information for line maintenance planning. Other initiatives implemented include the provision of training in bush clearing and herbicide application.

### Live Line Maintenance

The budget for the planned live line maintenance project for the critical southern 400 kV lines has been approved. The scope of works and bidding documents have been finalised. The implementation is expected during the 2019/2020 financial year.

### Stay Anchor Refurbishment Projects

The procurement for stay-anchor refurbishment projects on the 220 kV lines are ongoing. The scope of works and bidding documents have been finalised, and the implementation is expected during the 2019/2020 financial year.

### Condition Base Maintenance

NamPower procured two mobile Expiotech Smart Moisture Management Units (MMS-1000) from Reinhausen South Africa (Pty) Ltd. Each MMS-1000 unit consists of a moisture removal machine mounted on a single axle flat deck trailer. These units are designed to remove dissolved water from oil in transformers and reactors, and particulates in a controlled manner whilst the equipment is in service.

The use of these units extends the life expectancy of the transformers and reactors, hence the reduction of the capital replacement costs and down time.

The units will be employed on excessively wet transformers and reactors in the network as part of the Asset Maintenance Department's (AMD) condition-based maintenance strategy.

**Replacement Projects: Circuit Breaker**

Because of its protective role, the circuit breaker plays an important role in transmission and distribution networks. Lifetime management of circuit breakers compared with the other components in power systems is dependent not only on the natural age but also on the number of operations, applications and maintenance schedule.

NamPower has embarked on a circuit breaker replacement programme, and the investment is expected to improve the system performance and increase reliability and availability. It will also reduce the total risk on the network and reduce the operational expenditure.

As part of this refurbishment programme, the following circuit breakers have been replaced:

- Omburu Transmission Station: Reactor 2 – 220 kV breaker
- Gerus Transmission Station: Ombika 1 – 66 kV breaker
- Gerus Transmission Station: Welwitschia 1 – 66 kV breaker
- Okapya Transmission Station: Oshakati 1 – 66 kV circuit breaker
- Okapya Transmission Station: Efundja 1 – 66 kV circuit breaker
- Walmund Transmission Station: Transformer 21 – 22 kV circuit breaker

**Refurbishment Projects: Transformers and Reactors**

Even the best-maintained transformer or reactor will eventually reach the end of its reliable operating life or can develop internal faults. At that point, consideration will be made on whether the equipment—transformer or reactor—should be replaced or repaired. In some cases, it is best to rewind or rebuild a transformer or reactor due to the long lead time to manufacture and deliver transformers and reactors. Rebuilt transformers provide an equally long and reliable operating life just like new ones.

As part of AMD's condition-based maintenance strategy, certain transformers and reactors were earmarked for this type of refurbishment. The following transformers and reactors were removed from service to be refurbished:

- Auas Transmission Station: Reactor 2, 100 MVAr, 400 kV Reactor – the refurbishment was done by SGB-Smit Power Matla, South Africa.
- Omatando Transmission Station: Transformer 12, 25 MVA, 132/66/22 kV – refurbishment was done by ROTEK, South Africa
- Zambezi Transmission Station: Transformer 12, 315 MVA, 330/220/22 kV –refurbishment/repair was done by Crompton Greaves, India
- Gerus Transmission Station: Transformer 21, 315 MVA, 400/220/22 kV – refurbishment was done by ROTEK, South Africa
- Okatope Transmission Station: Transformer 1, 25 MVA, 132/66/22 kV – refurbishment was done by SGB-Smit Power Matla, South Africa.

Some of these units have already been returned and are in the process of being commissioned.

**CROSSBOW Project Status Report**

CROSSBOW is a tested cyber-security solution aimed at securing and controlling access to all network-connected substation devices. CROSSBOW creates an encrypted link between a client computer and substation relay to perform maintenance, configuration changes or retrieval of event records.

The CROSSBOW server has been implemented and has been running on the NamPower network since 2016. Several substations were added to the system to monitor the CROSSBOW system in real-time. Currently, the system only monitors the substation devices and does not perform any actions such as password management or access control.

A small trial "substation" has been set up in the PTM&C test lab, consisting of a number of switches and substation devices. This test set-up was used to test the various available functionalities of the CROSSBOW system on different devices. The different CROSSBOW functionalities and communication protocols were successfully tested.

The CROSSBOW server will be upgraded to the newest version, which will be rolled out on the NamPower network. Meanwhile, the CROSSBOW server was successfully linked to the active NamPower directory, allowing the use of existing authentication methods.

A small network connected substation, close to Windhoek, will be selected for a live test of the CROSSBOW system as a pilot project. All functions of CROSSBOW will be tested on the selected substation. Once the system has been proven on a live substation, CROSSBOW will then be systematically rolled out to the remaining network connected substations. Substations which are critical to the security of supply will be prioritised during the roll-out process.

# Our Operations (continued)

## Projects

### Generation and Transmission Projects Commissioned During the Year Under Review

*Table 4: Capital Projects*

| Project Name | Type | Date Commissioned |
|---|---|---|
| Trekkopje Sertum PV | REFIT/PV | 03/08/2018 |
| Kunene - Omatando 400kV line | TXMP | 20/07/2018 |
| Sargberg Ohorongo Co-generation | Customer | 26/07/2018 |
| Hippo 132kV | TXMP | 22/08/2018 |
| Ruacana 330/132kV coupling transformers | TXMP | 22/08/2018 |
| Calueque Substation 2.5MVA 66/11kV interim | Customer | 09/10/2018 |
| Alten Harpv 37MW PV connection | IPP/PV | 14/10/2018 |
| GreeNam 10MW PV Hardap | IPP/PV | 14/10/2018 |
| GreeNam 10MW PV Kokerboom | IPP/PV | 11/11/2018 |
| Whale Rock Phase 2 | Customer | 28/11/2018 |
| Okombahe New Substation 66kV 2.5MVA | Customer | 07/04/2019 |

**Capital Projects Commissioned During The Year**

The Capital projects listed in the table below and funded by NamPower, IPPs and customers, were completed during the year under review. The completed projects are valued at approximately N$ 570 million.

### Planned Short- and Long-Term Projects

**Generation**

**NamPower 150 MW Projects**

In-line with the new Corporate Strategy and Business Plan 2019-2023, the NamPower Board of Directors approved the implementation of new generation projects in June 2018 under the strategic pillar, "Ensuring Security of Supply". After approving the projects, the Minister of Mines and Energy resolved that 220 MW of power generation should be developed, with:

- 150 MW allocated to NamPower, and
- 70 MW allocated to IPPs on a competitive procurement basis

NamPower will implement the following projects as part of its 150 MW allocation:

- **20 MW Solar PV Power Project;**

Omburu PV Power Project will be developed close to the town of Omaruru. Given the fact that Namibia has some of the best solar irradiation in the world, the estimated capacity factor of this project is approximately 36%. The Project completion date for the power plant is planned for February 2021.

- **40 MW Wind Power Project;**

The Wind Power Project will be developed close to the town of Lüderitz. The Lüderitz area is one of the best wind resource areas in the world, with an estimated capacity factor of 50%. The Project completion date for the power plant is planned for 2022.

- **40 MW Biomass Power Project;**

The Otjikoto Biomass Power Station will be developed close to the town of Tsumeb. Bush encroachment affects 26 million hectares of land in Namibia, and NamPower aims to utilise the bush encroacher for power generation. The Project completion date for the power plant is planned for April 2023.

- **50 MW Firm Power Project.**

Firm (Anixas II) Power Station will be developed in Walvis Bay. The power plant will utilise either Internal Combustion Reciprocating Engine (ICRE) or Gas Turbine (GT) technology with Liquid fuel (LFO/HFO) or LNG/CNG as fuel. The project is expected to be completed in May 2022.

The planned implementation of these projects align and support the key objectives as set out in the National Energy Policy, National Integrated Resource Plan (NIRP) and the Harambee Prosperity Plan. With the exception of the last project, the implementation of the projects would contribute to Namibia's commitment to increase the share of renewable energy as declared in the Nationally Determined Contributions (NDCs) to the United Nations Framework Convention on Climate Change (UNFCCC). Additionally, all of the projects would support the Fifth National Development Plan's (NDP 5) objectives of achieving 755 MW of local generation by 2022.

All four projects would be fully owned and operated by NamPower since the funds to develop and build the power stations will be drawn from NamPower's balance sheet.

## Planned Projects for the Year

### Transmission

A number of new capital expenditure and operational projects were planned for execution during the year under review. These projects were aimed at expanding NamPower's transmission network by installing new assets in line with the Transmission Master Plan, customer requirements or integration of new renewable energy plants, as well as ensuring that existing assets are well operated and maintained.

### Active Capital Projects

#### Auas–Gerus Transmission Line (Part of Transmission Master Plan Projects)

The 400 kV Auas – Gerus Transmission Line will provide another connection from the 400 kV system to the 220 kV system by connecting Auas to Gerus at 400 kV. This will also provide the northern regions with a reliable power supply and form part of the future 400 kV backbone that will stretch from Eskom northwards via Auas, Gerus, and via Otjikoto towards Omatando and Kunene Substations, for the 400 kV northern ring. To date, the line survey has been completed with the standard bidding documents for the EPC contractor completed and submitted to the Central Procurement Board of Namibia (CPBN) for approval.

#### Omatando Substation 400 kV extension, 400 kV Kunene-Omatando Transmission Line and Kunene 330 kV Transmission Station projects (Part of Transmission Master Plan Projects)

A central infeed into the high growth area in Northern Namibia has been initiated as part of the Transmission Master Plan. The 400 kV line from Kunene to Omatando has already been completed. Unfortunately, this power line will not be supplying any load, pending the construction of the Kunene and Omatando Substations at each end of the power line. The latter projects are currently still under development. Two transformers (400(330)/132 kV, 160 MVA) and four 400 kV reactors, which are required at Kunene substation and Omatando 400 kV extension, have been procured and delivered.

Procurement of contractor services for the construction of the two substations will be managed by the Central Procurement Board of Namibia (CPBN), as this now falls outside of NamPower's operational scope.

#### Kavango 132 kV Masivi-Shiyambi – Strengthening (Part of Transmission Master Plan Projects)

Due to low voltages experienced in the north-eastern parts of the transmission network in the Rundu area, the development of new infrastructure, including 132 kV lines, substations and a voltage compensating system is required. All equipment specifications are nearing completion and construction will commence once all materials are procured.

#### Other active capital projects which also form part of the Transmission Master Plan

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

#### Hippo 132 kV Substation Construction and Ruacana 330/132 kV Development Including Installation of 330 kV Extra High Voltage (EHV) Cable to Hippo Substation

The new breaker-and-a-half 132 kV switching station was commissioned in August 2018. The station encompasses two 80 MVA, 330/132/22 kV transformers and GIS (gas-insulated switchgear) to 330 kV EHV (Extra-High Voltage) cable interface to connect Hippo to the Ruacana Substation.

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

The transfer of load from the Ruacana - Calueque – Baobab 66 kV network to the Omatando – Ruacana 132 kV system is now at an advanced stage. This will make additional power supply capacity available at Calueque for water pumping purposes. The procurement of land in communal areas and the associated environmental clearance is time-intensive. Notwithstanding, the project is progressing with the implementation of an interim solution, which will ensure that water supply to the northern area will not be compromised.

#### Khurub-Aussenkehr 132 kV Line Construction

The project to build a new 132 kV line from Khurub (near Noordoewer) to Aussenkehr, to provide for the increased demand requirements from the grape-producing schemes at Aussenkehr on the Orange River, has been initiated. The procurement of an EPC contractor for the implementation, currently managed by the Central Procurement Board of Namibia (CPBN) is at an advanced stage.

# **Our Operations** (continued)

### Active Operating Projects

Several operating projects, aimed at ensuring that the transmission assets are kept in the best possible operating condition to ensure continuity of power supply, are ongoing. These projects include line refurbishment projects such as the 220 kV backbone refurbishment projects (Kuiseb–Walmund, Van Eck–Omburu) and Kokerboom/Auas 400 kV Line-Repair Line (utilising live-line maintenance techniques). The substation refurbishment projects were planned for repairs to the Gerus and Zambezi 315 MVA transformers. Additionally, there are various other ongoing smaller-value operating projects managed by NamPower's capable transmission staff; all at different stages of implementation countrywide.

### Planned projects for the 2019/2020 Financial Year

In addition to the existing active capital and operating projects, NamPower will be embarking on a total number of 39 new projects worth an estimated N$231 million planned for implementation in the upcoming financial year, 2019/2020. These projects include, amongst others; new substation developments, the acquisition of new strategic spare transformers, transformer and reactor repairs, breaker replacements and Programmable Logical Control (PLC) replacements.

### Other Projects Commissioned During the Year Under Review

### Fibre Optic Commercialisation

### The GridOnline

NamPower officially launched The GridOnline in March 2019. The launch of The GridOnline signalled the opening of NamPower's limited spare fibre capacity on its fibre optic network to licensed telecommunication service providers both upcoming and established. Since the official launch of The GridOnline, several additional activities have taken place, especially in terms of market engagement and network services expansion. On 29 July 2019, The GridOnline signed its first customer, Paratus Telecommunications (Pty) Ltd, a Namibian owned telecommunications service provider on the network. Discussions with other potential clients are ongoing.

The GridOnline continues to actively expand its network offerings. One important and imminent milestone is a high capacity connection from Windhoek to Katima Mulilo, which is expected to be operational by early 2020. Additional routes are in the pipeline.

## Energy Trading

The Energy Trading Division is responsible for ensuring that the country's electricity demand is met at all times. The trading activities cover all facets of optimising the energy supply mix through demand forecasting, integrated resource planning, energy budgeting, energy reconciliation, energy financial settlement, negotiations and management of Power Purchase Agreements (PPAs).

NamPower has not conducted load shedding during the year under review. There was, however, high participation in the SAPP market compared to the previous year. This is done to ensure optimal supply to customers. NamPower will continue to invest in new technology infrastructure to ensure operational excellence that will lead to security of supply through its own generation and procurement of energy from SAPP and the local IPPs.

### Imports

In order to optimise and meet the electricity demand at all times, NamPower supplements its electricity requirements with power from the region through SAPP's long term bilateral agreements (PPAs) and short-term trade markets. NamPower has four long term bilateral agreements (PPAs):

- 200 MW Firm Contract with ESKOM (South Africa)
- 300 MW Non-firm Contract with ESKOM (South Africa)
- 50 MW Firm Contract with ZESCO (Zambia)
- 80 MW Firm Contract with ZPC (Zimbabwe)


*Figure 7: Imports*

### Local IPPs

- Renewable energy integration remains one of our key focus areas to achieve sustainable supply mix. NamPower has 18 supply agreements with local IPPs to generate power from renewable sources.
- 14 of the 18 IPPs are operational, and 4 of the fourteen 14 operating IPPs were commissioned in the current financial year. This resulted in an increase in the capacity of IPPs from 49.5MW of the previous financial year to 116.5 MW.

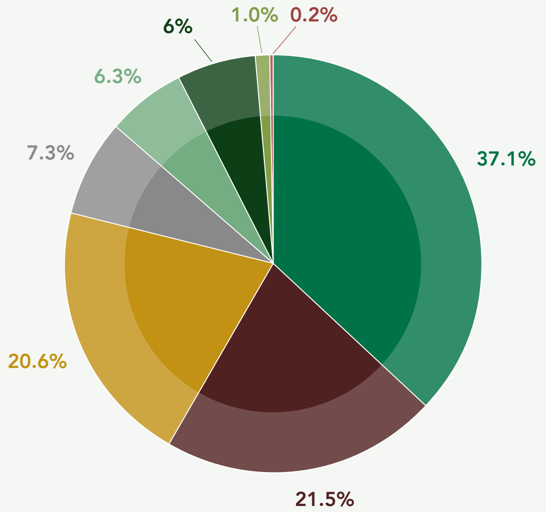
### Renewable Energy Feed-in Tariff (REFIT) projects

NamPower successfully implemented the integration of the IPPs on the NamPower network under the REFIT programme (a programme under which NamPower has concluded PPAs with 14 local renewable energy IPPs, each to generate 5 MW). To date, 11 of the 14 REFIT projects have been successfully commissioned. The completion of the remaining three projects is expected during the 2019/2020 financial year.

### Suppliers' Contribution

During the year under review, the region (SAPP) faced a number of challenges, and NamPower was no exception. However, with our agreements and good relations with our stakeholders, NamPower managed to meet the expectations of its customers by ensuring that their electricity needs are met at all times. This is in line with the Utility's mandate as the supplier of last resort. The figure below depicts the composition of supply during the year under review.

### Energy Supply Composition - (July 2018 to June 2019)




| | |
|---|---|
| ESKOM | 37.1% |
| RUACANA | 21.5% |
| SAPP | 20.6% |
| ZESCO | 7.3% |
| ZPC | 6.3% |
| IPPs | 6% |
| VAN ECK | 1.0% |
| ANIXAS | 0.2% |

*Figure 8: Energy Supply Composition*

### Challenges

During the period under review, NamPower faced minor challenges due to wheeling (Transmission) path constraints. The challenges were mainly caused by unplanned outages of interconnectors in the region, which resulted in NamPower not receiving its contracted power from ZESCO (Zambia) and ZPC (Zimbabwe) for a period of 2 months (April 2019 and May 2019). The latter was caused by the Cyclone Idai that hit Mozambique and part of Zimbabwe during March 2019. A summary of the challenges is tabulated below:

*Table 6: Challenges*

| Supply Challenges | Wheeling/Transmission Challenges |
|---|---|
| **Ageing Generation Plant**<br>• Van Eck power station was not dispatched to its maximum capacity due to the on-going refurbishment of the plant.<br>**Unplanned Outages**<br>• An IPP (Camelthorn Solar plant) in the Outapi area has not been generating due to an unplanned outage since April 2019.<br>**Climate Change**<br>• Low rainfall received resulted in the low output from our biggest and cheapest supply source (Ruacana Hydro Power Plant), causing more reliance on imports. | **Unplanned Outages**<br>• The outage of the Apollo interconnector (Mozambique-South Africa) due to cyclone Idai in Mozambique was a major threat to the security of supply as it prevented NamPower from getting its contracted power from Zambia and Zimbabwe.<br>• The outage of the Zambezi link (Namibia Interconnector with Zambia) due to fire, remains an existing challenge. It reduces wheeling path options for energy imports. |

Due to the above-mentioned challenges, emergency energy from ESKOM increased from 2 GWh the previous year to 30 GWh, while Anixas' energy contribution increased from 0.2 GWh the previous year to 8 GWh.

# Our Operations (continued)

**PROJECTS**

In order to improve our operations in terms of efficiency, and in the same line support the development of a sustainable electricity market, NamPower embarked on three key projects as presented below;

*Table 7: Projects Schedule*

| Project | Scheduled Completion Date |
|---|---|
| Upgrade of the NamPower Energy Trading System (NETS) | 30 July 2019 |
| Assessment study of the new market framework impact to NamPower. | 31 August 2019 |
| Installation of meteorological (met) monitoring system on renewable power plants | 31 June 2020 |

## Operational Efficiency

**Information Services**

**Highlights of Major Milestones**

The NamPower IT Services (iServ) again managed to keep its services at top levels.

*Table 8: IT Services*

| Local Area Network | 99.67% |
|---|---|
| Services | 99.87% |

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

- During the fiscal year, 10 high-level users were migrated to Microsoft Office 365 and Exchange Online with tight security implementation to protect the internal IT resources.
- Many of NamPower's WAN connections to the regional offices were converted to a SD-WAN (Software Defined Wide Area Network) solution with noticeable performance improvement and cost savings.
- The multi-functional peripheral devices were replaced during this year with a similar integrated solution.
- The virtual environment hosting servers' replacement bid was also awarded. This will prepare NamPower to move the ERP system into an in-memory architecture.

**Milestones for 2018-2019**

During the next fiscal year, iServ Operations will complete replacing the network edge and the virtual environment hosting servers. Several WAN connections will be moved directly onto the LAN utilising fibre technology.

Computer-related threats are becoming much more intelligent and complicated. For this reason, iServ will be implementing multiple new technologies with built-in artificial intelligence to protect the content of NamPower.

In 2019, iServ implemented and went live with the new Performance Management System SAP Success Factors Performance and Goals to support the company's strategic business plan implementation for 2019-2023.

In addition, the digital channel for the Invoice Management System, VIM, was upgraded to the new release to align with system maintenance support of the system vendor. Other projects in progress are SAP Advanced Meter Infrastructure and e-recruitment. The Utility's focus during the next financial period is to upgrade the SAP ERP system to a digital core system, called SAP S/4 HANA.

**Electronic Document and Records Management (e-DRM)**

Patching of PowerCloud to the latest available version was successfully completed in preparation for the upgrade of the solution to Rel 16 EP2, planned for the next financial year.

NamPower also started with the digitising of employees' files to preserve these records and to improve operational efficiencies while continuously exploring opportunities to automate business processes using PowerCloud.

### ISO Integrated Management System

### Implementation of ISO Standards

The main objective of this project is to develop and implement International Standards (ISO) Integrated Management System (IMS) that will help the organisation to adequately and effectively address Health, Safety, Environment, Risk, Asset management and Quality requirements through the implementation of the following standards:

- ISO9001:2015 (Quality Management Systems)
- ISO14001:2015 (Environmental Management Systems)
- ISO 45001:2018 (Occupational Health and Safety Management System)

### Achievements and Challenges

In order to ensure compliance to the international standards, a considerable number of High Level, Operational and Safe Working Procedures were completed. The high-level procedures are aligned with the strategic pillars of NamPower and will assist in driving the organisation to achieve operational excellence. Moreover, the documentation of procedures will further assist to improve the Utility's operations by consistently providing quality service, create an audit trail and preserve organisational memory.

The standards require a risk-based approach which is used to determine the effectiveness of controls related to the execution of work. This will assist in the evaluation of potential losses and allow for action to prevent, reduce or eliminate such threats.

These controls are built in the procedures and internal auditing will focus on the effectiveness thereof. ISO 45001 and 14001 requires Hazard Identification and Risk Assessments as well as Aspects and Impacts Registers for each section in the Business Units. This creates a culture and awareness of safety, health and cares for the environment as expressed in the Corporate Strategy and Business Plan 2019-2023. NamPower recognised that it is a huge task that will need considerable time and resources. At this stage, limited human resources are available to address the work load adequately.

One of the objectives of this project is to equip NamPower employees to be able to understand the requirements of the standards, implement them in their respective Business Units and conduct internal audits to ensure compliance before external audits are conducted.

To this end, employees were trained in the implementation and auditing of ISO Standards. At this stage, 109 employees were trained in the implementation of ISO 9001, 45001 and 14001. Some of these employees have conducted the first internal audit and management review meeting at the Anixas Power Station.

# Our Human Capital

### Our Human Capital

The human capital report provides an opportunity for the Human Resource function to demonstrate NamPower's contribution in providing the strategic partnership and shaping the organisation's value creation.

### Demographics and Diversity

The employee profile is currently at 1,123, including 92 employees on short-term employment contracts (refer to figure 9). Employees on short-term employment contracts constitute 8% of the total workforce. Our staff compliment consists of 886 males and 237 female employees as per figure 10. The representation of female employees stands at 21%. NamPower continuously strives to increase the representation of women in the organisation by creating equal employment opportunities, and aims to achieve this by targeting female students for bursaries and scholarships, amongst other initiatives.

The average age of the employees currently stands at 41 (see Table 9). 20% of the workforce is a combination of employees in Generation Y and Generation Z, who are mostly millennials. This generation is posing a challenge to NamPower on how to engage and retain them effectively. Although half of the workforce is aged below 40, there is a significant number (12%) of employees who will leave the company within the next 5 years. This is a generation of Baby Boomers with quite advanced knowledge, skills and expertise whose departure will pose a challenge to NamPower on skills transfer.

Interventions are put in place to address the transferring of knowledge and skills to the younger generations. These include targeted leadership development programmes, succession and talent management programmes, on-the-job training and other identified training and development programmes.

More than 45% of the workforce has been in NamPower's employment for more than 10 years. The breakdown by tenure on figure 11 explains the very low labour turnover experienced in the company withal, a positive trend on the retention of the necessary skills and knowledge.

### Proportion of Short-Term Contracts

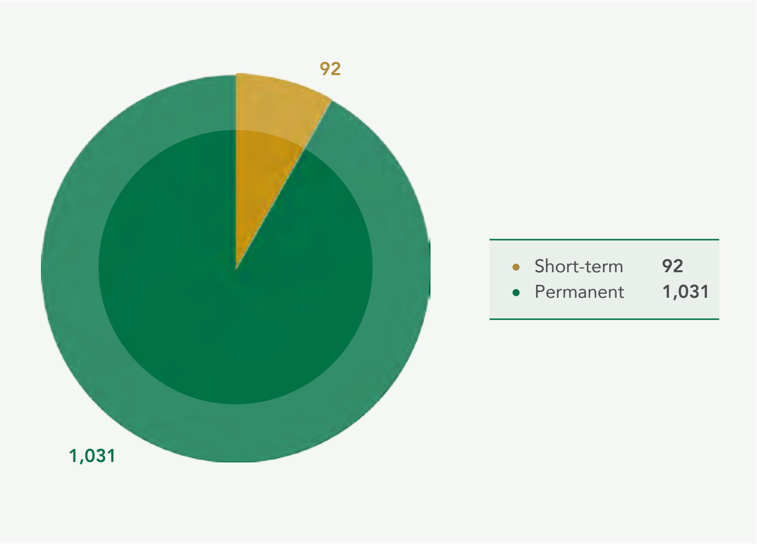



*Figure 9: Proportion of Short-Term Contracts*

### Total Workforce

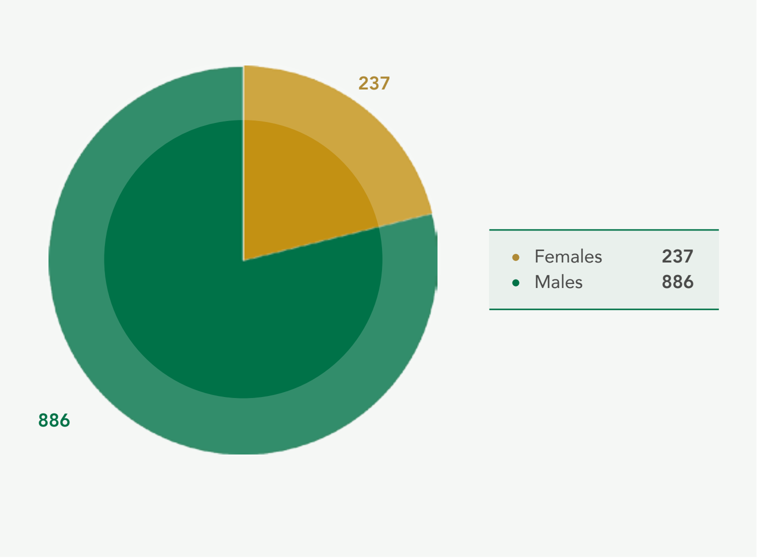



*Figure 10: Total Workforce*

### Breakdown by Age

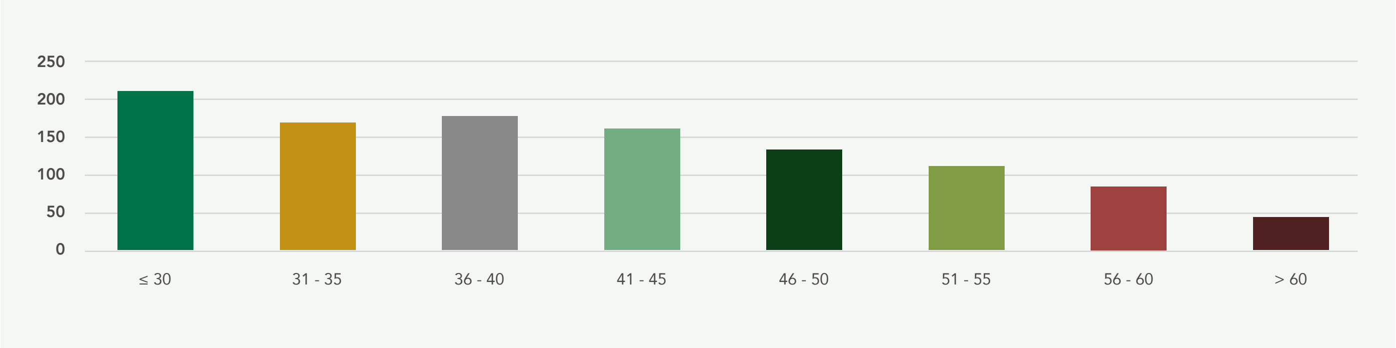
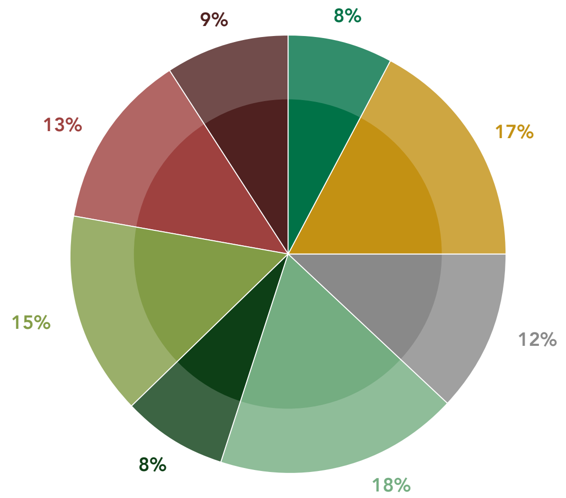



*Table 9: Breakdown by Age*

### Breakdown by Tenure




| | | |
|---|---|---|
| • | < 1 Year | 8% |
| • | 1 - 3 Years | 17% |
| • | 4 - 6 Years | 12% |
| • | 7 - 10 Years | 18% |
| • | 11 - 14 Years | 8% |
| • | 15 - 20 Years | 15% |
| • | 21 - 30 Years | 13% |
| • | > 30 Years | 9% |

*Figure 11: Breakdown by Tenure*

### Employee Engagement and Surveys

NamPower participated in the Deloitte Best Company Survey from May to July 2018. This survey provides the company with information on the levels of employees' engagement towards their work and their ambition in reaching the company's mandate.

A total number of 520 employees participated in the survey. The results of the Survey were presented to the management, the Board and the employees. In response to the survey outcome, several interventions have been identified for implementation as remedies to improve employee and work engagement.

# Our Human Capital (continued)

Snapshots of the survey results are displayed as follows:

*Table 10: Survey results*

| Index | Description of the Measure | Achieved Score | International Bench |
|---|---|---|---|
| 1. Best Company Index (Attraction Index) | How attracted the employees are to the company | 69.70% | 64.8% |
| 2. Engagement Index | How employees think, act and feel in the workplace and their relationships with different levels. | 74.52% | 71.67% |

| Category Description | Impact | Delight | Disappoint | Priority |
|---|---|---|---|---|
| Accomplishment & Growth | 0.35 | 73.17 | 11.78 | Leverage |
| Care & Feedback | 0.16 | 59.81 | 20.00 | Focus |
| Values & Culture | 0.14 | 87.45 | 3.67 | Leverage |
| Fairness & Integrity | 0.11 | 44.40 | 28.38 | Focus |

*Figure 12: Attraction Distribution*

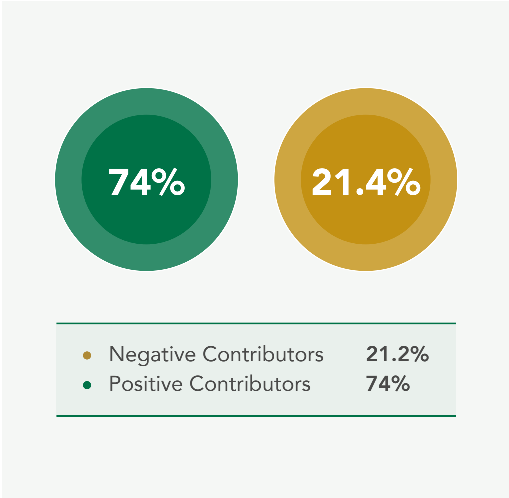



*Figure 13: Engagement Distribution*

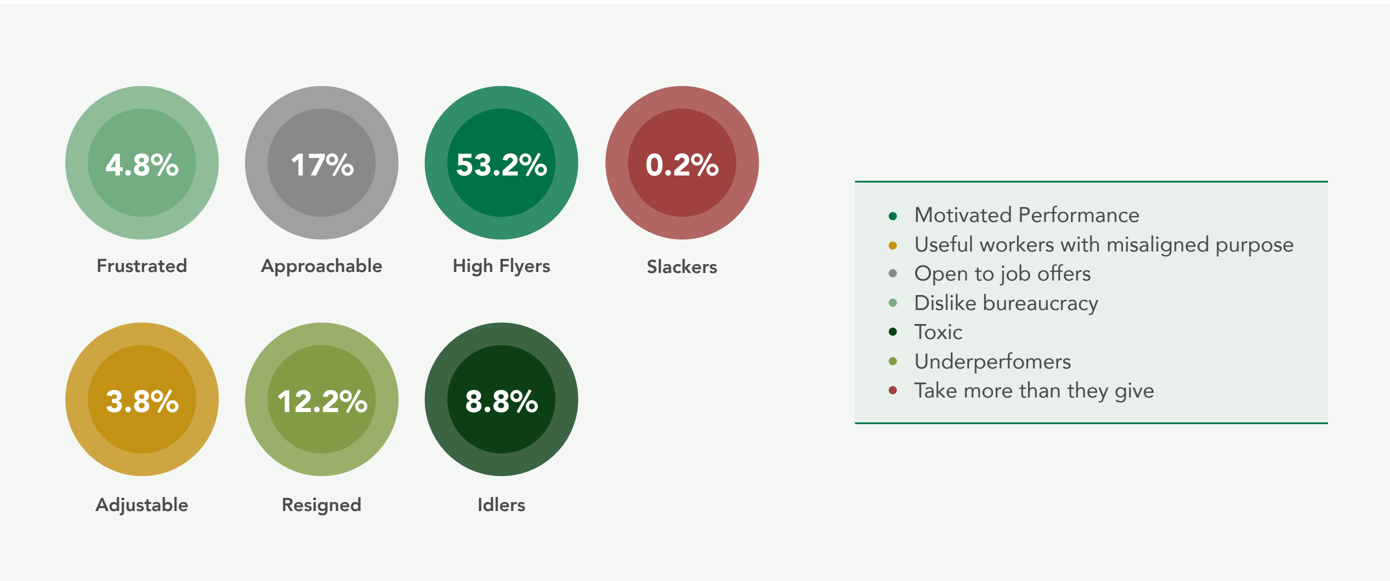



*Figure 14: Engagement Categories & Results*

### Governance (Board Reporting)

The Human Resources function is responsible for ensuring that employees understand the Human Resources Strategy, as well as to ensure that the company has the relevant skills and expertise. In this regard, the function is headed by the Chief Officer, Corporate Services who reports to the Managing Director. In terms of governance, the function produces a quarterly report which is submitted to the Remuneration Committee of the Board for discussions, approvals and recommendations to the main Board.

### Labour Relations

NamPower enjoyed a healthy company/union relationship during the reporting period. The disciplinary frequency, referring to the ratio that measures the number of times employees breach the Code of Conduct as well as the company's reaction, remains at 1.2%, consisting of 14 incidents (7 written and 7 final warnings). A ratio of 3% is considered to be in an acceptable limit indicating a satisfactory standard of discipline in the organisation.

### Leadership

NamPower has compiled the demographic information for its managers in order to understand their leadership styles and profiling. The executive management has also participated in the assessment process for leadership profiling. The information that was obtained from these exercises is used in determining leadership gaps and to develop leadership development interventions. This process is now being extended to senior and middle management.

### Staff Movement

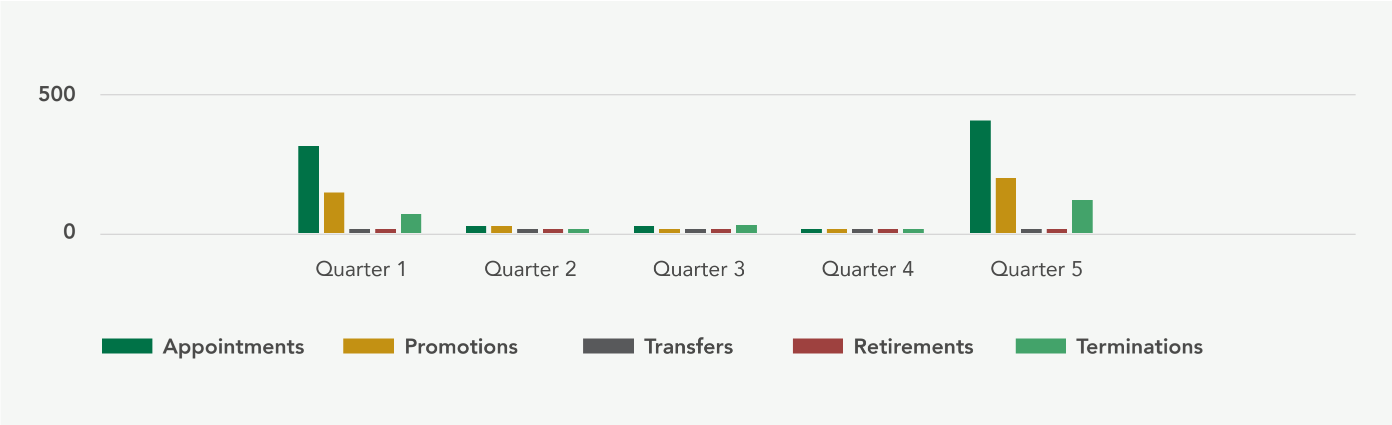



*Figure 15: Staff Movement*

Figure 15 displays human resource activities – new appointments, promotions, transfers, retirements and terminations. The graph shows that both new appointments and promotions of staff have been the most noticeable activities on the transactions of Human Resources.

### Innovation & Research

NamPower Training Centre (NPTC) is currently hosting Caleb Soini Shafishuna, who is an innovator working on a project which is envisaged to generate electricity from "special" sand.

### Recognition of Prior Learning (RPL)

Recognition of Prior Learning is a process by which individuals receive formal recognition for experience, skills and knowledge acquired formally or informally. The first NamPower RPL graduates received their certificates during the ETD & Vocational Training Graduation Ceremony in February 2019.

# Abridged Sustainability Report

## Corporate Social Investment

NamPower continues to contribute meaningfully to the socio-economic development of Namibia. This is done through the support of initiatives in the following focus areas: education, community development, health and social welfare and capacity and skills development. The Utility believes that it can, through corporate social responsibility, forge stronger relations between the corporation and its stakeholders, while changing and impacting lives.

During the year under review, the NamPower Foundation spent over N$ 3.5 million on corporate social investments, which includes N$ 1.8 million used on its two flagship projects, the Medic Rush and Disability Sport Namibia. Through these initiatives, the Foundation contributes towards capacity building and the socio-economic upliftment of vulnerable Namibian communities.

Most requests received by the Foundation during the year under review, were for education-related projects. Several school infrastructure projects, such as the construction of classrooms and fencing of school grounds, have been completed. Among others, the Foundation committed over N$ 300,000 to an e-learning project for Okakarara and Waterberg Secondary Schools, while over N$ 92,000 was granted to Niilo Taapopi Senior Secondary School towards the purchasing of a 14-seater Quantum bus. The Foundation also reached out to women's empowerment initiatives such as the Namibia Women in Health Conference, Women in Engineering Conference and Women in Science Educational Camp, by funding these initiatives to a combined value of over N$ 350 000.

Efforts continue to be made to ensure that NamPower reaches out to communities in all regions of the country.

The graphs below illustrate the corporate social investment regional spread:

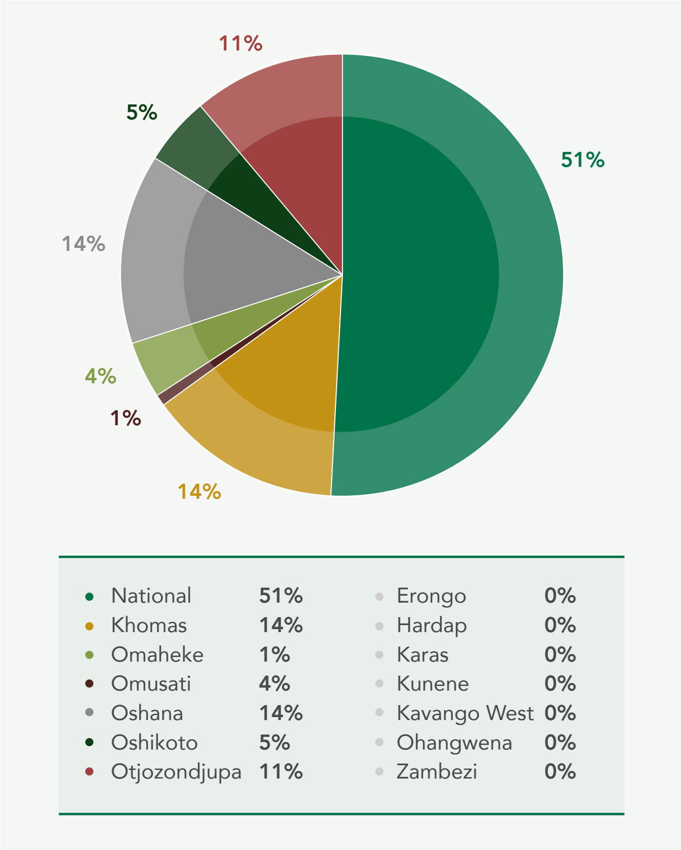



*Figure 16: Regional spread of sponsorship in N$*

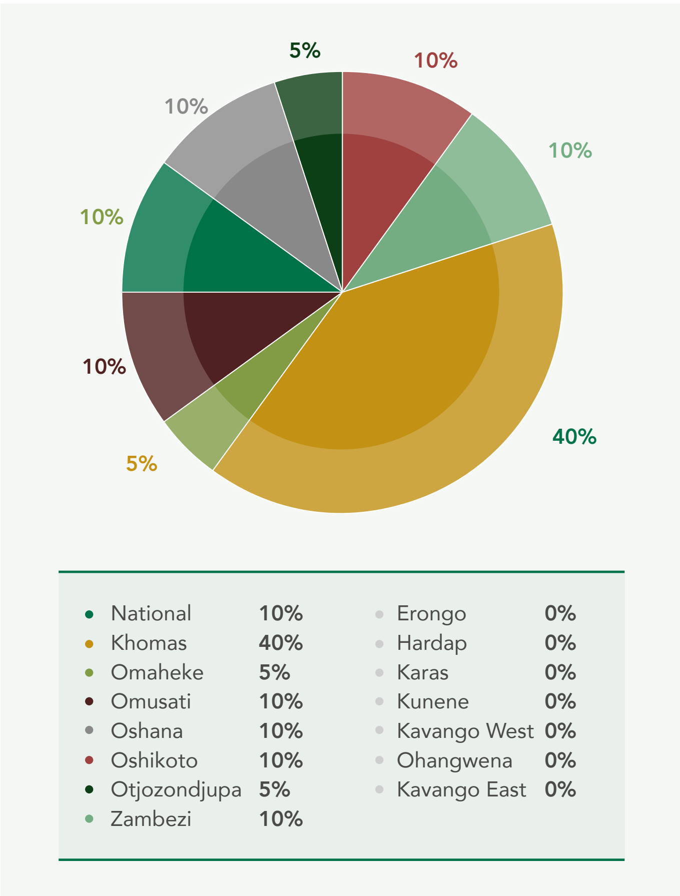



*Figure 17: Number of Projects Sponsored*

There has been a slow implementation of projects during the year under review due to the lengthy process of the Procurement Act implementation.

**NamPower Educational Assistance Programme & Vocational Training**

NamPower, in its commitment to honouring its mission of fulfilling aspirations of its staff continues to provide educational assistance programmes to its current and prospective employees. The NamPower educational assistance programme consists of external bursaries, vocational bursaries, employee study grants as well as employees' children bursaries. The Utility believes that through providing its employees and prospective employees with educational opportunities, it will enhance their job performance, thus impacting positively on the organisation and their lives.

During the period under review, NamPower supported 271 students and trainees, through different educational assistance programmes at an estimated cost of N$12.3 million. The majority of the students are studying at local institutions of higher education, including vocational training centres. NamPower also intends to award study grants for employees who intend to pursue their studies on a part-time basis. This award will be done under the auspices of the NamPower Educational Assistance.

Table 13 depicts the number of recipients of the educational assistance programme:

| Educational Assistance Programme | Female | Male | Total |
|---|---|---|---|
| Dependants Bursaries | 99 | 52 | **151** |
| External Bursaries | 23 | 41 | **64** |
| Employee Study Grants | 3 | 6 | **9** |
| Vocational Bursaries | 7 | 40 | **47** |
| Total | 132 | 139 | **271** |

NamPower Training Centre (NPTC) partnered with the Bremen University of Germany via the Namibia Training Authority (NTA) to provide specialised Train-the-Trainer for Electrical General Instructors on the NPTC premises. Technical Instructors from various government VTCs are being trained since May 2019 – the duration of the project is eight months.

### World Skills Competition

Two NamPower Training Centre (NPTC) trainees won Gold and Silver medals at the National Skills Competition in April 2019, in the field of Electrical Installation. The Gold Medallist, Sem Matheus, also represented Namibia at the WorldSkills Competition in Kazan, Russia from 19–29 August 2019. The Education, Training and Development (ETD) and NPTC Departments sent the current representative for Africa on the WorldSkills Champions Trust, Bruno Karaerua, a former NPTC trainee, to be trained on the advanced Programmable Logic Controller (PLC) and KNX (building automation) – he is now qualified. WorldSkills Namibia, a Directorate of the Namibia Training Authority (NTA), appointed Karaerua, as an Assistant Expert to train the National Skills Competitors in PLC, because of his expertise. Positive feedback has been received on his performance.

NPTC will now be using Shafishuna, Karaerua and Matheus, as trainers for other trainees and graduate trainees interested in learning about linking PLCs and building automation using LAN.

## Empowerment

NamPower remains focused on complementing the developmental programmes of the country, such as the 5th National Development Plan (NDP 5), the Harambee Prosperity Plan (HPP) and the attainment of the United Nations Sustainable Development Goals (SDG's).

The NamPower Equitable Economic Empowerment Policy (NEEEP) was reviewed and aligned with the Public Procurement Act of 2015 during the period under review. While awaiting feedback from the PMU, NamPower ensures that most of the bids are advertised under Open National Bidding (ONB), as per section 29(b) of the Procurement Act of 2015.

Significant progress has been made to-date; of the 44 bids that were awarded during the period under review, 27 bids were awarded based on the fact that Namibians had 51% shareholding with 31% from Previously Disadvantaged Namibians.

NamPower has also seen the actualisation of the NEEEP pledges under the Community Investments pillar on the NEEEP scorecard, through the Rumwemwe Electrification Project in the Kavango East region. The bidder, based on the NEEEP guideline to re-invest a certain percentage of the contract value into the community, electrified Rumwemwe village to the tune of N$3.2 million.

In its resolve to contribute to the government's developmental programmes such as the NDP5, NamPower has targeted two pillars, namely Economic Progression and Social Transformation, when executing its projects. This was achieved through NEEEP empowerment elements of Entrepreneurship Development and Community Investment, during the implementation of the Kunene-Omatando 400 kV line transmission project.

Other major projects that had a significant contribution to attaining these goals were the Hippo 132 kV substation project and the 330/132 kV 80 MVA transformer project. A total of N$10 million was spent on the Hippo 132 kV Substation project. This is part of the contractor's pledge towards entrepreneurship development to complement the local capacity building objective of the Procurement Act of 2015.

In the drive to make Namibia an industrialised country, NamPower has made it a scoring criterion for bidding entities to devote a certain percentage of the contract value to skills development and local employment.

Namibia's Gini Coefficient is 0.55 and makes the country one of the unequal societies in the world. Therefore, it is through initiatives such as the equitable distribution of wealth, skills development and community investments that this ranking can be brought to acceptable levels.

## Safety, Health, Environment and Wellness (SHEW)

### NamPower- MVA Fund Work Place Road Safety

NamPower has over the years recorded a number of motor vehicles accidents resulting in injuries, fatalities and high medical expenses. This is a huge loss to the Utility in terms of human and capital resources. In response to the above, NamPower deemed it necessary to put in place measures to ensure workplace road safety initiatives with the aim to reduce vehicle accidents involving its employees.

NamPower engaged the Motor Vehicle Accident (MVA) Fund, known for its various road safety initiatives that include studies on crashes, road safety campaigns and most importantly the implementation of accident preventative measures. The Utility and the MVA Fund have signed a Memorandum of Understanding (MoU) in this regard and have officially commenced the initiatives as of 1 July 2019.

### Recycle Namibia Forum (RNF)

The Recycle Namibia Forum (RNF) was established as a non-
The Recycle Namibia Forum (RNF) was established as a non-
profit membership organisation on 7 June 2011 with the purpose of coordinating projects to promote recycling and the reduction and reuse of waste in Namibia. Namibia, with its 2.1 million citizens, produces 3 000 tons of waste daily. As a result, NamPower, as an environmentally responsible corporate citizen, joined the forum in May 2019, in its quest to reduce the quantity of waste reaching the landfill sites. In this regard, a number of initiatives have been rolled out throughout NamPower.

### NamPower Wellness Screening Campaign

The Wellness, Prostate and HIV screening campaign was held from April - May 2019 throughout the company. Overall, the campaign recorded a participation rate of 65% (n=733/1129). The rate of obesity was the highest as observed at 34% (n=250/733); followed by the rate of high blood pressure at 17% (n=121/733), while cholesterol was observed at 5% (n=35/733).

# Financial Performance Overview

The challenging year that NamPower experienced is evident in the company's financial performance during the period under review.

Group revenue remains similar to the previous year amounting to N$ 6.579 billion in the year under review, comparing to N$ 6.595 billion achieved in the previous year. The slight decrease in revenue was primarily driven by a decrease of 1 cent/kWh in the NamPower tariff for the financial year under review and the decrease in unit sales volume of 3%. As part of the bulk tariff increase of 5% awarded for the 2019 financial year, 9.3 cents/kWh was allocated to the Long Run Marginal Cost (LRMC) reserve, while the NamPower revenue requirement was reduced with 1 cent/kWh from 161 cents/kWh awarded for the 2018 financial year, to 160 cents/kWh in respect of the 2019 financial year.

In 2013, the Ministry of Mines and Energy introduced the LRMC Levy to create a reserve for use to avoid significant future price shocks to the Namibian consumer. This levy was included in the 2014 financial year tariff at 2.54 cents/kWh and amounted to N$ 127 million. The year under review included the LRMC Levy of 9.3 cents/kWh. In line with the directives of the regulator, the Electricity Control Board, the LRMC Levy is ring-fenced in the books of the company and invested in a separate interest-bearing account, effective 1 July 2018. These funds can only be utilised with the specific approval of the regulator. It is thus included in the deferred revenue and, as at the reporting date, it amounted to N$ 500.5 million.

Electricity sales volumes decreased by 3% (2017/2018: 3% increase) from 4,285 GWh achieved in the prior year, to 4,159 GWh in the financial year 2018/2019. The decrease in sales volumes is attributed to a decrease in water pumping due to the drought and a decrease in mining activities as a result of the contracting ecomony. Maximum demand (including Skorpion) increased to 684 MW achieved in June 2019 compared to 639 MW in June 2018, representing a slight increase of 7%.

During the 2016 financial year, NamPower concluded 14 new Power Purchase Agreements (PPA) with Independent Power Producers (IPPs) of 5MW each in the renewable energy sector under the Renewable Energy Feed-In Tariffs (REFIT) programme. Eleven (11) out of these fourteen (14) REFITs are operational and supplying NamPower with electricity. The remaining REFITs are expected to come on board during the course of the next financial year. Of the 4,435 GWh fed into the Namibian system, 150 GWh was generated by the REFIT IPPs. In addition, NamPower concluded power purchase agreements with two Independent Power Producers, i.e. Greenam and Alten Solar Power Hardap (Pty) Ltd, who started generating power during the year under review and contributed 34 GWh and 72 GWh respectively.

The gross profit margin decreased to 40% compared to 49% achieved in 2018, as a result of an increased cost of electricity. The cost of electricity increased by 16% from N$3.4 billion achieved in the previous year, to N$ 3.9 billion for the year under review. The country experienced severe drought and the lowest rainfall over decades and consequently low Kunene River flows, resulted in a decrease in dispatch of the local cheaper generation of NamPower's hydropower station at Ruacana. Under the REFIT PPA contracts, NamPower purchased power at N$ 1.37/kWh (solar) and N$ 1.08 kWh (wind), which is adjusted annually on 1 July with the Namibian Consumer Price Index (CPI).

NamPower continues to rely on regional trading partners to meet the country's energy demand. The cost of imported electricity was the main contributor to the increased cost of electricity due to the depreciation of the Namibia Dollar against the United States (US) Dollar in which some of the import contracts are denominated. Of the total 4,435 GWh units of electricity into the Namibian system during the year under review, 71% (2017/2018: 73%) was imported from the region. IPPs contributed 6% of the total energy generated during the financial year.

Other Income for the Group increased from N$ 22.6 million to N$ 78.3 million during the period under review. Included in "other income" is income from NamPower's fibre optics rentals and property rentals.

In 2010, the shareholder, the Government of the Republic of Namibia, made a commitment to subsidise N$ 250 million towards the construction of the Anixas emergency diesel power station in Walvis Bay. Of this grant, N$ 54.9 million has been recognised as income and the remaining N$195 million will be recognised on a systematic basis over the useful life of the power plant. The Government grant accrued income amounted to N$ 8.9 million (2017/2018: N$ 7 million), and is also included in "other income".

Other operating expenses increased by 31% during the year under review. Included in the operating expenses is the increase in provision for expected credit losses (impairment) of N$ 325.7 million (2017/2018: N$ 93.9 million) in respect of accounts receivables as a result of the delayed settlement of accounts by some customers and the implementation of IFRS 9.

Repairs and maintenance of transmission networks and power stations remain the core activities of the company, to ensure that assets remain reliable in delivering power to the nation. NamPower incurred expenses of N$ 65 million (2017/2018: N$ 80 million) in respect of repairs and maintenance of transmission networks. These activities will continue to have a material impact on the company's operating expenses going forward.

During the year under review, the Group adopted two new accounting standards, i.e. IFRS15: Revenue from Contracts with Customers replacing IAS 18: Revenue and IFRIC 18: Transfer of assets from Customers, and, IFRS 9: Financial Instruments which replaced IAS39: Financial Instruments: Recognition and Measurement. The main changes and effects of the new standards adopted are reported in note 5 of the financial statements.

Investment income for the year increased by 14% (2017/2018: 25%) from N$ 772 million to N$ 880 million for the period under review. The increase in the average investments held and the fact that there was no exceptional expenditure on capital infrastructure during the year under review, resulted in an increase in investment income.

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

- Net fair value loss on derivatives and foreign loans of N$ 9 million (2017/2018: N$ 65 million);
- Net fair value gain on embedded derivatives on Power Sale Agreements and Power Purchase Agreements of N$ 72 million (2017/2018: N$ 21 million);
- Fair value loss on firm commitments of N$ 6 million (2017/2018: N$ 3 million gain);
- Net foreign exchange gain of N$ 18 million (2017/2018: N$ 5 million)

In line with the Group's accounting policies, the company revalued its core assets, i.e. power stations, transmission and distributions systems, aircraft fleet and land and buildings, effective 1 July 2018, on the basis of depreciated replacement value. The revaluation of power stations, transmission and distribution systems and aircraft fleet was performed by independent valuers namely WSP Group Africa (Pty) Ltd, South Africa, and the land and buildings were revalued by Gert Hamman Property Valuers CC, Namibia. The core assets were reassessed as at 30 June 2019. The revaluation resulted in the increase in the value of these assets by N$ 920 million and an impairment loss of N$ 46 million was realised. The impairment loss was charged against the profit and loss whilst the revaluation surplus and associated tax charge of N$ 291 million was recognised in other comprehensive income.

Depreciation and amortisation charge for the year amounting to N$ 783 million (2017/2018: N$ 876 million) was recognised in arriving at the profit before tax. The Group made a profit before tax of N$ 1 billion compared to N$ 1.7 billion of the 2018 financial year.

NamPower was liable for N$ 464 million (2017/2018: N$ 607 million) current tax for the year under review. Group profit after tax amounted to N$ 751 million compared to N$ 1.2 billion achieved during the prior year.

Cash generated from operations decreased from N$ 2 billion during the previous year to N$ 1.4 billion. Debtor's days increased from 66 days in the financial year 2017/2018 to 85 days during the financial year under review, indicative of the challenging economic situation.

Capital expenditure for the Group amounted to N$ 275 million (2017/2018: N$ 656 million) for the year under review. Total assets for the Group increased to N$ 33.7 billion from N$ 32 billion of the prior year.

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

The next few years are expected to be characterised by expanding generation capacity and strengthening the transmission backbone system. This capital programme will be financed predominantly from own resources; for this reason, investment income is expected to decrease correspondingly.

„

From studying for a brighter future to burning the midnight oil on an important project, NamPower is the connection at your side that will always illuminate the way.

next page
ANNUAL FINANCIAL STATEMENTS

# Directors' Responsibility Statement

The directors are responsible for the preparation and fair presentation of the consolidated and separate annual financial statements ("Financial Statements") of Namibia Power Corporation (Proprietary) Limited, comprising the statements of financial position at 30 June 2019, the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies, other explanatory notes, and the directors' report, in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of Namibia.

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

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

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

### Approval of consolidated and separate annual financial statements

The consolidated and separate financial statements of Namibia Power Corporation (Proprietary) Limited, as identified in the first paragraph, were approved by the board of directors on 5 December 2019 and signed by:

**Ms. K Ndilula**
Chairperson

**Mr. K S Haulofu**
Managing Director

**Ms. A Matebele**
Chairperson - Audit and Risk Management Committee

**The directors have made an assessment of the ability of the Group and Company, to continue as a going concern and have no reason to believe that the business will not be a going concern in the year ahead.**

# Value Added Statement
## for the year ended 30 June 2019

| | CONSOLIDATED | | | |
|---|---|---|---|---|
| | 2019 | | 2018 | |
| | N$'000 | % | N$'000 | % |
| **VALUE ADDED** | | | | |
| Turnover | 6,579,468 | | 6,594,816 | |
| Less: Cost of primary energy, materials and services | 4,706,806 | | 3,850,262 | |
| Value added by operations | 1,872,662 | 66.16 | 2,744,554 | 77.56 |
| Interest and sundry income | 957,913 | 33.84 | 794,175 | 22.44 |
| | 2,830,575 | 100.00 | 3,538,729 | 100.00 |
| **VALUE DISTRIBUTED** | | | | |
| To remunerate employees | 810,461 | 28.63 | 768,311 | 21.71 |
| To providers of debt | 171,774 | 6.07 | 193,419 | 5.47 |
| Taxation | 464,437 | 16.41 | 606,714 | 17.14 |
| | 1,446,672 | 51.11 | 1,568,444 | 44.32 |
| **VALUE RETAINED** | | | | |
| To maintain and develop operations | 1,383,903 | 48.89 | 1,970,285 | 55.68 |
| | 2,830,575 | 100.00 | 3,538,729 | 100.00 |

| COMPANY | | | |
|---|---|---|---|
| **2019** | | 2018 | |
| **N$'000** | **%** | N$'000 | % |
| **6,579,468** | | 6,594,816 | |
| **4,706,806** | | 3,850,262 | |
| **1,872,662** | **66.16** | 2,744,554 | 77.25 |
| **957,913** | **33.84** | 808,208 | 22.75 |
| **2,830,575** | **100.00** | 3,552,762 | 100.00 |
| **810,461** | **28.63** | 768,311 | 21.63 |
| **171,774** | **6.07** | 193,419 | 5.44 |
| **464,437** | **16.41** | 606,714 | 17.08 |
| **1,446,672** | **51.11** | 1,568,444 | 44.15 |
| **1,383,903** | **48.89** | 1,984,318 | 55.85 |
| **2,830,575** | **100.00** | 3,552,762 | 100.00 |

# Independent Auditor's Report

(for JSE* purposes)

To the shareholder of Namibia Power Corporation (Proprietary) Limited

### Opinion

We have audited the consolidated financial statements of Namibia Power Corporation (Proprietary) Limited and its subsidiary ("the Group") set out on pages 70 to 179, which comprise the consolidated statement of financial position as at 30 June 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies and the directors' report.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2019, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with sections 290 and 291 of the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Revised July 2016), parts 1 and 3 of the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (Revised July 2018) and other independence requirements applicable to performing audits of financial statements in Namibia. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matter

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

| Key audit matter - Group | How the matter was addressed in the audit |
|---|---|
| **Revaluation of core property, plant and equipment** | |
| As disclosed in note 6 of the consolidated financial statements, the Group's core property, plant and equipment was revalued in the current year using the depreciated replacement cost method. The directors have made significant judgements and assumptions regarding the determination of the replacement cost of the core property, plant and equipment. These judgements and assumptions relate to the estimated cost of building an equivalent new asset including the related costs of labour, materials and equipment as well as commodity prices and exchange rates. There is therefore a risk that these judgements and assumptions may not be reasonable and/or appropriate. | To address the key audit matter, we performed the following audit procedures:<br>Tested the design and implementation of the key controls relating to the revaluation of the core property, plant and equipment;<br>Engaged and discussed with management's valuation expert to understand the scope and nature of the work performed;<br>Critically assessed the appropriateness of the judgements and assumptions used in the revaluation model in determining the fair value of core property, plant and equipment;<br>Assessed whether the revaluation methods used are in line with IFRS requirements;<br>Engaged an auditor's valuation expert to critically assess the appropriateness of the judgements and assumptions used by management's valuation expert;<br>Performed audit procedures required by "ISA 500 - Audit Evidence and ISA 620 - Using the work of an Auditor's Expert" on the work performed by management and the auditor's experts respectively; and<br>Assessed the adequacy of related disclosures in the consolidated financial statements against the requirements of IFRS 13 - Fair Value Measurements and International Accounting Standard (IAS) 16 – Property, Plant and Equipment.<br>Based on the results of our work performed, we assessed management's judgements and assumptions applied as reasonable. |

### Other Information

The directors are responsible for the other information. The other information comprises the following: Directors' responsibility statement and approval, Value added statement, Highlights of the year, Our business model, About us, Consolidated key statistics, Strategic overview, Governance structure, Corporate structure, Board of directors, Executive committee, Corporate governance and risk management, Stakeholder management and engagement, Our operations, Our human capital, Abridged sustainability report and the Financial performance overview which we obtained prior to the date of this auditor's report. The other information does not include the consolidated financial statements and our auditor's report thereon.

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

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

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

### Responsibilities of the Directors for the Consolidated Financial Statements

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Deloitte & Touche

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

Per: AT. Matenda
Partner
Windhoek
17 January 2020

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

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

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

# Independent Auditor's Report

(for compliance with the joint audit arrangement)

To the shareholder of Namibia Power Corporation (Proprietary) Limited

## Opinion

We have audited the consolidated and separate financial statements of Namibia Power Corporation (Proprietary) Limited ("the Company") and its subsidiary ("the Group") set out on pages 70 to 179, which comprise the consolidated and separate statements of financial position as at 30 June 2019 and the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended and the notes to the consolidated and separate financial statements, including a summary of significant accounting policies and the directors' report.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Group as at 30 June 2019 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 (IFRSs) and the requirements of the Companies Act of Namibia.

## Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report. We are independent of the Group and Company in accordance with sections 290 and 291 of the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Revised July 2016), parts 1 and 3 of the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (Revised July 2018) and other independence requirements applicable to performing audits of financial statements in Namibia. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key Audit Matter

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

# Independent Auditor's Report (continued)

| Key audit matter - Group and Company | How the matter was addressed in the audit |
|---|---|
| **Revaluation of core property, plant and equipment** | |
| As disclosed in note 6 of the consolidated and separate financial statements, the Group's core property, plant and equipment was revalued in the current year using the depreciated replacement cost method. The directors have made significant judgements and assumptions regarding the determination of the replacement cost of the core property, plant and equipment. These judgements and assumptions relate to the estimated cost of building an equivalent new asset including the related costs of labour, materials and equipment as well as commodity prices and exchange rates. There is therefore a risk that these judgements and assumptions may not be reasonable and/or appropriate. | To address the key audit matter, we performed the following audit procedures:<br><br>Tested the design and implementation of the key controls relating to the revaluation of the core property, plant and equipment;<br><br>Engaged and discussed with management's valuation expert to understand the scope and nature of the work performed;<br><br>Critically assessed the appropriateness of the judgements and assumptions used in the revaluation model in determining the fair value of core property, plant and equipment;<br><br>Assessed whether the revaluation methods used are in line with IFRS requirements;<br><br>Engaged an auditor's valuation expert to critically assess the appropriateness of the judgements and assumptions used by management's valuation expert;<br><br>Performed audit procedures required by "ISA 500 - Audit Evidence and ISA 620 - Using the work of an Auditor's Expert" on the work performed by management and the auditor's experts respectively; and<br><br>Assessed the adequacy of related disclosures in the consolidated and separate financial statements against the requirements of IFRS 13 - Fair Value Measurements and IAS 16 – Property, Plant and Equipment.<br><br>Based on the results of our work performed, we assessed management's judgements and assumptions applied as reasonable. |

### Other Information

The directors are responsible for the other information. The other information comprises the following: Directors' responsibility statement and approval, Value added statement, Highlights of the year, Our business model, About us, Consolidated key statistics, Strategic overview, Governance structure, Corporate structure, Board of directors, Executive committee, Corporate governance and risk management, Stakeholder management and engagement, Our operations, Our human capital, Abridged sustainability report and the Financial performance overview which we obtained prior to the date of this auditor's report. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

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

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

### Responsibilities of the Directors for the Consolidated and Separate Financial Statements

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

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

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

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

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

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

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

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

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

Deloitte & Touche

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

Per: AT. Matenda
Partner
Windhoek
17 January 2020

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

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

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

Grand Namibia

**Grand Namibia**
**Registered Accountants and Auditors**
**Chartered Accountants (Namibia)**

Per: R. Beukes
Partner
Windhoek
17 January 2020

9 Axali Doeseb Street
P O Box 24304
Windhoek
Namibia

**Partners**: R Theron (Managing Partner) | R. Beukes

# Directors' Report

The directors have pleasure in presenting their report for the year ended 30 June 2019.

### 1. Principal Activities

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

The activities of the subsidiaries and associates comprise:

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

### 2. Operating Results

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

**Units into the system and sold:**

| | CONSOLIDATED AND COMPANY | |
|---|---|---|
| | 2019 GWh | 2018 GWh |
| Ruacana Hydro Power Station | 954 | 1,144 |
| Van Eck Power Station | 44 | 21 |
| Anixas Power Station | 7.61 | 0.15 |
| Eskom | 1,640 | 1,991 |
| ZESCO | 324 | 361 |
| ZPC | 281 | 357 |
| STEM | 916 | 828 |
| Omburu Sun Energy (Pty) Ltd (Innosun) | 12 | 12 |
| REFITs | 150 | 112 |
| Alten Solar Power Hardap Pty (Ltd) | 72 | - |
| Greenam | 34 | - |
| **Total units into system** | 4,435 | 4,826 |
| | | |
| To customers in Namibia | 3,503 | 3,585 |
| Exports | 119 | 114 |
| Orange River^ | 128 | 142 |
| To Skorpion Zinc Mine^ | 409 | 444 |
| **Total units sold** | 4,159 | 4,285 |

^ Orange River and Skorpion Zinc Mine are customers situated in the Republic of Namibia but are supplied directly by Eskom via a back to back agreement whereby Eskom bills NamPower for the units consumed by Orange River and Skorpion Zinc Mine, then NamPower bills them for those units sold by Eskom. Refer to note 25 for the judgements around the recognition of this revenue.

| | | |
|---|---|---|
| Transmission losses | 9.1% | 14.1% |

**Growth**

During the year under review there was a decrease of 2.3% in GWh units sold to customers in Namibia (2018: increase of 3.8%). The power not generated by the Company during the year under review decreased by 231 GWh units (2018: increase of 711 GWh units).

## 3. Subsidiaries and Associates

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

## 4. Auditors

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

### 4.1 Change in individual designated auditor

Erwin Tjipuka resigned as the individual auditor and was replaced by Arlington Matenda on 19 February 2019. The change in the designated individual auditor was due to Erwin Tjipuka leaving Deloitte at the end of February 2019.

## 5. Capital Expenditure

The expenditure on property, plant and equipment during the financial year amounted to: Consolidated N$275.3 million (2018: N$656.3 million). The expenditure on intangible assets during the financial year amounted to: Consolidated N$735 thousand (2018: N$6.7 million).

### 5.1 Electrification:

- Farm Uichenas No 361
- Brakwater, Dobra, 11kV Overhead Line
- Install Recloser Blumfelde/Rusplaas Retic
- Aris Crusher 2nd Supply
- EIB MV Line Hanghome and Shaama PS
- EIB MV Line Omukukulutu Otaukondjele PS
- NamWater Aussenkehr 1
- NamWater Aussenkehr 2

### 5.2 Substation Development:

- Ext: Ohorongo 5MV PV Plant Sargberg Substation
- Ext: Cenored Otavi 33kV Feeder
- Ext: Otjikoto Substation 220kV Gerus Feeder and Reactor
- TXMP: Warmbad 132/33kV Substation
- TXMP: Khurub-Aussenkehr Strength Phase 3
- Ext: Sekelduin Substation 20MVA
- TXMP: 132/66kV Baobab Substation
- TXMP: 330/132 kV Hippo Substation
- External: Erongo Red 2.5MVA Okombahe Substation
- External: Cuito Substation 10MVA 66/33
- TXMP: Brakwater 2MVA Substation
- Ext: Mulunga SubStation
- Ext: Schlangkopf Substation (132/33kV)
- Ext: Whale Rock Phase 1 and Phase 2

### 5.3 Refurbishment and Upgrading:

- Van Eck Power Station - Rehabilitation
- Ruacana emergency dewatering Pump
- Ruacana air conditioning units
- Ruacana - Unit Supply & Fast Transfer Facility
- Ruacana-Protection Panels 1-3 Upgrade
- Ruacana upgrade PCS 7

# **Directors' Report** (continued)

**5.4 Transmission System:**

- Gerus 22KV cables supplying the HVDC
- TXMP: Auas - Gerus 400kV Line
- TXMP: Auas - Gerus Feeder Bay and Reactor
- Transmission Connection Hardap Solar PV
- Ext: Okapya 66 kV Feeder Bay - Okatope
- Ext: Nored 5MVA 33kV supply Okapya
- TXMP: Khurub - Aussenkehr Strength Phase 3
- TXMP: Kunene - Omatando 400kV Transmission line
- Ext: Schlangkopf 132kV Line
- Skorpion Sergi installation 2 X 55MVA
- Extnal: Erongo Red Ruby 54MVA to 10MVA
- External: Energy Feed-In Tariff Programm
- TXMP: Ruacana 330kV transformers replacement
- TXMP: Husab Mine Power supply
- TXMP: Kunene 330kV Transmission station

**5.5 Power Station Development:**

- Anixas Power Station - Walvis Bay
- Ruacana Auxiliary Solar PV Power Project
- Omburu PV Power Plant
- Otjikoto Biomass Power Station

**5.6 Intangible Assets:**

- IT Change Audit System
- SAP Invoice and Statement reconciliation management
- Monitoring software for Van Eck Powerstation

**6. Shareholder**

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

**7. Share Capital**

**7.1 Authorised**

365 million (2018: 365 million) ordinary shares at N$1

**7.2 Issued share capital**

165 million (2018: 165 million) ordinary shares at N$1

**8. Subsequent events**

On 1 August 2019, Walvis Bay Power Plant (formerly Xaris Energy) instituted a damages claim against the group relating to the 230 – 250 MW joint development of a power project bid amounting to N$417,4million. The group is confident of the merits of its own case and has filed a notice to defend this lawsuit. The Group performed an assessment of the case and is of the opinion that, Walvis Bay Power's likelihood of success is remote.

On 5 December 2019, the directors declared a dividend amounting to N$82.6 million (2018: N$60.7 million) in respect of the year under review.

**9. Corporate Governance**

The Group 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 following legislation:

**Public Enterprises Governance Act ("PE") 2 of 2006**

- Late submission of Business and financial plans
- Late signature to Directors' performance agreements

**Public Procurement Act ("PPA") 15 of 2015**

- Failure to publish bids and tenders awarded
- Failure to respond to bidders clarifications within stipulated timeframes
- Evaluation of bids outside the periods stipulated by the Act
- Inadequate records for small value procurement activities
- Inadequate records of meetings of the procurement committees

**Environment Management Act of 2007**

- Waste water treatment at Ruacana power station
- Lack of environmental management plans for Van Eck and Ruacana power stations

**Government Electricity Act no 2 of 2007 and the Electricity Control Board (ECB) regulations**

- Non submission of separate statements of financial position for generation business
- Non submission of transmission equipment data and updated network map to the ECB
- Absence of environmental management plan for transformer oils and chemicals
- Not updating ECB of import and export points of transmission

Management has put in place measures to remedy the situation and where this is not immediately practically possible, continues to engage the relevant Ministries and Government Agencies with the aim of achieving full compliance.

The Group continues to apply and comply with the provisions of the Companies Act of Namibia and its internal governance procedures in directing and managing the business. Certain exceptions as provided within the Public Enterprises Governance Act 2 of 2006 were also processed. The matters dealt with through the Company's internal governance procedures and subject to the board's approval include development and implementation of the Company's strategic and financial plan, determination and approval of the remuneration of the board and senior management and management of the Company's investment portfolio. The Public Enterprises Governance Act 2 of 2006 does not apply to the subsidiaries and associates, but only to the Company.

**9.1 Directorate**

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

# Directors' Report (continued)

### 9.2 Board Committees

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

#### 9.2.1 Audit and Risk Management Committee

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

| | |
|---|---|
| **Mr. Daniel Motinga** | Chairperson; until 31 December 2018 |
| **Ms. Sara Katiti** | |
| **Ms. Anna Matebele** | Chairperson; appointed 01 January 2019 |

#### 9.2.2 Remuneration and Nomination Committee

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

| | |
|---|---|
| **Mr. Andreas Kanime** | Chairperson |
| **Mr. Daniel Motinga** | |
| **Ms. Anna Matebele** | |

#### 9.2.3 Board Tender Committee

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

| | |
|---|---|
| **Ms. Sara Katiti** | Chairperson |
| **Ms. Kaunapaua Ndilula** | |
| **Dr. Detlof von Oertzen** | |

#### 9.2.4 Investment Committee

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

| | |
|---|---|
| **Dr. Detlof von Oertzen** | Chairperson |
| **Ms. Kaunapaua Ndilula** | |
| **Mr. Andreas Kanime** | |

### 9.3 Board and board committee meetings

| Board of Directors | Board | Audit and Risk Management Committee | Remuneration and Nomination Committee (REMCO) | Board Tender Committee | Investment Committee |
|---|---|---|---|---|---|
| **Meetings held:** | **7** | **6** | **4** | **3** | **5** |
| **Attendance:** | | | | | |
| Ms. Kaunapaua Ndilula **(Board Chairperson)** | 7 | N/A | N/A | 3 | 4 |
| Mr. Daniel Motinga | 6 | 5 | 4 | N/A | N/A |
| Ms. Sara Katiti **(Board Tender Chairperson)** | 7 | 6 | N/A | 3 | N/A |
| Dr. Detlof von Oertzen (**Investment Chairperson)** | 7 | N/A | N/A | 3 | 5 |
| Mr. Andreas Kanime **(REMCO Chairperson)** | 7 | N/A | 4 | N/A | 2 |
| Ms. Anna Matebele **(Audit Chairperson)** | 7 | 6 | 4 | N/A | N/A |

### 10. Secretary

Ms. Z Nambahu held office as Acting Company Secretary for the year under review. The business and postal addresses are shown on page 183.

### 11. Going Concern

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

### 12. Registered Address

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

### 13. Approval of annual financial statements

The annual financial statements were approved and authorised for issue by the directors on 5 December 2019.

# Statements of Financial Position
## at 30 June 2019

| | NOTE | CONSOLIDATED 2019 N$'000 | 2018 N$'000 Restated* | 01 July 2017 N$'000 Restated* | COMPANY 2019 N$'000 | 2018 N$'000 Restated* | 01 July 2017 N$'000 Restated* |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| **Total non-current assets** | | **23,125,741** | 22,513,970 | 23,194,209 | **22,756,226** | 22,130,894 | 22,792,804 |
| Property, plant and equipment | 6 | **21,383,719** | 21,010,330 | 21,249,954 | **21,383,720** | 21,010,330 | 21,231,539 |
| Investment properties | 8 | **20,175** | 17,269 | 19,691 | **20,175** | 17,269 | 19,691 |
| Intangible assets | 9 | **22,322** | 29,384 | 29,350 | **22,322** | 29,384 | 29,350 |
| Interest in subsidiaries | 7.1 | **-** | - | - | **5,002** | 5,002 | 9,244 |
| Investment in associates | 7.2 | **595,797** | 609,357 | 565,466 | **221,279** | 221,279 | 173,232 |
| Investments | 11 | **1,088,720** | 788,136 | 1,261,372 | **1,088,720** | 788,136 | 1,261,372 |
| Derivative assets | 21.1 | **-** | 43,059 | 58,715 | **-** | 43,059 | 58,715 |
| Loans receivable | 10 | **15,008** | 16,435 | 9,661 | **15,008** | 16,435 | 9,661 |
| **Total current assets** | | **10,595,483** | 9,538,625 | 7,675,104 | **10,595,483** | 9,538,625 | 7,675,104 |
| Inventories | 12 | **40,047** | 38,754 | 70,546 | **40,047** | 38,754 | 70,546 |
| Trade and other receivables | 13 | **1,620,030** | 1,729,693 | 1,322,653 | **1,620,030** | 1,729,693 | 1,322,653 |
| Current tax receivable | | **35,411** | - | 4,079 | **35,411** | - | 4,079 |
| Investments | 11 | **6,339,594** | 5,455,551 | 4,404,320 | **6,339,594** | 5,455,551 | 4,404,320 |
| Derivative assets | 21.1 | **13,333** | - | - | **13,333** | - | - |
| Cash and cash equivalents | 14 | **2,542,561** | 2,310,120 | 1,868,999 | **2,542,561** | 2,310,120 | 1,868,999 |
| Loans receivable | 10 | **4,507** | 4,507 | 4,507 | **4,507** | 4,507 | 4,507 |
| **Total assets** | | **33,721,224** | 32,052,595 | 30,869,313 | **33,351,709** | 31,669,519 | 30,467,908 |
| **Equity** | | | | | | | |
| **Total equity attributable to equity holders** | | **22,230,178** | 20,867,270 | 19,611,122 | **21,858,037** | 20,477,802 | 19,210,097 |
| Issued share capital | 16.2 | **165,000** | 165,000 | 165,000 | **165,000** | 165,000 | 165,000 |
| Share premium | 16.3 | **900,000** | 900,000 | 900,000 | **900,000** | 900,000 | 900,000 |
| Reserve fund | | **1,755,589** | 1,693,649 | 1,633,716 | **1,755,589** | 1,693,649 | 1,633,716 |
| Development fund | | **6,887,145** | 6,290,174 | 5,094,092 | **6,739,391** | 6,125,092 | 4,917,453 |
| Capital revaluation reserve | | **12,335,955** | 11,717,163 | 11,717,163 | **12,111,569** | 11,492,777 | 11,492,777 |
| Strategic inventory revaluation reserve | | **110,238** | 99,880 | 99,880 | **110,238** | 99,880 | 99,880 |
| Investment valuation reserve | | **76,250** | 1,404 | 1,271 | **76,250** | 1,404 | 1,271 |
| **Total equity** | | **22,230,178** | 20,867,270 | 19,611,122 | **21,858,037** | 20,477,802 | 19,210,097 |
| **Liabilities** | | | | | | | |
| **Total non-current liabilities** | | **8,984,149** | 9,655,356 | 9,926,086 | **8,980,378** | 9,655,352 | 9,919,321 |
| Interest bearing loans and borrowings | 17 | **1,368,699** | 1,824,439 | 2,029,120 | **1,368,699** | 1,824,439 | 2,029,120 |
| Deferred revenue liabilities | 18 | **1,168,652** | 1,085,585 | 1,033,561 | **1,168,652** | 1,085,585 | 1,033,561 |
| Employee benefits | 22 | **328,212** | 317,391 | 324,536 | **328,212** | 317,391 | 324,536 |
| Retention creditors | 20.4 | **12,419** | 26,744 | 29,432 | **12,419** | 26,744 | 29,432 |
| Derivative liabilities | 21.2 | **-** | 107,486 | 131,261 | **-** | 107,486 | 131,261 |
| Deferred tax liabilities | 19 | **6,106,167** | 6,293,711 | 6,378,176 | **6,102,396** | 6,293,707 | 6,371,411 |
| **Total current liabilities** | | **2,506,895** | 1,529,969 | 1,332,105 | **2,513,293** | 1,536,364 | 1,338,490 |
| Trade and other payables | 20 | **1,413,031** | 1,133,296 | 867,614 | **1,413,041** | 1,133,303 | 867,611 |
| Loans due to subsidiaries | 7.1 | **-** | - | - | **6,388** | 6,388 | 6,388 |
| Derivative liabilities | 21.2 | **35,592** | - | - | **35,592** | - | - |
| Current tax payable | | **502** | 51,491 | 96,300 | **502** | 51,491 | 96,300 |
| Interest bearing loans and borrowings | 17 | **455,115** | 207,433 | 230,109 | **455,115** | 207,433 | 230,109 |
| Deferred revenue liabilities | 18 | **602,655** | 137,749 | 138,082 | **602,655** | 137,749 | 138,082 |
| **Total liabilities** | | **11,491,044** | 11,185,325 | 11,258,191 | **11,493,671** | 11,191,716 | 11,257,811 |
| **Total equity and liabilities** | | **33,721,224** | 32,052,595 | 30,869,313 | **33,351,709** | 31,669,519 | 30,467,908 |

* Certain amounts have been restated and do not correspond to the 2017 and 2018 financial statements due to a classification error and reflect adjustments made, refer to note 30.

# Statements of Profit or Loss and Other Comprehensive Income
## for the year ended 30 June 2019

| | NOTE | CONSOLIDATED 2019 N$'000 | CONSOLIDATED 2018 N$'000 | COMPANY 2019 N$'000 | COMPANY 2018 N$'000 |
|---|---|---|---|---|---|
| Revenue | 25 | **6,579,468** | 6,594,816 | **6,579,468** | 6,594,816 |
| Cost of Electricity | | **(3,930,515)** | (3,394,812) | **(3,930,515)** | (3,394,812) |
| **Gross profit** | | **2,648,953** | 3,200,004 | **2,648,953** | 3,200,004 |
| Foreign exchange gains | 26 | **172,921** | 226,262 | **172,921** | 226,262 |
| Foreign exchange losses | 26 | **(155,216)** | (221,319) | **(155,216)** | (221,319) |
| Amortisation | 9 | **(7,797)** | (6,714) | **(7,797)** | (6,714) |
| Depreciation | 6 | **(775,532)** | (868,853) | **(775,532)** | (868,722) |
| Impairment: Losses on property revaluation | 6 | **(46,577)** | - | **(46,577)** | - |
| Reversal of impairment in associate | 7.2 | **-** | 48,047 | **-** | 48,047 |
| Reversal of impairment in investment | | **-** | 2,156 | **-** | 2,156 |
| Other operating expenditure | | **(1,604,457)** | (1,228,704) | **(1,604,457)** | (1,228,704) |
| Other income | 25.1 | **78,262** | 22,590 | **78,262** | 36,623 |
| **Profit before net fair value adjustments and net finance income** | | **310,557** | 1,173,469 | **310,557** | 1,187,633 |
| Fair value loss on derivatives and foreign loans through profit or loss | 26 | **(8,872)** | (65,272) | **(8,872)** | (65,272) |
| Fair value (loss)/gain on swaps | 26 | **(834)** | 28,209 | **(834)** | 28,209 |
| Fair value loss on embedded derivatives - Power Sales Agreement (PSA) | 26 | **-** | (319) | **-** | (319) |
| Fair value gain on embedded derivatives - Power Purchase Agreement (PPA) | 26 | **71,895** | 20,855 | **71,895** | 20,855 |
| Fair value (loss)/gain on firm commitments | 26 | **(5,594)** | 3,095 | **(5,594)** | 3,095 |
| **Profit before net finance income** | | **367,152** | 1,160,037 | **367,152** | 1,174,201 |
| **Net finance income** | | **707,877** | 578,166 | **707,877** | 578,166 |
| Finance income | 24 | **879,651** | 771,585 | **879,651** | 771,585 |
| Finance costs | 24 | **(171,774)** | (193,419) | **(171,774)** | (193,419) |
| Share of loss of associates, net of tax | 7.2 | **(25,333)** | (3,719) | **-** | - |
| **Profit before taxation** | 26 | **1,049,696** | 1,734,484 | **1,075,029** | 1,752,367 |
| Taxation | 15 | **(298,706)** | (508,098) | **(298,706)** | (514,861) |
| **Profit for the year** | | **750,990** | 1,226,386 | **776,323** | 1,237,506 |
| **Other comprehensive income** | | | | | |
| **Items that will never be reclassified to profit or loss** | | | | | |
| Revaluation of property, plant and equipment | 6 | **909,988** | - | **909,988** | - |
| Revaluation of strategic inventory | 6 | **10,358** | - | **10,358** | - |
| Remeasurements of employee benefits | 22.3 | **22,673** | 44,215 | **22,603** | 44,215 |
| Share of other comprehensive income of associates, net of taxation | 7.2 | **11,703** | (437) | **-** | - |
| Related tax | 15 | **(302,197)** | (14,149) | **(298,429)** | (14,149) |
| | | **652,525** | 29,629 | **644,520** | 30,066 |
| **Items that are or may be reclassified to profit or loss** | | | | | |
| Net change in fair value of listed and unlisted equity (2018: available-for-sale) | 15 | **15,036** | 133 | **15,036** | 133 |
| | | **15,036** | 133 | **15,036** | 133 |
| **Other comprehensive income for the year, net of taxation** | 15 | **667,561** | 29,762 | **659,556** | 30,199 |
| **Total comprehensive income for the year** | | **1,418,551** | 1,256,148 | **1,435,879** | 1,267,705 |

# Statements of Changes in Equity
## for the year ended 30 June 2019

| | Note | Issued Share Capital N$'000 | Share Premium N$'000 | Reserve Fund N$'000 |
|---|---|---|---|---|
| **CONSOLIDATED** | | | | |
| **Balance at 1 July 2018 (as previously reported)** | | **165,000** | **900,000** | **1,693,649** |
| Effect of change in initial application of IFRS 9 | 5.2.6 | - | - | - |
| Effect of change in initial application of IFRS 15 | 5.2.8 | - | - | - |
| **Allocation from retained income** | | - | - | - |
| Transfer to reserve fund | | - | - | - |
| Funds for capital expenditure requirements | | - | - | - |
| **Balance at 1 July 2018 (restated)** | | **165,000** | **900,000** | **1,693,649** |
| **Total comprehensive income for the year** | | | | |
| Profit for the year | | - | - | - |
| **Other comprehensive income** | | | | |
| Revaluation of property plant and equipment, net of taxation | 15 | - | - | - |
| Revaluation of strategic inventory | 15 | - | - | - |
| Dividend paid | | - | - | - |
| Net changes in fair value of listed and unlisted equity instruments | 15 | - | - | - |
| Share of other comprehensive income of associates, net of taxation | | - | - | - |
| Remeasurements of employee benefits, net of taxation | 15 | - | - | - |
| Total other comprehensive income | | - | - | - |
| Total comprehensive income for the year | | - | - | - |
| **Allocation from retained income** | | - | - | **61,940** |
| Transfer to reserve fund | | - | - | **61,940** |
| Funds for capital expenditure requirements | | - | - | - |
| **Balance at 30 June 2019** | | **165,000** | **900,000** | **1,755,589** |
| **CONSOLIDATED** | | | | |
| **Balance at 1 July 2017** | | 165,000 | 900,000 | 1,633,716 |
| **Total comprehensive income for the year** | | | | |
| Profit for the year | | - | - | - |
| **Other comprehensive income** | | | | |
| Net changes in fair value of available-for sale financial assets | 15 | - | - | - |
| Remeasurements of employee benefits, net of taxation | 15 | - | - | - |
| Total other comprehensive income | | - | - | - |
| Total comprehensive income for the year | | - | - | - |
| **Allocation from retained income** | | - | - | 59,933 |
| Transfer to reserve fund | | - | - | 59,933 |
| Funds for capital expenditure requirements | | - | - | - |
| **Balance at 30 June 2018** | | 165,000 | 900,000 | 1,693,649 |

| Development Fund | Capital Revaluation Reserve | Strategic Inventory Revaluation Reserve | Investment Valuation Reserve | Retained Earnings | Total Equity |
|---|---|---|---|---|---|
| N$'000 | N$'000 | N$'000 | N$'000 | N$'000 | N$'000 |
| **6,290,174** | **11,717,163** | **99,880** | **1,404** | **-** | **20,867,270** |
| - | - | - | 59,810 | (39,515) | 20,295 |
| - | - | - | - | (15,140) | (15,140) |
| (54,655) | - | - | - | 54,655 | - |
| - | - | - | - | - | - |
| (54,655) | - | - | - | 54,655 | - |
| **6,235,519** | **11,717,163** | **99,880** | **61,214** | **-** | **20,872,425** |
| - | - | - | - | 750,990 | 750,990 |
| - | 618,792 | - | - | - | 618,792 |
| - | - | 10,358 | - | - | 10,358 |
| (60,799) | - | - | - | - | (60,799) |
| - | - | - | 15,036 | - | 15,036 |
| - | - | - | - | 7,958 | 7,958 |
| - | - | - | - | 15,418 | 15,418 |
| (60,799) | 618,792 | 10,358 | 15,036 | 23,375 | 606,762 |
| (60,799) | 618,792 | 10,358 | 15,036 | 744,365 | 1,357,752 |
| 712,425 | - | - | - | (774,365) | - |
| - | - | - | - | (61,940) | - |
| 712,425 | - | - | - | (712,425) | - |
| **6,887,145** | **12,335,955** | **110,238** | **76,250** | **-** | **22,230,178** |
| 5,094,092 | 11,717,163 | 99,880 | 1,271 | - | 19,611,122 |
| - | - | - | - | 1,226,386 | 1,226,386 |
| - | - | - | 133 | - | 133 |
| - | - | - | - | 29,629 | 29,629 |
| - | - | - | 133 | 29,629 | 29,762 |
| - | - | - | 133 | 1,256,015 | 1,256,148 |
| 1,196,082 | - | - | - | (1,256,015) | - |
| - | - | - | - | (59,933) | - |
| 1,196,082 | - | - | - | (1,196,082) | - |
| 6,290,174 | 11,717,163 | 99,880 | 1,404 | - | 20,867,270 |

# Statements of Changes in Equity
## for the year ended 30 June 2019

| | Note | Issued Share Capital N$'000 | Share Premium N$'000 | Reserve Fund N$'000 |
|---|---|---|---|---|
| **COMPANY** | | | | |
| **Balance at 1 July 2018 (as previously reported)** | | **165,000** | **900,000** | **1,693,649** |
| Effect of change in initial application of IFRS 9 | 5.2.6 | - | - | - |
| Effect of change in initial application of IFRS 15 | 5.2.8 | - | - | - |
| **Allocation from retained income** | | - | - | - |
| Transfer to reserve fund | | - | - | - |
| Funds for capital expenditure requirements | | - | - | - |
| **Balance at 1 July 2018 (restated)** | | **165,000** | **900,000** | **1,693,649** |
| **Total comprehensive income for the year** | | | | |
| Profit for the year | | - | - | - |
| **Other comprehensive income** | | | | |
| Revaluation of property plant and equipment, net of taxation | 15 | - | - | - |
| Revaluation of strategic inventory | 15 | - | - | - |
| Dividend paid | | - | - | - |
| Net changes in fair value of listed and unlisted equity instruments | 15 | - | - | - |
| Remeasurements of employee benefits, net of taxation | 15 | - | - | - |
| Total other comprehensive income | | - | - | - |
| Total comprehensive income for the year | | - | - | - |
| **Allocation from retained income** | | - | - | **61,940** |
| Transfer to reserve fund | | - | - | **61,940** |
| Funds for capital expenditure requirements | | - | - | - |
| **Balance at 30 June 2019** | | **165,000** | **900,000** | **1,755,589** |
| **COMPANY** | | | | |
| **Balance at 1 July 2017** | | 165,000 | 900,000 | 1,633,716 |
| **Total comprehensive income for the year** | | | | |
| Profit for the year | | - | - | - |
| **Other comprehensive income** | | | | |
| Net changes in fair value of available-for sale financial assets | 15 | - | - | - |
| Remeasurements of employee benefits, net of taxation | 15 | - | - | - |
| Total other comprehensive income | | - | - | - |
| Total comprehensive income for the year | | - | - | - |
| **Allocation from retained income** | | - | - | 59,933 |
| Transfer to reserve fund | | - | - | 59,933 |
| Funds for capital expenditure requirements | | - | - | - |
| **Balance at 30 June 2018** | | 165,000 | 900,000 | 1,693,649 |

| Development Fund | Capital Revaluation Reserve | Strategic Inventory Revaluation Reserve | Investment Valuation Reserve | Retained Earnings | Total Equity |
|---|---|---|---|---|---|
| N$'000 | N$'000 | N$'000 | N$'000 | N$'000 | N$'000 |
| **6,125,092** | **11,492,777** | **99,880** | **1,404** | **-** | **20,477,802** |
| - | - | - | 59,810 | (39,515) | 20,295 |
| - | - | - | - | (15,140) | (15,140) |
| (54,655) | - | - | - | 54,655 | - |
| - | - | - | - | - | - |
| (54,655) | - | - | - | 54,655 | - |
| **6,070,437** | **11,492,777** | **99,880** | **61,214** | **-** | **20,482,957** |
| - | - | - | - | 776,323 | 776,323 |
| - | 618,792 | - | - | - | 618,792 |
| - | - | 10,358 | - | - | 10,358 |
| (60,799) | - | - | - | - | (60,799) |
| - | - | - | 15,036 | - | 15,036 |
| - | - | - | - | 15,370 | 15,370 |
| (60,799) | 618,792 | 10,358 | 15,036 | 15,370 | 598,756 |
| (60,799) | 618,792 | 10,358 | 15,036 | 791,693 | 1,375,079 |
| 729,753 | - | - | - | (791,693) | - |
| - | - | - | - | (61,940) | - |
| 729,753 | - | - | - | (729,753) | - |
| **6,739,391** | **12,111,569** | **110,238** | **76,250** | **-** | **21,858,037** |
| 4,917,453 | 11,492,777 | 99,880 | 1,271 | - | 19,210,097 |
| - | - | - | - | 1,237,506 | 1,237,506 |
| - | - | - | 133 | - | 133 |
| - | - | - | - | 30,066 | 30,066 |
| - | - | - | 133 | 30,066 | 30,199 |
| - | - | - | 133 | 1,267,572 | 1,267,705 |
| 1,207,639 | - | - | - | (1,267,572) | - |
| - | - | - | - | (59,933) | - |
| 1,207,639 | - | - | - | (1,207,639) | - |
| 6,125,092 | 11,492,777 | 99,880 | 1,404 | - | 20,477,802 |

## Statements of Cash Flows
### for the year ended 30 June 2019

| | NOTE | CONSOLIDATED 2019 N$'000 | CONSOLIDATED 2018 N$'000 Restated * | COMPANY 2019 N$'000 | COMPANY 2018 N$'000 Restated * |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Cash receipts from customers | I | 6,631,022 | 6,186,319 | 6,631,022 | 6,186,319 |
| Cash paid to suppliers and employees | | (5,202,217) | (4,158,965) | (5,202,217) | (4,158,171) |
| Cash generated from operations | A | 1,428,805 | 2,027,354 | 1,428,805 | 2,028,148 |
| Interest received | C | 171,915 | 110,968 | 171,915 | 110,968 |
| Taxation paid | B | (550,838) | (647,443) | (550,838) | (647,443) |
| Dividend paid | | (60,799) | - | (60,799) | - |
| **Net cash from operating activities** | | 989,083 | 1,490,879 | 989,083 | 1,491,673 |
| **Cash flows from investing activities** | | | | | |
| Proceeds from the sale of property, plant and equipment | | 5,400 | 1,399 | 5,400 | 1,399 |
| Acquisitions of intangible assets | 9 | (735) | (6,747) | (735) | (6,747) |
| Extension and replacement of property, plant and equipment to maintain operations | E | (275,292) | (656,393) | (275,292) | (657,118) |
| Interest received | C | 566,710 | 500,207 | 566,710 | 500,207 |
| Dividend received | | 63 | 59 | 63 | 59 |
| Increase in loans to subsidiaries | | - | - | - | (69) |
| (Increase)/decrease in non-current investments | K | (225,738) | 473,368 | (225,738) | 473,368 |
| Increase in short term investments | | (884,043) | (1,051,231) | (884,043) | (1,051,231) |
| Decrease/(increase) in loans receivable | | 1,427 | (6,774) | 1,427 | (6,774) |
| **Net cash used in investing activities** | | (812,208) | (746,112) | (812,208) | (746,906) |
| **Cash flows from financing activities** | | | | | |
| Interest paid | D | (114,154) | (131,514) | (114,154) | (131,514) |
| LRMC raised | | 373,328 | - | 373,328 | - |
| Repayment of interest bearing loans and borrowings | J | (202,004) | (193,203) | (202,004) | (193,203) |
| **Net cash generated/(used) in financing activities** | | 57,170 | (324,717) | 57,170 | (324,717) |
| Net increase in cash and cash equivalents | | 234,045 | 420,051 | 234,045 | 420,051 |
| Cash and cash equivalents at 1 July | | 2,310,120 | 1,868,999 | 2,310,120 | 1,868,999 |
| Effect of exchange rate fluctuations on cash held | | (1,604) | 21,070 | (1,604) | 21,070 |
| **Cash and cash equivalents at 30 June** | 14 | 2,542,561 | 2,310,120 | 2,542,561 | 2,310,120 |

* Certain amounts shown here do not correspond to the 2018 financial statements due to an error and reflect adjustments made, refer to note 31.

| | NOTE | CONSOLIDATED 2019* N$'000 | CONSOLIDATED 2018 N$'000 Restated * | COMPANY 2019* N$'000 | COMPANY 2018 N$'000 Restated * |
|---|---|---|---|---|---|
| **A. CASH GENERATED FROM OPERATIONS** | | | | | |
| Profit before net finance income | | 367,152 | 1,160,037 | 367,152 | 1,174,201 |
| Adjustments for: | | | | | |
| - Dividend received from listed investment | | (63) | (59) | (63) | (59) |
| - Interest capitalised on loan | | 1,805 | (2,080) | 1,805 | (2,080) |
| - Net movement in currency swap valuations | | (8,693) | (14,110) | (8,693) | (14,110) |
| - Effect of exchange rate fluctuations on cash held | | 1,604 | (21,070) | 1,604 | (21,070) |
| - Fair value movements of financial liabilities at fair value through profit or loss | | - | (17,964) | - | (17,964) |
| - Fair value gain on interest bearing loans and borrowings | | 834 | - | 834 | - |
| - Movement in interest rate and cross currency swaps | | 8,872 | 15,511 | 8,872 | 15,511 |
| - Fair value movements on firm commitments | | 5,594 | (3,095) | 5,594 | (3,095) |
| - Fair value movements on embedded derivative - Power Purchase Agreement (PPA) | | (71,895) | (20,855) | (71,895) | (20,855) |
| - Fair value movements on embedded derivative - Power Sales Agreement (PSA) | | - | 319 | - | 319 |
| - Coal survey adjustment | | - | 7,923 | - | 7,923 |
| - Fair value movements on investment properties | 26 | (2,906) | 2,422 | (2,906) | 2,422 |
| - Impairment loss on trade and other receivables | 13 | 325,727 | 352,402 | 325,727 | 352,402 |
| - Depreciation on property, plant and equipment | 6 | 775,533 | 868,853 | 775,532 | 868,722 |
| - Reversal of impairment of investment in associate | 7.2 | - | (48,047) | - | (48,047) |
| - Amortisation on intangible assets | 9 | 7,797 | 6,713 | 7,797 | 6,713 |
| - Government grant recognised in income | 26 | (8,864) | (333) | (8,864) | (333) |
| - Gain on disposal of subsidiary | 7.1 | - | - | - | (13,249) |
| - Gain on disposal of property, plant and equipment | 26 | (5,400) | (1,399) | (5,400) | (1,399) |
| - Impairment: Losses on property revaluation | 6 | 46,576 | - | 46,576 | - |
| Operating profit before working capital changes | | 1,443,673 | 2,285,168 | 1,443,672 | 2,285,952 |
| Changes in working capital: | | | | | |
| Fair value movements on forward exchange contracts | | 15,260 | - | 15,260 | - |
| Movement in non-current retention creditors | | (14,325) | (2,687) | (14,325) | (2,687) |
| Movement in deferred revenue liability | G | (137,045) | 52,024 | (137,045) | 52,024 |
| Increase in employee benefit obligations | 22 | 22,603 | 44,215 | 22,603 | 44,215 |
| - Employee benefits paid - defined benefit obligation | 22.1.2 & 22.2.2 | 9,817 | 6,376 | 9,817 | 6,376 |
| - Movement in employee benefits | | 1,004 | (13,521) | 1,004 | (13,521) |
| Strategic inventory items issued | | - | 20,969 | - | 20,969 |
| Transfer to intangible assets | 9 | 140 | 6,196 | 140 | 6,196 |
| Movement in inventories | | (1,294) | 23,869 | (1,294) | 23,869 |
| Movement in trade and other receivables | F | (133,148) | (599,032) | (133,148) | (599,032) |
| Movement in trade payables | H | 222,120 | 203,777 | 222,121 | 203,787 |
| | | 1,428,805 | 2,027,354 | 1,428,805 | 2,028,148 |

* The current year's presentation has been changed to better reflect the Group's operations and the prior year numbers have been updated accordingly.

| | NOTE | CONSOLIDATED 2019* N$'000 | CONSOLIDATED 2018 N$'000 Restated * | COMPANY 2019* N$'000 | COMPANY 2018 N$'000 Restated * |
|---|---|---|---|---|---|
| **B. TAXATION PAID** | | | | | |
| Amount due to the Receiver of Revenue at beginning of year | | (51,491) | (92,221) | (51,491) | (92,220) |
| Taxation payable | | (464,437) | (606,714) | (464,437) | (606,714) |
| Taxation paid | | 550,838 | 647,443 | 550,838 | 647,443 |
| Amount due to the Receiver of Revenue at end of year | | 34,909 | (51,491) | 34,909 | (51,491) |

# Notes to the Statements of Cash Flows (continued)
**for the year ended 30 June 2019**

| | | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|---|
| | NOTE | 2019 N$'000 | 2018 N$'000 Restated * | 2019 N$'000 | 2018 N$'000 Restated * |
| **C. INTEREST RECEIVED FROM OPERATING AND INVESTING ACTIVITIES** | | | | | |
| Interest received from operating activities | | 171,915 | 110,968 | 171,915 | 110,968 |
| Interest received from investing activities | | 566,710 | 500,207 | 566,710 | 500,207 |
| Accrued interest received | | 141,026 | 160,410 | 141,026 | 160,410 |
| | 24 | 879,651 | 771,585 | 879,651 | 771,585 |
| **D. INTEREST PAID** | | | | | |
| Interest paid | | (114,154) | (131,514) | (114,154) | (131,514) |
| Accrued interest paid | | (57,620) | (61,905) | (57,620) | (61,905) |
| | 24 | (171,774) | (193,419) | (171,774) | (193,419) |
| **E. EXTENSION AND REPLACEMENT OF PROPERTY, PLANT AND EQUIPMENT** | | | | | |
| Additions - Non-cash | 7.1 | - | - | - | 17,560 |
| Additions - Cash | | 275,292 | 656,393 | 275,292 | 657,118 |
| Total additions | 6 | 275,292 | 656,393 | 275,292 | 674,678 |
| **F. ACCOUNTS RECEIVABLES** | | | | | |
| Movement in trade and other receivables | | (109,663) | 407,040 | (109,663) | 407,040 |
| Impact of the adoption - IFRS 9 | 5.2.6 | 58,110 | - | 58,110 | - |
| Accrued interest - non cash | | (141,026) | (160,410) | (141,026) | (160,410) |
| Impairment loss on trade and other receivables | | 325,727 | 352,402 | 325,727 | 352,402 |
| | | 133,148 | 599,032 | 133,148 | 599,032 |
| **G. DEFERRED REVENUE LIABILITY** | | | | | |
| Movement indeferred revenue liability | | 547,973 | 51,691 | 547,973 | 51,691 |
| LRMC raised | | (373,328) | - | (373,328) | - |
| Government grant recognised in income | | 8,864 | 333 | 8,864 | 333 |
| Impact of the adoption - IFRS 15 | 5.2.8 | (320,554) | - | (320,554) | - |
| | | (137,045) | 52,024 | (137,045) | 52,024 |
| **H. ACCOUNTS PAYABLES** | | | | | |
| Movement in trade and other payables | | 279,740 | 265,682 | 279,741 | 265,692 |
| Accrued interest - non cash | | (57,620) | (61,905) | (57,620) | (61,905) |
| | | 222,120 | 203,777 | 222,121 | 203,787 |
| **I. CASH RECEIPTS FROM CUSTOMERS** | | | | | |
| Electricity sales | | 6,579,468 | 6,594,816 | 6,579,468 | 6,594,816 |
| Movement in trade and other receivables | | 109,663 | (408,499) | 109,663 | (408,499) |
| Impact of the adoption - IFRS 9 | | (58,110) | - | (58,110) | - |
| | | 6,631,022 | 6,186,319 | 6,631,022 | 6,186,319 |
| **J. REPAYMENT OF INTEREST BEARING LOANS AND BORROWINGS** | | | | | |
| Movement in interest bearing loans and borrowings | | (208,058) | (227,355) | (208,058) | (227,355) |
| Net swap valuations | | 8,693 | 37,874 | 8,693 | 37,874 |
| Interest capitalised on loan | | (1,805) | (2,080) | (1,805) | (2,080) |
| Fair value gain on interest bearing loans and borrowings | | (834) | (1,642) | (834) | (1,642) |
| | | (202,004) | (193,203) | (202,004) | (193,203) |
| **K. NON-CURRENT INVESTMENTS** | | | | | |
| Movement in non-current investments | | (300,584) | 473,235 | (300,584) | 473,235 |
| Net change in fair value of listed and unlisted equity (2018: available-for-sale) | 15 | 15,036 | 133 | 15,036 | 133 |
| Impact of the adoption - IFRS 9 | | 59,810 | - | 59,810 | - |
| | | (225,738) | 473,368 | (225,738) | 473,368 |

## 1. REPORTING ENTITY

Namibia Power Corporation (Proprietary) Limited is the holding company of the Group and is incorporated and domiciled in Namibia. The financial statements for the year ended 30 June 2019 comprise the Company and its subsidiaries (together referred to as the Group") and the Group's interest in associates.

## 2. BASIS OF PREPARATION

### (a) Statement of compliance

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

The accounting policies set out below have been applied consistently to all periods presented in these financial statements except for new or revised statements and interpretations implemented during the year. The nature and effect of new standards and interpretations are discussed in notes 5.1 - 5.2.

### (b) Basis of measurement

The financial statements are prepared on the historical cost basis, except for the following items which are measured at fair value:

- derivative financial instruments;
- financial assets and financial liabilities at fair value through profit or loss;
- financial assets at fair value through other comprehensive income;
- property, plant and equipment (including Strategic Inventory) and
- investment properties which are measured at fair value.

### (c) Functional and presentation currency

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

### (d) Measurement of fair values

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

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

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

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

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

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

| | | |
|---|---|---|
| Note 6 | - | revaluation of property, plant and equipment and impairment of assets; |
| Note 11 | - | investments; |
| Note 8 | - | valuation of investment property and |
| Note 29 | - | valuation of financial instruments - loans and derivatives. |

### (e) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments has been identified as the Executive Committee (EXCO).

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's results are reviewed regularly by EXCO to make decisions about resources to be allocated to the segment and to assess the performance of the segment, for which separate financial information is available.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of consolidation

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

#### (i) Subsidiaries

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

(i) **Subsidiaries (continued)**

**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 a fair value through other comprehensive income financial asset depending on the level of influence retained.

(ii) **Investments in equity-accounted investees**

**Associates**

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

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

(iii) **Transactions eliminated on consolidation**

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

(b) **Property, plant and equipment**

(i) **Owned assets**

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

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

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

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

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

Machinery and equipment are stated at cost less accumulated depreciation and accumulated impairment.

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

| Category | |
|---|---|
| • Power Stations | |
| - Ruacana Power Station - Plant | 50 - 120 years |
| - Van Eck Power Station - Plant | 10 - 35 years |
| - Anixas Power Station - Plant | 10 - 35 years |
| • Transmission Systems | 8 - 60 years |
| • Machinery and Equipment | 3 - 35 years |
| • Buildings | 23 - 50 years |
| • Aircraft fleet | 10 - 35 years |

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

### (ii) Subsequent costs

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

### (iii) Strategic inventory

Spare parts and servicing equipment are usually carried as inventory and recognised in profit or loss as consumed. However, major spare parts, stand-by equipment and servicing equipment qualify as property, plant and equipment when an entity expects to use them during more than one period. This asset class is accounted for in terms of the accounting policy for property, plant and equipment and is revalued every three years with such sufficiency that the amount does not differ materially from that which would be determined using fair values at the reporting date.

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

The Group depreciates stand-by equipment. Stand-by equipment is depreciated at the same rate as the main item of property, plant and equipment as these assets will be simultaneously retired with the main asset.

The useful life of spare parts and servicing equipment classified as property, plant and equipment commences when they are put into use, rather than when they are acquired. Spare parts and servicing equipment are depreciated over the period starting when it is brought into service and continuing over the shorter of its useful life and the remaining expected useful life of the main asset.

### (iv) Assets under construction

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

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

### (v) Depreciation

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

Land and assets under construction are not depreciated.

### Disposal

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

### (vi) Reclassification to investment property

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

## (c) Intangible assets

### (i) Computer software

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

### (ii) Subsequent expenditure

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

### (iii) Amortisation

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 intended use and capitalised borrowing costs.

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

### (d) Investment properties (continued)

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

**Non-financial assets**

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

**Calculation of recoverable amount**

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

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

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

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

**Reversals of impairment**

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

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

### (f) Inventories

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

### (g) Provisions

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

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as finance cost. Provisions are not recognised for future operating losses. The only provisions that the group has are employee benefits. Refer to accounting policy (o).

### (h) Financial Instruments - Current year (in terms of IFRS 9)

**Initial recognition**

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

**Financial assets**

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

**(h) Financial Instruments (continued)**

**Classification of financial assets**

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group elected to classify irrevocably its non-listed equity investments as measured at FVTOCI as it intends to hold these investments for the foreseeable future.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

However, the Group may make the following irrevocable election at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

**(i) Amortised cost and effective interest method**

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI.

For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in finance income in note 24.

**(ii) Debt instruments classified as at FVTOCI**

The inflation linked bonds held by the Group are classified as at FVTOCI. The inflation linked bonds are initially measured at fair value plus transaction costs. Subsequently, changes in the carrying amount of these inflation linked bonds as a result of impairment gains or losses and interest income calculated using the effective interest method are recognised in profit or loss. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these inflation linked bonds had been measured at amortised cost. All other changes in the carrying amount of these inflation linked bonds are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve.

**(iii) Equity instruments designated as at FVTOCI**

On initial recognition, the Group made an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss is not to be reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in other income.

The Group has designated all investments in equity instruments that are not held for trading as at FVTOCI on initial application of IFRS 9.

**(h) Financial Instruments (continued)**

**(iv) Financial assets at FVTPL**

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria (see above) are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset.

**(v) Cash and cash equivalents**

Cash and cash equivalents 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.

**(vi) Foreign exchange gains and losses on financial assets**

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically;

- for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss.
- for debt instruments measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortised cost of the debt instrument are recognised in profit or loss. Other exchange differences are recognised in other comprehensive income in the investments revaluation reserve;
- for financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss; and
- for equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income in the investments revaluation reserve.

**(vii) Impairment of financial assets**

The Group recognises a loss allowance for expected credit losses (ECL) on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Impairment loss is reversed to the extent that it does not exceed what the carrying amount of the financial asset would have been had the impairment not been recognised.

Reversal of impairment losses are recognised in profit or loss except for equity investments at FVTOCI which are recognised in other comprehensive income.

**Significant increase in credit risk**

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition.

In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

#### Significant increase in credit risk (continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument (e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost);
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than thirty (30) days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

1. The financial instrument has a low risk of default,
2. The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
3. Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

#### Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than (ninety) 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

#### Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

a. significant financial difficulty of the issuer or the borrower;
b. breach of contract, such as a default or past due event;
c. the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
d. it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
e. the disappearance of an active market for that financial asset because of financial difficulties.

#### Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

#### Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting dates plus any interest earned up to the date of default for interest bearing debt instruments. For accounts receivable, the exposure includes the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

**Measurement and recognition of expected credit losses (continued)**

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve.

**(viii) Derecognition of financial assets**

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

In addition, on derecognition of an investment in a debt instrument classified at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

**(ix) Liabilities and equity**

**Classification as debt or equity**

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument

**(x) Equity instruments**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

**(xi) Financial liabilities**

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

**Financial liabilities at FVTPL**

Financial liabilities are classified as at FVTPL when the financial liability is designated at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near future; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated at FVTPL

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in profit or loss.

However, for financial liabilities that are designated at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

**Financial liabilities measured subsequently at amortised cost**

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

**(xii) Non-derivative financial liabilities**

These financial liabilities comprise of loans and borrowings, trade and other payables and retention creditors.

Loans payable to subsidiaries are measured at amortised cost.

Non-derivative financial liabilities are recognised initially at fair value less directly attributable transaction costs. The loans, subsequent to initial recognition, are measured at amortised cost using the effective interest method.

**(xii) Non-derivative financial liabilities (continued)**

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.

**(xiii) 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.

**(xiv) Foreign exchange gains and losses on financial liabilities**

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These exchange gains and losses are recognised in profit or loss.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at spot rate at the reporting date.

**(xv) Derecognition of financial liabilities**

A financial liability is derecognised when, and only when:

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

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

**(xvi) Derivative financial instruments**

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

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

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the reporting date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

The fair value of forward exchange contracts is their quoted market price at the reporting date, being the present value of the quoted forward price.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as financial liability. Derivatives are not offset in the financial statements unless the Group has both the legal right and intention to offset.

**(xvii) Embedded derivatives**

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

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

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

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

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

Embedded derivatives that are not separated are effectively accounted for as part of the hybrid instrument. The value at initial recognition is adjusted for cash flows since inception. The value of the embedded derivatives which involve a foreign currency is first determined by calculating the future cash flows 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.

**(xvii) Embedded derivatives (continued)**

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

- forwards rates, CPI indexes and commodity indexes.

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

An embedded derivative is presented as a non-current asset or non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative is more than twelve (12) months and is not expected to be realised or settled within twelve (12) months.

**(xviii) 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.

**Financial Instruments - Prior year (in terms of IAS 39)**

**(i) Initial recognition**

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

**(ii) Derecognition**

A financial asset is derecognised when, and only when:

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

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

A financial liability is derecognised when, and only when:

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

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

**(iii) Offset**

Financial assets and liabilities are offset against each other only when a legally enforceable right exists to set off the recognised amounts, and the Group intends to either settle on a net basis, or to realise the assets and settle the liability simultaneously.

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

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

**(v) Available-for-sale financial assets**

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

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

**(vi) Loans and receivables**

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

**Non-derivative financial assets**

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

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

**Financial assets measured at amortised cost**

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

**Available-for-sale financial assets**

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

**Equity-accounted investees**

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

**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.

**(x) Non-derivative financial liabilities**

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

Loans payable to subsidiaries are measured at amortised cost.

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

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

**(xi) Derivative financial instruments**

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

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

**(xi) Derivative financial instruments (continued)**

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

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

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

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

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

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

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

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

- forwards rates, CPI indexes and commodity indexes.

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

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.

**(xii) 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.

**(i) Foreign currency transactions (in terms of IFRS 9)**

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.

**Foreign currency transactions (in terms of IAS 39)**

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).

### (j) Deferred income

### (i) Government grants

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

**Assets constructed by customers (in terms of IFRS 15)**

The Group recognises assets transferred by customers as an item of property, plant and equipment in accordance with IAS 16 at the fair value of the asset transferred on the date of transfer. The fair value of the asset transferred is recognised in deferred revenue in accordance with IFRS 15 revenue from contracts with customers over the shorter of the power supply agreement (PSA) contract term, or the useful life of the asset.

**Assets constructed by the Group**

Capital contributions by customers for the construction of assets are initially recognised in deferred revenue - capital contributions received while the construction of the asset is in progress. Once the asset is complete, it is transferred to Property, Plant and Equipment in accordance with IAS 16. The deferred revenue is recognised in revenue in accordance with IFRS 15 over the shorter of the power supply agreement (PSA) contract term, or the useful life of the asset.

**Financing component**

Income recognised as capital contribution are for funds utilised in the construction of the asset or the assets transferred by the customer in order to connect and supply the electricity to the customer. Although the construction of the asset and the supply of power are not two distinct performance agreements, the income derived as assets transferred by the customer or as a result of capital contribution towards the construction of the assets is not discounted during the construction period as the funds received from customers are deemed as typical within the industry as per IFRS 15 paragraph BC233(c).

**Assets constructed by the Group (in terms of IAS 18 and IFRIC 18)**

Upfront capital contributions by customers for the construction of assets are initially recognised in debtors and assets under construction while the construction of the asset is in progress. Once the asset is complete, it is transferred to Property, Plant and Equipment in accordance with IAS 16. The credit for the upfront capital contribution is initially recognised in deferred revenue, once the construction of the asset is complete, the deferred revenue is recognised in revenue in accordance with IFRIC 18.

### (k) Appropriation of Funds

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

- Reserve Fund - to be utilised to fund costs associated with potential energy crises. The Board of Directors have decided that the current level of funding is adequate. The Fund is credited with interest earned, after deduction of income tax, on the monthly balance. The interest earned is calculated on the outstanding balance of the reserve fund at a monthly average interest rate earned on the current account.
- Development Fund - to be utilised for the total or partial financing of capital works and extensions to power stations, transmission and distribution networks. The annual profit after the interest allocation to the reserve fund is transferred to this fund.
- Share Capital - Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

### (l) 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.

### (m) Revenue - Current year (in terms of IFRS 15)

Revenue comprises of electricity sales, and associated services.

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. Tariffs and service charges are agreed upfront with the customer. Revenue is adjusted for the fair value of non-cash consideration received, and for upfront capital contributions advanced by customers.

**(m) Revenue - Current year (in terms of IFRS 15) (continued)**

The Group recognises revenue when (or as) the Group transfers control of a product or service to a customer.

**(i) Electricity Sales**

The group supplies units of electricity to users. Revenue is recognised over time as electricity is consumed by the customer.

**(ii) Service**

Service revenue is recognised over time, when the service is performed.

**(iii) Capital Contribution**

**Transfers of assets constructed by the customers**

The transfers of assets from customers comprise of assets constructed by customer and transferred to the group, as well as capital/cash contributions made by customers towards assets constructed by the Group. The Power Supply Agreements (PSA) state that assets will be transferred or contribution will be made in order to connect the customer to the Group's electricity network system.

**Capital contributions made by the customer towards assets constructed by the Group**

Capital contributions by customers for the construction of assets are initially recognised in deferred revenue as they represents a contract liability. Costs incurred associated to the assets are capitalised as assets under construction. Once the asset is complete, it is transferred to Property, Plant and Equipment.

In Power Supply agreements where there is an ongoing obligation on the Group to provide services and electricity to the customer, the deferred revenue is recognised as revenue over the shorter of the useful life and the term of the power supply agreement.

**Measurement and recognition**

The Group recognises assets transferred by customers as an item of property, plant and equipment at the fair value of the asset transferred on the date of transfer. The fair value of the asset transferred is recognised as deferred revenue as it represents a contract liability.

The value of the capital contribution is included in the determination of the transaction price, and in the PSA contracts as there are subsequently, ongoing obligations on NamPower to connect the customer to the network. Thus, the deferred revenue is recognised when the performance obligations are satisfied, i.e. over the shorter of the PSA contract term, or the useful life of the asset.

**Revenue Prior year (in terms of IAS 18)**

**(i) Electricity Sales**

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

**(ii) Service Revenue**

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

**(iii) Capital Contribution**

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

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

**(iv) Finance income Current year (in terms of IFRS 9)**

Finance income comprises interest receivable on loans, trade receivables and income from financial market investments.

Finance income is calculated by applying the effective interest rate method to the gross carrying amount of non-credit impaired financial assets (ie at the amortised cost of the financial asset before adjusting for any expected credit loss allowance). Finance income on credit-impaired financial assets is calculated by applying the effective interest rate to the amortised cost of the credit-impaired financial assets (ie the gross carrying amount less the allowance for expected credit losses). Interest income is recognised as it accrues using the effective interest method in profit or loss.

**Finance income Prior year (in terms of IAS 39)**

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

**(n) Finance expenses**

Finance expenses comprise interest expense on borrowings, decreases in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss and losses on hedged items that are recognised in profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method. Foreign currency gains and losses are reported on a net basis and recognised in profit or loss.

### (o) 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 annual leave and bonuses represent the amount which the Group has a present obligation to pay as a result of employee services provided to the reporting date. The accruals have been calculated at undiscounted amounts based on current wage and salary rates.

#### (ii) Retirement Benefits

The Group contributes to a defined contribution plan. A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

#### (iii) Post-Retirement Medical Benefits

The Group subsidises part of the contributions by retired employees to the medical aid fund. An obligation is recognised for the present value of post retirement medical benefits.

The net obligation in respect of defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods that benefit is discounted to determine its present value, and any unrecognised past service costs and the fair value of any plan assets are deducted. The calculation is done by a qualified actuary using the projected unit credit method. The discount rate is the yield of the South African zero coupon government bond as at 30 June 2019.

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

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

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

**Severance Pay Retirement Benefits**

The Group recognises an obligation for statutory severance benefits, in accordance with the Namibia Labour Act 2007. The liability is discounted to account for the present value of the future benefits payable on resignation or retirement of employees on reaching the age of 65. The cost of providing the benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period. The movement for the year including actuarial gains and losses is recognised in profit or loss in the year in which it occurs. The discount rate is the yield of the South African zero coupon government bond as at 30 June 2019.

## 4. SIGNIFICANT JUDGEMENTS

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

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

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

**Note 6 - revaluation of property, plant and equipment**

The Group performs revaluations every three years and with such sufficiency that the carrying amount does not differ materially from that which would be determined using fair values at the reporting date.

In estimating the fair value of property, plant and equipment, the Group uses market-observable data to the extent that it is available (see note 6). The Group engages third party qualified valuers to perform the valuation. Management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the valuation model.

Further information on the carrying amounts of property, plant and equipment and the sensitivity of those amounts to changes in unobservable inputs are provided in note 6.8.

**4. SIGNIFICANT JUDGEMENTS (continued)**

**Note 29.4 - expected credit losses**

When measuring ECL the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

The loss allowance on trade receivables between 61 and 90 days past due is N$630.3 million (2018: N$300.4 million).

The loss allowance on trade receivables between 31 and 60 days past due is N$28.1 million (2018: N$33.6 million).

### 5. STANDARDS AND INTERPRETATIONS

### 5.1 ADOPTION OF NEW AND REVISED STANDARDS

New and amended IFRS Standards that are effective for the current year

Impact of initial application of IFRS 9 Financial Instruments (IFRS 9")

In the current year, the Group has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018. The Group used the transition provisions of IFRS 9 not to restate comparatives.

Additionally, the Group adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that were applied to the disclosures for 2019 and to the comparative period.

IFRS 9 introduced new requirements for:

1. The classification and measurement of financial assets and financial liabilities,
2. Impairment of financial assets, and
3. General hedge accounting.

Details of these new requirements as well as their impact on the Group's consolidated financial statements are described below.

**(a) Classification and measurement of financial assets**

The date of initial application (i.e. the date on which the Group has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is 1 July 2018. Accordingly, the Group has applied the requirements of IFRS 9 to instruments that continue to be recognised as at 1 July 2018 and has not applied the requirements to instruments that have already been derecognised as at 1 July 2018. Comparative amounts in relation to instruments that continue to be recognised as at 1 July 2018 have been restated where appropriate.

All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost;
- all other debt investments and equity investments are measured subsequently at fair value through profit or loss (FVTPL).

Despite the aforegoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination in other comprehensive income; and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

In the current year, the Group has designated the inflation linked bonds at FVTOCI.

When a debt investment measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. When an equity investment designated as measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is subsequently transferred to retained earnings.

Debt instruments that are measured subsequently at amortised cost or at FVTOCI are subject to impairment. See accounting policy Financial Instruments (i).

The directors of the Company reviewed and assessed the Group's existing financial assets as at 1 July 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had the following impact on the Group's financial assets as regards their classification and measurement:

- the Group's investment in corporate bonds that were classified as Held-to-maturity assets under IAS 39 have been classified as financial assets at amortised cost because they are held within a business model whose objective is both to collect contractual cash flows and to sell the bonds, and they have contractual cash flows that are solely payments of principal and interest on principal outstanding. The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

**(a) Classification and measurement of financial assets (continued)**

- the Group's investments in listed equity instruments (neither held for trading nor a contingent consideration arising from a business combination) that were previously classified as available-for-sale financial assets and were measured at fair value at each reporting date under IAS 39 have been designated as at FVTOCI. The Group's investments in unlisted equity instruments (neither held for trading nor a contingent consideration arising from a business combination) that were previously classified as available-for-sale financial assets and were measured at cost at each reporting date under IAS 39 have been designated as at FVTOCI. The change in fair value on these equity instruments continues to be accumulated in the investment revaluation reserve.
- there is no change in the measurement of the Group's investments in fincancial instruments that are held for trading and those instruments were and continue to be measured at FVTPL;
- financial assets classified as loans and receivables under IAS 39 that were measured at amortised cost continue to be measured at amortised cost under IFRS 9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

Note (d) tabulates the change in classification of the Group's financial assets upon application of IFRS 9.

Note (e) details the adjustments arising from such classifications. None of the other reclassifications of financial assets have had any impact on the Group's financial position, profit or loss, other comprehensive income or total comprehensive income in either year.

**(b) Impairment of financial assets**

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, IFRS 9 requires the Group to recognise a loss allowance for expected credit losses on:

1. Debt investments measured subsequently at amortised cost or at FVTOCI; and
2. Trade receivables

In particular, IFRS 9 requires the Group to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset.

However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Group is required to measure the loss allowance for that financial instrument at an amount equal to 12-months ECL. IFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivable in certain circumstances.

Because the Group has elected not to restate comparatives, for the purpose of assessing whether there has been a significant increase in credit risk since initial recognition of financial instruments that remain recognised on the date of initial application of IFRS 9 (1 July 2018), the directors have compared the credit risk of the respective financial instruments on the date of their initial recognition to their credit risk as at 1 July 2018.

The result of the assessment is as follows:

| Group and Company | | | Cumulative additional loss allowance recognised on: |
|---|---|---|---|
| **Items existing as at 01/07/2018 that are subject to the impairment provisions of IFRS 9** | **Note** | **Credit risk attributes at 01/07/2018** | **01/07/2018** |
| | | | **N$'000** |
| Trade and other receivables | 13 | The Group applies the simplified approach and recognises lifetime ECL for these assets. | 58,110 |

The additional credit loss allowance of N$58.1 million as at 1 July 2018 has been recognised against retained earnings, resulting in a net decrease in retained earnings of N$58.1 million as at 1 July 2018.

The Group has performed an assesment on the other financial assets on the date of initial application and found that there was no significant increase in credit risk since intial recognition of the financial instruments. The Group elected not to recognise the expected credit losses on these financial instruments.

The consequential amendments to IFRS 7 have also resulted in more extensive disclosures about the Group's exposure to credit risk in the consolidated financial statements (see note 29 for details).

5. STANDARDS AND INTERPRETATIONS (continued)

5.1 ADOPTION OF NEW AND REVISED STANDARDS

(c) Classification and measurement of financial liabilities

A significant change introduced by IFRS 9 in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability designated at FVTPL attributable to changes in the credit risk of the issuer.

Specifically, IFRS 9 requires that the changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss, but are instead transferred to retained earnings when the financial liability is derecognised.

Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated at FVTPL was presented in profit or loss.

Please refer to (d) below and (e) below for further details regarding the change in classification upon the application of IFRS 9.

5.2 ADOPTION OF NEW AND REVISED STANDARDS

(d) Disclosures in relation to the initial application of IFRS 9

There were no financial assets or financial liabilities which the Group had previously designated at FVTPL under IAS 39 that were subject to reclassification or which the Group has elected to reclassify upon the application of IFRS 9.

The table below shows information relating to financial assets that have been reclassified as a result of transition to IFRS 9.

| GROUP AND COMPANY | Note | (i)<br>IAS 39 carrying amount 30/06/2018 | (ii)<br>Reclassifications | (iii)<br>Remeasurements | (iv) = (i) + (ii) + (iii)<br>IFRS 9 carrying amount 01/07/2018 | (v) = (iii)<br>Investment Valuation reserve effect on 01/07/2018 |
|---|---|---|---|---|---|---|
| | | N$'000 | N$'000 | N$'000 | N$'000 | N$'000 |
| **Financial assets** | | | | | | |
| **5.2.1 FVTPL** | | | | | | |
| Additions: | | | | | | |
| From Held-for-trading (IAS 39) | | 43,059 | - | - | 43,059 | - |
| From designated at Fair value through profit and loss (IAS 39) | | 1,600,594 | - | - | 1,600,594 | - |
| **Total** | **29.1** | **1,643,653** | **-** | **-** | **1,643,653** | **-** |
| **5.2.2 FVTOCI** | | | | | | |
| Additions – debt instruments: | | | | | | |
| From available-for-sale (IAS 39) required reclassification based on classification criteria | | 37,184 | - | 59,810 | 96,994 | 59,810 |
| **Total** | **29.1** | **37,184** | **-** | **59,810** | **96,994** | **59,810** |

(d) Disclosures in relation to the initial application of IFRS 9 (continued)

| GROUP AND COMPANY | Note | (i) IAS 39 carrying amount 30/06/2018 | (ii) Reclassifications | (iii) Remeasurements | (iv) = (i) + (ii) + (iii) IFRS 9 carrying amount 01/07/2018 | (v) = (iii) Investment Valuation reserve effect on 01/07/2018 |
|---|---|---|---|---|---|---|
| | | N$'000 | N$'000 | N$'000 | N$'000 | N$'000 |
| **5.2.3 Amortised cost** | | | | | | |
| Additions: | | | | | | |
| From Held-to-maturity (IAS 39) | | 752,721 | - | - | 752,721 | - |
| From loans and receivables (IAS 39) – required reclassification | | 7,688,664 | - | 58,110 | 7,746,774 | 58,110 |
| **Total** | **29.1** | **8,441,384** | **-** | **58,110** | **8,499,495** | **58,110** |
| **Total financial asset balances, reclassifications and remeasurements at 1 July 2018** | **29.1** | **10,122,221** | **-** | **117,920** | **10,240,141** | **117,920** |
| **Financial liabilities** | | | | | | |
| **5.2.4 Amortised cost** | | | | | | |
| Additions: | | | | | | |
| Designated fair value through profit or loss (IAS 39) | | (87,310) | - | - | (87,310) | - |
| Other financial liabilities at amortised cost (IAS 39) ** | | (2,988,759) | - | - | (2,988,759) | - |
| **Total** | **29.1** | **(3,076,069)** | **-** | **-** | **(3,076,069)** | **-** |
| ** Include loans due to subsidiaries of N$6.3 million which is only in the Company. | | | | | | |
| **5.2.5 FVTPL** | | | | | | |
| Additions: | | | | | | |
| From Held-for-trading (IAS 39) | | (107,486) | - | - | (107,486) | - |
| **Total** | **29.1** | **(107,486)** | - | - | **(107,486)** | - |
| **Total financial liabilities balances, reclassifications and remeasurements at 1 July 2018** | **29.1** | **(3,183,555)** | - | - | **(3,183,555)** | - |

### 5.2 ADOPTION OF NEW AND REVISED STANDARDS (continued)

**(e) Impact of initial application of IFRS 9 on financial performance**

The tables below show the amount of adjustment for each financial statement line item affected by the application of IFRS 9 on the transition date for the Group and Company.

| | 01/07/2018<br>N$'000 |
|---|---|
| **5.2.6 Impact on equity** | |
| Impact on retained earnings, net of tax | |
| Increase in expected credit losses | (58,110) |
| Deferred tax impact on expected credit losses | 18,595 |
| Decrease in equity | (39,515) |
| Impact on investment valuation reserve | |
| Items that may be reclassified subsequently to profit or loss: | |
| Increase in net fair value gain on unlisted investment instruments designated as at FVTOCI | 59,810 |
| Effect on income tax | - |
| Increase in investment valuation reserve | 59,810 |
| Increase in equity | 20,295 |

**5.2.7 Impact of application of IFRS 15, Revenue from contracts with customers ("IFRS 15")**

**IFRS 15 transition disclosure requirements:**

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

The Group has adopted IFRS 15 Revenue from Contracts with Customers with a date of initial application of 1 July 2018. As a result, the Group has changed its accounting policy for revenue recognition as detailed below.

The Group has applied IFRS 15 using the cumulative effect method – i.e. by recognising the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of equity at the date of transition. Therefore, the comparative information has not been restated and continues to be reported under IAS 18 in accordance with the group's previous accounting policy. The details of the significant changes and quantitative impact of the changes are set out below.

An analysis of revenue required under IFRS 15 and as previously recognised are as follows:

**IFRS 15 revenue categories and policy:**

| Products and services | Nature, timing of satisfaction of performance obligations and significant payment terms |
|---|---|
| Sales of electricity | Units of electricity sold to customers are recognised as revenue over time. Sales may be prepaid or post-paid, with no significant payment terms. |
| Services | Various services offered to customers, including access to the network, access to capacity and administration charges. In some instances the customer contributes assets to the Group, or provides the Group with advance payments. Such capital contributions are included in the determination of the transaction price. |

### 5.2.7 Impact of application of IFRS 15, Revenue from contracts with customers ("IFRS 15")

**Previous revenue categories and policy: (IAS 18)**

| Products and services | Nature, timing of satisfaction of deliverables and significant payment terms |
|---|---|
| Sales of electricity | 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. |
| Exension charges | Extension charges relates to income derived from monthly rentals as per contract of each power user. |
| Stem sales | STEM sales: Electricity sales on the short term energy market to other South African Power Pool (SAPP) utilities. |
| Transfer of assets from customers - capital contributions by customers | Contributions made by customers towards the costs to be incurred to make a power supply available to the customer. |

### 5.2.8 Impact on equity

| Equity | 01/07/2018 N$'000 |
|---|---|
| Contributions by customers due to change in the timing of revenue recognition [1] | [1] (320,554) |
| Deferred tax impact on assets transferred from customers (Refer to note 19) [2] | [2] 305,414 |
| Increase in equity | (15,140) |

[1] An adjustment was made to retained earnings in respect of capital contributions from customers that were recognised as revenue when the assets were capitalised in terms of IAS 18 and IFRIC 18 - Transfer of assets from customers. In terms of IFRS 15, capital contributions by customers is recognised when the performance obligations are satisfied, i.e. over the shorter of the Power Supply Agreement contract term, or the useful life of the asset.

[2] Under IAS 18 and IFRIC 18, the initial recognition of the assets transferred from customers impacted accounting profit as the capital contributions were recognised as income in full. With the adoption of IFRS 15, the capital contributions are now recognised as deferred income thus affecting neither accounting profit or taxable profit. As a result, the assets transferred from customers no longer have deferred tax consequences and therefore the deferred tax adjustment above has been made at transition date.

# Notes to the Financial Statements (continued)
## for the year ended 30 June 2019

### 5.3 STANDARDS AND INTERPRETATIONS ISSUED AND NOT YET EFFECTIVE FOR THE YEAR ENDED 30 JUNE 2019

At the date of authorisation of the financial statements of the Group for the year ended 30 June 2019, the following Standards and Interpretations which affects the Group and Company were in issue but not yet effective:

| Standard | Effective Date |
|---|---|
| **Amendments to IFRS 9 - Prepayment Features with Negative Compensation** | Annual periods beginning on or after 1 January 2019 |
| **Amendments to IAS 19 - Plan Amendment, Curtailment or Settlement Benefits** | Annual periods beginning on or after 1 January 2019 |
| **Amendments to IAS 28 - Long-term Interests in Associates and Joint Ventures** | Annual periods beginning on or after 1 January 2019 |
| **IFRS 10 - Sale or Contribution of Assets between an Investor and its Associate** | Annual periods beginning on or after 1 January 2019 |
| **IFRS 16: Leases** | Annual periods beginning on or after 1 January 2019 |
| **IFRIC 23: Uncertainty over Income Tax Treatments** | Annual periods beginning on or after 1 January 2019 |
| **Annual Improvements to IFRS Standards 2015–2017, Cycle Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs** | Annual periods beginning on or after 1 January 2019 |

* All standards will be adopted at their effective date.
Only the standards not yet effective which are relevant to the Group's operations, are listed.

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

**IFRS 9: Financial instruments ("IFRS 9")**

The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the SPPI condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI.

The amendment applies to annual periods beginning on or after 1 January 2019, with earlier application permitted. There are specific transition provisions depending on when the amendments are first applied, relative to the initial application of IFRS 9.

The amendments are not expected to have an impact on the consolidated financial statements as there are currently no financial assets with prepayment features.

**Amendments to IAS 19 - Plan Amendment, Curtailment or Settlement Benefits ("IAS 19")**

The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position). IAS 19 is now clear that the change in the effect of the asset ceiling that may result from the plan amendment (or curtailment or settlement) is determined in a second step and is recognised in the normal manner in other comprehensive income.

The paragraphs that relate to measuring the current service cost and the net interest on the net defined benefit liability (asset) have also been amended. An entity will now be required to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan.

### 5.3 STANDARDS AND INTERPRETATIONS ISSUED AND NOT YET EFFECTIVE FOR THE YEAR ENDED 30 JUNE 2019 (continued)

In the case of the net interest, the amendments make it clear that for the period post plan amendment, the net interest is calculated by multiplying the net defined benefit liability (asset) as remeasured under IAS 19.99 with the discount rate used in the remeasurement (also taking into account the effect of contributions and benefit payments on the net defined benefit liability (asset)).

The amendments are not expected to have an impact on the consolidated financial statements. There is currently no amendment, curtailment or settlement of a defined benefit plan.

**Amendments to IAS 28 - Long-term Interests in Associates and Joint Ventures ("IAS 28")**

The amendment clarifies that IFRS 9, including its impairment requirements, applies to long-term interests. Furthermore, in applying IFRS 9 to long-term interests, an entity does not take into account adjustments to their carrying amount required by IAS 28 (i.e., adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28).

The amendments are not expected to have an impact on the consolidated financial statements as the Group is already assesing for impairment of Associates on an annual basis.

**IFRS 10 - Sale or Contribution of Assets between an Investor and its Associate ("IFRS 10")**

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The standard will not have a significant impact on the consolidated financial statements as there were no sale or contribution of assets between the Group and its associates.

**IFRS 16: Leases ("IFRS 16")**

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

**Lessee accounting**

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

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

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

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

**Lessor accounting**

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

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

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

The Group expects to apply the modified retrospective approach on adoption of IFRS 16 and, as a result, comparative information will not be restated.

## 5.3 STANDARDS AND INTERPRETATIONS ISSUED AND NOT YET EFFECTIVE FOR THE YEAR ENDED 30 JUNE 2019 (continued)

The Group expects to apply the following practical expedients:

- the present value of the remaining lease payments would be based on a single discount rate on implementation date.
- existing leases with a remaining period of 12 months will be reported as short-term leases.
- the underlying assets would not be accounted for as a right-of-use asset for low value leases.

Rental of property is currently being treated as operational expenditure and it is expected that right-of-use assets and lease liabilities will arise on implementation of IFRS 16, if the amount is material.

The right-of-use asset for all existing finance leases will be measured using the carrying amount of the finance lease asset and liability under IAS 17 Leases.

**Impact of IFRS 16**

It is likely that the current classification of leases in terms of IFRIC 4 determining when an arrangement contains a lease will not be recognised as leases in terms of IFRS 16.

All current material contracts have been reviewed and the Group does not foresee changes in the current application to lessor and lessee accounting under the new standard,except for certain property leases which the group deems to be immaterial.

**IFRIC 23: Uncertainty over Income Tax Treatments**

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

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

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

The standard will not have a significant impact on the consolidated financial statements as the Group is already accounting for uncertainty over the income tax treatments in accordance with the standard.

**The Annual Improvements include amendments to four Standards**

**IAS 12 Income Taxes**

The amendments clarify that an entity should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

**IAS 23 Borrowing Costs**

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

**IFRS 3 Business Combinations**

The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, the entity applies the requirements for a business combination achieved in stages, including remeasuring its previously held interest (PHI) in the joint operation at fair value. The PHI to be remeasured includes any unrecognised assets, liabilities and goodwill relating to the joint operation.

**IFRS 11 Joint Arrangements**

The amendments to IFRS 11 clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the entity does not remeasure its PHI in the joint operation.

The amendments will not have a significant impact on the Group's consolidated financial statements. There are currently no joint arrangements. The additional guidance on borrowing costs eligible for capitalisation and dividends payable will be applied prospectively from 1 July 2019.

## 6. PROPERTY, PLANT AND EQUIPMENT

| | Cost/ Valuation N$'000 | Accumulated depreciation N$'000 | Accumulated impairment N$'000 | Carrying amount N$'000 |
|---|---|---|---|---|
| **CONSOLIDATED** | | | | |
| **2019** | | | | |
| Ruacana Power Station | **5,554,351** | **(204,035)** | **-** | **5,350,316** |
| Van Eck Power Station | **1,273,070** | **(87,311)** | **-** | **1,185,759** |
| Paratus Power station | **34,579** | **(31,949)** | **(2,630)** | **-** |
| Anixas Power station | **461,815** | **(14,619)** | **-** | **447,196** |
| Transmission systems | **13,069,794** | **(415,785)** | **(43,236)** | **12,610,773** |
| Aircraft fleet | **40,078** | **(2,412)** | **-** | **37,666** |
| Machinery and equipment | **108,920** | **(21,769)** | **-** | **87,151** |
| Land and Buildings | **407,204** | **(12,166)** | **(3,340)** | **391,698** |
| Assets under construction | **695,493** | **-** | **-** | **695,493** |
| Strategic inventory | **577,670** | **-** | **-** | **577,670** |
| **Total** | **22,222,974** | **(790,046)** | **(49,207)** | **21,383,719** |
| **2018** | | | | Restated* |
| Ruacana Power Station | 6,401,432 | (1,142,994) | - | 5,258,438 |
| Van Eck Power Station | 1,943,864 | (614,198) | (26) | 1,329,640 |
| Paratus Power station | 34,579 | (31,949) | (2,630) | - |
| Anixas Power station | 535,522 | (70,812) | (6,526) | 458,184 |
| Transmission systems | 15,630,579 | (3,082,566) | (873,308) | 11,674,705 |
| Aircraft fleet | 54,738 | (13,624) | (6,866) | 34,248 |
| Machinery and equipment | 520,448 | (431,841) | - | 88,607 |
| Land and Buildings | 451,035 | (64,693) | (14,197) | 372,145 |
| Assets under construction | 1,272,186 | - | - | 1,272,186 |
| Strategic inventory | 523,812 | (1,636) | - | 522,176 |
| **Total** | 27,368,194 | (5,454,313) | (903,553) | 21,010,330 |
| **COMPANY** | | | | |
| **2019** | | | | |
| Ruacana Power Station | **5,554,351** | **(204,035)** | **-** | **5,350,316** |
| Van Eck Power Station | **1,273,069** | **(87,311)** | **-** | **1,185,758** |
| Paratus Power station | **34,579** | **(31,949)** | **(2,630)** | **-** |
| Anixas Power station | **461,814** | **(14,619)** | **-** | **447,196** |
| Transmission systems | **13,069,791** | **(415,785)** | **(43,236)** | **12,610,770** |
| Aircraft fleet | **40,079** | **(2,412)** | **-** | **37,667** |
| Machinery and equipment | **108,923** | **(21,769)** | **-** | **87,155** |
| Land and Buildings | **407,204** | **(12,166)** | **(3,340)** | **391,698** |
| Assets under construction | **695,493** | **-** | **-** | **695,493** |
| Strategic inventory | **577,670** | **-** | **-** | **577,669** |
| **Total** | **22,222,973** | **(790,045)** | **(49,207)** | **21,383,720** |
| **2018** | | | | Restated* |
| Ruacana Power Station | 6,401,432 | (1,142,994) | - | 5,258,438 |
| Van Eck Power Station | 1,943,864 | (614,198) | (26) | 1,329,640 |
| Paratus Power station | 34,579 | (31,949) | (2,630) | - |
| Anixas Power station | 535,522 | (70,812) | (6,526) | 458,184 |
| Transmission systems | 15,630,453 | (3,082,442) | (873,308) | 11,674,703 |
| Aircraft fleet | 54,738 | (13,623) | (6,866) | 34,249 |
| Machinery and equipment | 517,950 | (429,341) | - | 88,609 |
| Land and Buildings | 449,683 | (63,340) | (14,197) | 372,146 |
| Assets under construction | 1,272,186 | - | - | 1,272,186 |
| Strategic inventory | 523,812 | (1,636) | - | 522,176 |
| **Total** | 27,364,218 | (5,450,335) | (903,553) | 21,010,330 |

* Certain amounts shown here do not correspond to the 2018 financial statements for the Group and Company due to a classification error and reflect adjustments made, refer to note 30.

# Notes to the Financial Statements (continued)
## for the year ended 30 June 2019

### 6. PROPERTY, PLANT AND EQUIPMENT (continued)

| | Note | Ruacana Power Station N$'000 | Van Eck Power Station N$'000 | Paratus Power Station N$'000 | Anixas Power Station N$'000 |
|---|---|---|---|---|---|
| **CONSOLIDATED** | | | | | |
| **2019** | | | | | |
| **Carrying amount at 1 July 2018** | | 5,258,438 | 1,329,641 | - | 458,184 |
| - At cost/valuation | | 6,401,432 | 1,943,864 | 34,579 | 535,522 |
| - Accumulated impairment | | - | (26) | (2,630) | (6,526) |
| - Accumulated depreciation | | (1,142,994) | (614,198) | (31,949) | (70,812) |
| Additions | | - | 11 | - | - |
| Assets under construction completed | | 10,195 | 7,472 | - | 24 |
| Strategic inventory items issued | | - | - | - | - |
| Transfer to intangible assets | | - | - | - | - |
| Transfer from machinery and equipment | | - | - | - | - |
| Transfer from transmission systems | | - | - | - | - |
| Revaluation | | 285,718 | (64,053) | - | 3,606 |
| Impairment | | - | - | - | - |
| Disposals | | - | - | - | - |
| - At cost/valuation | | - | - | - | - |
| - Accumulated depreciation | | - | - | - | - |
| Depreciation for the year | | (204,035) | (87,311) | - | (14,619) |
| **Carrying amount at 30 June 2019** | | 5,350,316 | 1,185,759 | - | 447,196 |
| - At cost/valuation | | 5,554,351 | 1,273,070 | 34,579 | 461,815 |
| - Accumulated impairment | | - | - | (2,630) | - |
| - Accumulated depreciation | | (204,035) | (87,311) | (31,949) | (14,619) |
| **CONSOLIDATED - RESTATED** | | | | | |
| **2018** | | | | | |
| **Carrying amount at 1 July 2017 - as previously reported** | | 5,440,343 | 1,510,260 | - | 472,272 |
| - At cost/valuation | | 6,399,633 | 1,943,845 | 34,579 | 535,502 |
| - Accumulated impairment | | - | (26) | (2,630) | (6,526) |
| - Accumulated depreciation | | (959,290) | (433,559) | (31,949) | (56,704) |
| Adjustment of correction of error in classification | 30 | - | - | - | - |
| **Carrying amount at 1 July 2017 - restated** | | 5,440,343 | 1,510,260 | - | 472,272 |
| Additions | | - | - | - | - |
| Assets under construction completed | | 1,799 | 19 | - | 20 |
| Strategic inventory items issued | | - | - | - | - |
| Transfer to intangible assets | | - | - | - | - |
| Depreciation for the year | | (183,704) | (180,639) | - | (14,108) |
| **Carrying amount at 30 June 2018** | | 5,258,438 | 1,329,640 | - | 458,185 |
| - At cost/valuation | | 6,401,432 | 1,943,864 | 34,579 | 535,522 |
| - Accumulated impairment | | - | (26) | (2,630) | (6,526) |
| - Accumulated depreciation | | (1,142,994) | (614,198) | (31,949) | (70,812) |

* Certain amounts shown here do not correspond to the 2018 financial statements due to a classification error and reflect adjustments made, refer to note 30.

| Transmission Systems N$'000 | Aircraft Fleet N$'000 | Machinery and Equipment N$'000 | Land and Buildings N$'000 | Assets Under Construction N$'000 | Strategic Inventory N$'000 | Total N$'000 |
|---|---|---|---|---|---|---|
| **11,674,705** | **34,248** | **88,607** | **372,145** | **1,272,186** | **522,176** | **21,010,330** |
| **15,630,579** | **54,738** | **520,448** | **451,035** | **1,272,186** | **523,812** | **27,368,196** |
| **(873,308)** | **(6,866)** | **-** | **(14,197)** | **-** | **-** | **(903,553)** |
| **(3,082,566)** | **(13,624)** | **(431,841)** | **(64,693)** | **-** | **(1,636)** | **(5,454,313)** |
| **-** | **-** | **29,522** | **-** | **157,701** | **88,058** | **275,292** |
| **751,227** | **-** | **4,913** | **3,486** | **(777,317)** | **-** | **-** |
| **-** | **-** | **-** | **-** | **42,922** | **(42,922)** | **-** |
| **-** | **-** | **(140)** | **-** | **-** | **-** | **(140)** |
| **-** | **-** | **(27)** | **27** | **-** | **-** | **-** |
| **(3,481)** | **-** | **3,481** | **-** | **-** | **-** | **-** |
| **647,342** | **5,830** | **-** | **31,545** | **-** | **10,358** | **920,346** |
| **(43,236)** | **-** | **-** | **(3,340)** | **-** | **-** | **(46,576)** |
| **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **-** | **-** | **(17,436)** | **-** | **-** | **-** | **(17,436)** |
| **-** | **-** | **17,436** | **-** | **-** | **-** | **17,436** |
| **(415,785)** | **(2,412)** | **(39,205)** | **(12,166)** | **-** | **-** | **(775,533)** |
| **12,610,773** | **37,666** | **87,151** | **391,698** | **695,493** | **577,670** | **21,383,719** |
| **13,069,794** | **40,078** | **540,761** | **407,204** | **695,493** | **577,670** | **22,654,813** |
| **(43,236)** | **-** | **-** | **(3,340)** | **-** | **-** | **(49,207)** |
| **(415,785)** | **(2,412)** | **(453,610)** | **(12,166)** | **-** | **-** | **(1,221,887)** |
| | | | | | | |
| **12,102,490** | **36,208** | **96,076** | **380,557** | **714,902** | **288,232** | **21,041,341** |
| 15,618,949 | 54,738 | 489,889 | 448,448 | 714,902 | 289,868 | 26,530,354 |
| (873,308) | (6,866) | - | (14,198) | - | - | (903,553) |
| (2,643,151) | (11,664) | (393,813) | (53,694) | - | (1,636) | (4,585,460) |
| - | - | - | - | - | 208,613 | 208,613 |
| **12,102,490** | **36,208** | **96,076** | **380,557** | **714,902** | **496,845** | **21,249,954** |
| - | - | 22,231 | 1,656 | 586,206 | 46,300 | 656,393 |
| 11,630 | - | 14,523 | 931 | (28,922) | - | - |
| - | - | - | - | - | (20,969) | (20,969) |
| - | - | (6,195) | - | - | - | (6,195) |
| (439,415) | (1,960) | (38,028) | (10,999) | - | - | (868,853) |
| **11,674,705** | **34,248** | **88,606** | **372,144** | **1,272,186** | **522,176** | **21,010,330** |
| 15,630,579 | 54,738 | 520,448 | 451,035 | 1,272,186 | 523,812 | 27,368,196 |
| (873,308) | (6,866) | - | (14,197) | - | - | (903,553) |
| (3,082,566) | (13,624) | (431,841) | (64,693) | - | (1,636) | (5,454,313) |

# Notes to the Financial Statements (continued)
## for the year ended 30 June 2019

6. PROPERTY, PLANT AND EQUIPMENT (continued)

| | Note | Ruacana Power Station N$'000 | Van Eck Power Station N$'000 | Paratus Power Station N$'000 | Anixas Power Station N$'000 |
|---|---|---|---|---|---|
| **COMPANY** | | | | | |
| **2019** | | | | | |
| **Carrying amount at 1 July 2018** | | 5,258,438 | 1,329,640 | - | 458,184 |
| - At cost/valuation | | 6,401,432 | 1,943,864 | 34,579 | 535,522 |
| - Accumulated impairment | | - | (26) | (2,630) | (6,526) |
| - Accumulated depreciation | | (1,142,994) | (614,198) | (31,949) | (70,812) |
| Additions | | - | 11 | - | - |
| Assets under construction completed | | 10,195 | 7,472 | - | 24 |
| Strategic inventory items issued | | - | - | - | - |
| Transfer to intangible assets | | - | - | - | - |
| Transfer from machinery and equipment | | - | - | - | - |
| Transfer from transmission systems | | - | - | - | - |
| Revaluation | | 285,718 | (64,053) | - | 3,606 |
| Impairment | | - | - | - | - |
| Disposals | | - | - | - | - |
| - At cost/valuation | | - | - | - | - |
| - Accumulated depreciation | | - | - | - | - |
| Depreciation for the year | | (204,035) | (87,311) | - | (14,619) |
| **Carrying amount at 30 June 2019** | | 5,350,316 | 1,185,758 | - | 447,196 |
| - At cost/valuation | | 5,554,351 | 1,273,069 | 34,579 | 461,814 |
| - Accumulated impairment | | - | - | (2,630) | - |
| - Accumulated depreciation | | (204,035) | (87,311) | (31,949) | (14,619) |
| **COMPANY - RESTATED** | | | | | |
| **2018** | | | | | |
| **Carrying amount at 1 July 2017 - as previously reported** | | 5,440,343 | 1,510,260 | - | 472,272 |
| - At cost/valuation | | 6,399,633 | 1,943,845 | 34,579 | 535,502 |
| - Accumulated impairment | | - | (26) | (2,630) | (6,526) |
| - Accumulated depreciation | | (959,290) | (433,559) | (31,949) | (56,704) |
| Adjustment of correction of error in classification | 30. | - | - | - | - |
| **Carrying amount at 1 July 2017 - restated** | | 5,440,343 | 1,510,260 | - | 472,272 |
| Additions | | - | - | - | - |
| Assets under construction completed | | 1,799 | 19 | - | 20 |
| Strategic inventory items issued | | - | - | - | - |
| Transfer to intangible assets | | - | - | - | - |
| Depreciation for the year | | (183,704) | (180,639) | - | (14,108) |
| **Carrying amount at 30 June 2018** | | 5,258,438 | 1,329,640 | - | 458,184 |
| - At cost/valuation | | 6,401,432 | 1,943,864 | 34,579 | 535,522 |
| - Accumulated impairment | | - | (26) | (2,630) | (6,526) |
| - Accumulated depreciation | | (1,142,994) | (614,198) | (31,949) | (70,812) |

* Certain amounts shown here do not correspond to the 2018 financial statements due to a classification error and reflect adjustments made, refer to note 30.

| Transmission Systems N$'000 | Aircraft Fleet N$'000 | Machinery and Equipment N$'000 | Land and Buildings N$'000 | Assets Under Construction N$'000 | Strategic Inventory N$'000 | Total N$'000 |
|---|---|---|---|---|---|---|
| 11,674,702 | 34,249 | 88,609 | 372,146 | 1,272,186 | 522,176 | 21,010,330 |
| 15,630,453 | 54,738 | 517,950 | 449,683 | 1,272,186 | 523,812 | 27,364,218 |
| (873,308) | (6,866) | - | (14,197) | - | - | (903,553) |
| (3,082,442) | (13,623) | (429,341) | (63,340) | - | (1,636) | (5,450,335) |
| - | - | 29,522 | - | 157,701 | 88,058 | 275,292 |
| 751,227 | - | 4,913 | 3,486 | (777,317) | - | - |
| - | - | - | - | 42,922 | (42,922) | - |
| - | - | (140) | - | - | - | (140) |
| - | - | (27) | 27 | - | - | - |
| (3,481) | | 3,481 | | - | - | - |
| 647,342 | 5,830 | - | 31,545 | - | 10,358 | 920,346 |
| (43,236) | - | - | (3,340) | - | - | (46,576) |
| - | - | - | - | - | - | - |
| - | - | (17,436) | - | - | - | (17,436) |
| - | - | 17,436 | - | - | - | 17,436 |
| (415,785) | (2,412) | (39,205) | (12,166) | - | - | (775,532) |
| 12,610,770 | 37,667 | 87,155 | 391,698 | 695,493 | 577,669 | 21,383,720 |
| 13,069,791 | 40,079 | 538,265 | 407,204 | 695,493 | 577,670 | 22,652,313 |
| (43,236) | - | - | (3,340) | - | - | (49,207) |
| (415,785) | (2,412) | (451,110) | (12,166) | - | - | (1,219,386) |
| 12,102,490 | 36,209 | 96,078 | 362,141 | 714,902 | 288,232 | 21,022,926 |
| 15,618,823 | 54,738 | 487,391 | 428,811 | 714,902 | 289,868 | 26,508,091 |
| (873,308) | (6,866) | - | (14,198) | - | - | (903,553) |
| (2,643,026) | (11,663) | (391,313) | (52,472) | - | (1,636) | (4,581,612) |
| - | - | - | - | - | 208,613 | 208,613 |
| 12,102,490 | 36,209 | 96,078 | 362,141 | 714,902 | 496,845 | 21,231,539 |
| - | - | 22,231 | 19,941 | 586,206 | 46,300 | 674,678 |
| 11,630 | - | 14,523 | 931 | (28,922) | - | - |
| - | - | - | - | - | (20,969) | (20,969) |
| - | - | (6,195) | - | - | - | (6,195) |
| (439,416) | (1,960) | (38,028) | (10,868) | - | - | (868,723) |
| 11,674,703 | 34,249 | 88,609 | 372,146 | 1,272,186 | 522,176 | 21,010,330 |
| 15,630,453 | 54,738 | 517,950 | 449,683 | 1,272,186 | 523,812 | 27,364,218 |
| (873,308) | (6,866) | - | (14,197) | - | - | (903,553) |
| (3,082,442) | (13,623) | (429,341) | (63,340) | - | (1,636) | (5,450,335) |

## 6. PROPERTY, PLANT AND EQUIPMENT (continued)

### 6.1 Assets under construction

**CONSOLIDATED AND COMPANY**

| | Power Stations N$'000 | Transmission Systems N$'000 | Machinery and Equipment N$'000 | Land and Buildings N$'000 | Total N$'000 |
|---|---|---|---|---|---|
| **2019** | | | | | |
| Opening balance | **17,473** | **1,245,480** | **762** | **8,472** | **1,272,187** |
| Additions | **13,634** | **170,605** | **12,278** | **4,107** | **200,623** |
| Property, plant and equipment capitalised | **(17,690)** | **(751,227)** | **(4,913)** | **(3,486)** | **(777,317)** |
| Closing balance | **13,417** | **664,858** | **8,127** | **9,093** | **695,493** |
| **2018** | | | | | |
| Opening balance | 7,636 | 688,663 | 9,486 | 9,117 | 714,902 |
| Additions | 11,675 | 568,447 | 5,799 | 286 | 586,207 |
| Property, plant and equipment capitalised | (1,838) | (11,630) | (14,523) | (931) | (28,922) |
| Closing balance | 17,473 | 1,245,480 | 762 | 8,472 | 1,272,187 |

### 6.2 Land and buildings (owner-occupied properties)

The revaluation of land and buildings were performed externally effective 30 June 2019 by independent valuer, Nadia van der Smit of Gert Hamman Property Valuers CC. Gert Hamman Property Valuers CC is not connected to the Group.

The valuations were performed on the basis of:

- Replacement value where no ready market exists or market value as estimated by sworn appraisers;
- Investment method of valuation which is based on the hypothesis that capital value will be a function of rental value; and
- Direct Comparable Approach comparing the subject properties characteristics with those of comparable properties which have recently sold in similar transactions.

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

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 for inspection at the Company's premises.

### 6.3 Transmission Systems

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

### 6.4 Ruacana Power Station

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

### 6.5 Valuation of power stations, transmission system and aircraft fleet

The power stations, transmission systems and aircraft fleet were revalued externally effective 1 July 2018 by independent valuers namely, WSP Power Africa, on the basis of their replacement value as adjusted for the remaining useful lives of the assets. The valuators are not connected to the Group.

The replacement value of the Ruacana Power station and the Transmission systems increased significantly mainly due to an increase in life extension and uprate projects undertaken. Trends in the cost of materials (LME), construction and any changes due to the variations in the NAD, US$, Chinese Yuan and GBP exchange rates have also contributed to the increases in the replacement values.

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

A desktop revaluation was performed for the core assets i.e. power stations, transmission and distribution systems as at 30 June 2019 to ensure that the carrying amount does not differ significantly from the fair value.

### 6.6 Reconciliation of the carrying amount

**Cost**

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

6. PROPERTY, PLANT AND EQUIPMENT (continued)

## 6.7 Reconciliation of the revaluation surplus

| | CONSOLIDATED | COMPANY | CONSOLIDATED | COMPANY |
|---|---|---|---|---|
| | Capital Revaluation Reserve (net of tax) N$'000 | Capital Revaluation Reserve (net of tax) N$'000 | Strategic Inventory Revaluation Reserve N$'000 | Strategic Inventory Revaluation Reserve N$'000 |
| **2019** | | | | |
| **Opening balance at 1 July 2018** | **(11,717,163)** | **(11,492,777)** | **(99,880)** | **(99,880)** |
| Change for the period | (618,792) | (618,792) | (10,358) | (10,358) |
| Revaluation | (618,792) | (618,792) | (10,358) | (10,358) |
| Reversal of previous revaluations | - | - | - | - |
| Tax rate change on previous revaluation recognised in other comprehensive income | - | - | - | - |
| **Closing balance at 30 June 2019** | **(12,335,955)** | **(12,111,569)** | **(110,237)** | **(110,238)** |
| 2018 | | | | |
| Opening balance at 1 July 2017 | (11,717,163) | (11,492,777) | (99,880) | (99,880) |
| Change for the period | - | - | | |
| Revaluation | - | - | | |
| Reversal of previous revaluations | - | - | - | - |
| Tax rate change on previous revaluation recognised in other comprehensive income | - | - | - | - |
| Closing balance at 30 June 2018 | (11,717,163) | (11,492,777) | (99,880) | (99,880) |

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

## 6.8 Measurement of fair value:

*(i) Fair value hierarchy*

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

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

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

*(ii) Level 3 fair values*

**Reconciliation of Level 3 fair values**

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

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| **Land and buildings** | **2019 N$'000** | 2018 N$'000 | **2019 N$'000** | 2018 N$'000 |
| **Opening balance 1 July** | **372,145** | 380,557 | **372,145** | 362,141 |
| Additions and reclassification from property, plant and equipment | **3,513** | 2,587 | **3,513** | 20,872 |
| Depreciation | **(12,166)** | (10,999) | **(12,166)** | (10,868) |
| **Loss included in other comprehensive income** | | | | |
| - Changes in fair value (unrealised) | **28,205** | - | **28,205** | - |
| **Closing balance 30 June** | **391,698** | 372,145 | **391,698** | 372,145 |

# Notes to the Financial Statements (continued)
## for the year ended 30 June 2019

### 6. PROPERTY, PLANT AND EQUIPMENT (continued)

### 6.8 Measurement of fair value (continued)

*(iii) Transfers between levels*

There were no transfers between the fair value hierarchy levels.

| PROPERTY, PLANT AND EQUIPMENT ITEM | LEVEL | VALUATION TECHNIQUE | DESCRIPTION OF VALUATION TECHNIQUE |
|---|---|---|---|
| Power stations | 2 | Depreciated replacement cost (DRC) method | The DRC method requires that, for each asset under consideration, a value be obtained for a modern equivalent asset (MEA), that being an asset that can reasonably provide like-for-like benefits of the asset under consideration, which are subsequently depreciated (on a straight line basis (SLB) in accordance with NamPower's existing policy) to match the remaining life of the asset under consideration. |
| Transmission systems | 2 | Depreciated replacement cost (DRC) method | The DRC method requires that, for each asset under consideration, a value be obtained for a modern equivalent asset (MEA), that being an asset that can reasonably provide like-for-like benefits of the asset under consideration, which are subsequently depreciated (on a straight line basis (SLB) in accordance with NamPower's existing policy) to match the remaining life of the asset under consideration. |
| Aircraft fleet | 2 | Market comparable prices | The fair value of the aircraft fleet was determined through consideration of the published aircraft bluebook as well as consideration of prevailing prices for identical aircraft fleet of a similar age and operating hours (both for the engines and airframes) on the international market. |
| Land and buildings | 3 | Depreciated cost approach | This method determines the present market value of the subject property by estimating the present cost of replacing the building(s) by estimating the total amount of accrued depreciation from all causes, namely physical deterioration, functional obsolescence and external obsolescence, subtracting the accrued depreciation from the present replacement costs, estimating the value of minor improvements and adding the site value to the depreciated cost of the building(s). |
| | | Investment method | This method is based on the hypothesis that capital value will be a function of rental value. |
| | | Direct Comparable Approach | Compares the subject properties characteristics with those of comparable properties which have recently sold in similar transactions. |
| | | Replacement value method | The market value is estimated by sworn appraisers where no ready market exists. |
| Strategic inventory | 2 | Replacement cost (RC) method | This method determines the present market values. |

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

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

**Valuation processes**

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

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

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

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

| OBSERVABLE INPUTS | SIGNIFICANT UNOBSERVABLE INPUTS OF LEVEL 3 ITEM | INTER-RELATIONSHIP BETWEEN KEY UNOBSERVABLE INPUTS AND FAIR VALUE MEASUREMENT |
|---|---|---|
| Market prices, exchange rates and discounted rate | Not applicable | Not applicable |
| Market prices, exchange rates, metal prices and discounted rate | Not applicable | Not applicable |
| Market prices | Not applicable | Not applicable |
| Not applicable | Expected market rental growth for commercial and residential (-5%)<br><br>Risk adjusted discount rates for commercial and residential (5 to 8%)<br><br>Expected vacancy rate (Commercial: 5 to 10%)<br><br>Expected vacancy rate (Residential: 5 to 8%) | The estimated fair value would increase (decrease) if:<br>• expected market rental growth was higher (lower);<br>• the risk-adjusted discount rate was lower (higher).<br>• void periods were shorter (longer);<br>• the occupancy rate was higher (lower);<br>• rent-free periods were shorter (longer). |
| Market prices and exchange rates | Not applicable | Not applicable |

The CFO validates fair value estimates by:

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

**6.9 Impairment loss**

During the year under review, the Group performed an asset revaluation on the core assets and a separate property revaluation on land and buildings. During this review, the Group determined the carrying amount and recoverable amount of its assets and recognised an impairment loss of N$46.5 million principally on its transmission assets. The level of fair value hierarchy and the descriptions of the valuation techniques used to determine fair value of the assets is disclosed in 6.8 above.

# Notes to the Financial Statements (continued)
## for the year ended 30 June 2019

### 6. PROPERTY, PLANT AND EQUIPMENT (continued)

#### 6.10 Fair value of the assets

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

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

### 7. INTERESTS IN SUBSIDIARIES AND ASSOCIATES

#### 7.1 Subsidiary companies

| | Nature of Operation | Country of Incorporation | Date of Incorporation | Issued Share Capital N$ |
|---|---|---|---|---|
| **Name** | | | | |
| **Directly held** | | | | |
| Capricorn Power Supply (Pty) Ltd | Dormant | Republic of Namibia | 25/02/1999 | 2,500 |
| Less: impairment of investment | - | - | - | - |
| Premier Electric (Pty) Ltd | Dormant | Republic of Namibia | 31/10/2000 | 2,500 |

**Loans due from:**

Premier Electric (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. The loan was advanced during the 2006 financial year.

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

There are no restrictions on the ability of subsidiaries to access assets and settle liabilities.

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

**Directors' valuation**

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

| Percentage Holding 2019 % | Percentage Holding 2018 % | Shares at Cost 2019 N$'000 | Shares at Cost 2018 N$'000 | Total Investment 2019 N$'000 | Total Investment 2018 N$'000 |
|---|---|---|---|---|---|
| 100 | 100 | 2 | 2 | 2 | 2 |
| - | - | (2) | (2) | (2) | (2) |
| 100 | 100 | 5,000 | 5,000 | 5,000 | 5,000 |
| | | 5,000 | 5,000 | 5,000 | 5,000 |

| Due by subsidiaries | |
|---|---|
| **2019** | 2018 |
| **N$'000** | N$'000 |
| **2** | 2 |
| **2** | 2 |
| **5,002** | 5,002 |
| **(6,388)** | (6,388) |

## 7. INTERESTS IN SUBSIDIARIES AND ASSOCIATES (continued)

### Disposal of a subsidiary

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

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

### 7.2 Associates

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | **2019 N$'000** | 2018 N$'000 | **2019 N$'000** | 2018 N$'000 |
| **Carrying amount of associates** | | | | |
| Carrying amount at beginning of year | **609,357** | 565,466 | **221,279** | 173,232 |
| Reversal of accumulated impairment of investment in Cenored | **-** | 48,047 | **-** | 48,047 |
| Equity accounted earnings | **(25,333)** | (3,719) | **-** | - |
| Share of other comprehensive income of associates | **11,703** | - | **-** | - |
| Share of other comprehensive income of associates - remeasurement | **70** | (437) | **-** | - |
| | **595,797** | 609,357 | **221,279** | 221,279 |
| | | | | |
| **Post-acquisition reserves** | | | | |
| Retained earnings | **138,549** | 152,179 | | |
| Share of opening retained earnings | **152,179** | 156,335 | | |
| Share of current year income | **(13,630)** | (4,156) | | |
| Non-distributable reserves | **457,178** | 457,178 | | |
| Share of opening revaluation and development reserve | **457,178** | 409,131 | | |
| Share of current year movements | **-** | 48,047 | | |
| | **595,727** | 609,357 | | |

## 7. INTERESTS IN SUBSIDIARIES AND ASSOCIATES (continued)

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

| | CONSOLIDATED | |
|---|---|---|
| | 2019<br>N$'000 | 2018<br>N$'000 |
| **Statement of financial position** | **Unaudited** | **Unaudited** |
| Non current assets | **1,400,287** | 1,318,051 |
| Current assets | **379,893** | 347,957 |
| Non current liabilities | **(638,633)** | (644,158) |
| Current liabilities | **(426,410)** | (283,148) |
| | **715,137** | 738,702 |
| **Statement of comprehensive income** | | |
| Revenue | **1,114,306** | 1,031,587 |
| Expenditure | **(1,106,634)** | (1,041,203) |
| (Loss)/profit before taxation | **7,672** | (9,616) |
| Taxation | **-** | (800) |
| (Loss)/profit from continuing operations for the year | **7,672** | (10,416) |
| Other comprehensive income | **-** | - |
| Total comprehensive (loss)/income | **7,672** | (10,416) |

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

# Notes to the Financial Statements (continued)
## for the year ended 30 June 2019

### 7. INTERESTS IN SUBSIDIARIES AND ASSOCIATES (continued)

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

| | CONSOLIDATED | | COMPANY |
|---|---|---|---|
| | **2019 N$'000** | 2018 N$'000 | 2018 N$'000 |
| **Statement of financial position** | **Unaudited** | **Audited** | **Unaudited** |
| Non current assets | **638,590** | 641,901 | 623,454 |
| Current assets | **181,587** | 157,796 | 194,854 |
| Non current liabilities | **(192,789)** | (213,924) | (87,363) |
| Current liabilities | **(171,034)** | (191,578) | (317,972) |
| | **456,354** | 394,195 | 412,973 |
| **Statement of comprehensive income** | | | |
| Revenue | **666,904** | 609,355 | 607,306 |
| Expenditure | **(642,559)** | (618,791) | (597,105) |
| Dividend paid | **-** | - | - |
| Profit before taxation | **24,345** | (9,436) | 10,201 |
| Taxation | **73** | (1,533) | (2,393) |
| Profit from continuing operations for the year | **24,418** | (10,969) | 7,808 |
| Other comprehensive income | **155** | (969) | (969) |
| Total comprehensive income | **24,573** | (11,938) | 6,839 |

The Group holds a 45.0% equity interest in Central-North Electricity Distribution Company (Pty) Ltd (Cenored) but has less than 45.0% of the voting rights. The Group has performed an assessment and determined that it does not have control over the relevant activities but still exhibits significant influence over the associates.

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

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

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

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

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

## 8. INVESTMENT PROPERTIES

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| | **N$'000** | N$'000 | **N$'000** | N$'000 |
| Opening balance | **17,269** | 19,691 | **17,269** | 19,691 |
| Fair value adjustment | **2,906** | (2,422) | **2,906** | (2,422) |
| Transfer from land and buildings | **-** | - | **-** | - |
| Transfer to land and buildings | **-** | - | **-** | - |
| Closing balance | **20,175** | 17,269 | **20,175** | 17,269 |

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

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

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

### (a) Measurement of fair value

*(i) Fair value hierarchy*

The fair value of all investment properties was determined as at 30 June 2019 by an independent qualified property valuer (Gert Hamman Property Valuers CC) who has extensive experience in the Namibian property market. The fair value of the Group's investment property portfolio is provided annually by independent valuers.

The fair value measurement for investment property of N$20.2 million (2018: N$17.2 million) has been categorised as a Level 3 fair value based on the inputs to the valuation method used.

*(i) Level 3 fair value*

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

| | CONSOLIDATED 2019 | CONSOLIDATED 2018 | COMPANY 2019 | COMPANY 2018 |
|---|---|---|---|---|
| Opening balance | **17,269** | 19,691 | **17,269** | 19,691 |
| Additions and reclassification from property, plant and equipment | **-** | - | **-** | - |
| **Gain included in 'other income'** | | | | |
| - Changes in fair value (unrealised) | **2,906** | (2,422) | **2,906** | (2,422) |
| Closing balance | **20,175** | 17,269 | **20,175** | 17,269 |

## 8. INVESTMENT PROPERTIES (continued)

### Valuation technique and significant unobservable inputs

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

| Valuation technique | Significant unobservable inputs | Inter-relationship between key unobservable inputs and fair value measurement | Sensitivity |
|---|---|---|---|
| **Income Capitalisation Method:** | | | |
| The commercial properties' fair values were based on this valuation technique which involves the determining of the net income of the property that will be capitalised at a rate sought by prudent investors to determine the capitalised value of the subject property. | • Expected market rental growth: Commercial and residential properties (-5%)<br>• Void periods (Commercial properties average 1 months and residential properties average 1 month after the end of each lease) | The estimated fair value would increase (decrease) if:<br>• expected market rental growth was higher (lower);<br>• void periods were shorter (longer); | A slight increase in the capitalisation rate used would result a significant decrease in fair value, and vice versa.<br><br>A significant increase in the market rent used would result in a significant increase in fair value, and vice versa. |
| **Direct Sales Comparison Method:** | | | |
| This valuation technique was used in determining the fair values of the residential properties which are classified as investment property. The method calculates the market value by comparing the property's characteristics with those of comparable properties which have recently sold in similar transactions. | • Occupancy rate (Commercial: 95% and Residential: 98%)<br>• Rent-free periods (Nill)<br>• Risk-adjusted discount rates: Commercial and residential properties (5-8%) | • the occupancy rate was higher (lower);<br>• rent-free periods were shorter (longer); or<br>• the risk-adjusted discount rate was lower (higher). | |

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

## 9. INTANGIBLE ASSETS

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | N$'000 | N$'000 | N$'000 | N$'000 |
| **Computer Software** | | | | |
| Opening carrying amount - 1 July | 29,384 | 29,350 | 29,384 | 29,350 |
| - At cost | 109,218 | 102,471 | 109,218 | 102,471 |
| - Accumulated amortisation and accumulated impairment | (79,834) | (73,121) | (79,834) | (73,121) |
| Additions | 595 | 551 | 595 | 551 |
| Transfer from property, plant and equipment | 140 | 6,196 | 140 | 6,196 |
| Amortisation | (7,797) | (6,713) | (7,797) | (6,713) |
| Closing carrying amount - 30 June | 22,322 | 29,384 | 22,322 | 29,384 |
| - At cost | 109,953 | 109,218 | 109,953 | 109,218 |
| - Accumulated amortisation and accumulated impairment | (87,631) | (79,834) | (87,631) | (79,834) |

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

No intangible assets were pledged as securities for liabilities.

No intangible assets were impaired.

Included in the carrying amount of computer software at 30 June 2019 is an amount of N$402 thousand related to an IT Change Audit System (2018: N$5.7 million related to a Computer Network Triangle) with a remaining amortisation period of 4 years 11 months.

# Notes to the Financial Statements (continued)
## for the year ended 30 June 2019

### 10. LOANS RECEIVABLE

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| | **N$'000** | N$'000 | **N$'000** | N$'000 |
| Employee loans | **2,171** | 1,662 | **2,171** | 1,662 |
| Loan to City of Windhoek | **7,527** | 9,463 | **7,527** | 9,463 |
| Loan to the Alten Solar Power (Hardap) Pty Ltd | **9,817** | 9,817 | **9,817** | 9,817 |
| | **19,515** | 20,942 | **19,515** | 20,942 |
| Less: Instalments receivable within one year transferred to current assets. | **(4,507)** | (4,507) | **(4,507)** | (4,507) |
| | **15,008** | 16,435 | **15,008** | 16,435 |

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

**Employee loans comprise of:**

Employee study loans.

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

**Loan to the City of Windhoek**

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

**Loan to the Alten Solar Power (Hardap) Pty Ltd**

The company appoved a loan to Alten Solar Power (Pty) Ltd amounting to N$9.8 million for the construction of the transmission connection facilities for 37MW Solar Photovoltaic Power Plant. Interest on the loan is charged at 16% p.a. compounded daily. The interest is capitalised monthly with one final loan capital and interest repayment at maturity on 31 December 2043.

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

The carrying amount of loans receivables approximates its fair value.

## 11. INVESTMENTS

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| | **N$'000** | N$'000 | **N$'000** | N$'000 |
| **Non-current investments** | **1,088,720** | 788,136 | **1,088,720** | 788,136 |
| Debt instruments at amortised cost (2018: Held-to-maturity) | **856,003** | 752,721 | **856,003** | 752,721 |
| Inflation linked bonds at FVTOCI | **126,991** | - | **126,991** | - |
| Investment in unlisted equities | **105,726** | 35,415 | **105,726** | 35,415 |
| Erongored (Pty) Ltd * | **97,549** | 25,232 | **97,549** | 25,232 |
| - Fair value through OCI (2018: Available-for-sale) | **97,549** | 25,232 | **97,549** | 25,232 |
| - Accumulated impairment | **-** | - | **-** | - |
| Alten Solar Power (Hardap) Pty Ltd | **8,177** | 10,183 | **8,177** | 10,183 |
| - Fair value through OCI (2018: Available-for-sale) | **8,177** | 10,183 | **8,177** | 10,183 |
| - Accumulated impairment | **-** | - | **-** | - |
| **Current investments** | **6,339,593** | 5,455,551 | **6,339,594** | 5,455,551 |
| Fair value through OCI | | | | |
| - Listed equity (2018: Available-for-sale) | **1,973** | 1,769 | **1,973** | 1,769 |
| Financial assets at fair value through profit or loss: | | | | |
| - collective investment schemes (2018: FVTPL) | **2,191,045** | 1,600,594 | **2,191,045** | 1,600,594 |
| Fixed deposits and treasury bills at amortised cost (2018: Loans and receivables) | **4,146,574** | 3,853,188 | **4,146,574** | 3,853,188 |
| **Total investments** | **7,428,313** | 6,243,687 | **7,428,314** | 6,243,687 |

* The valuation for Erongored (Pty) Ltd at 30 June 2019 was based on unaudited figures.

*(i) Level 3 fair value*

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

| | **Equity investments - unlisted investments** |
|---|---|
| **Balance at 1 July 2018 (as previously reported)** | **35,415** |
| Total gains or losses: | |
| – in profit or loss | **-** |
| – in other comprehensive income | **59,810** |
| **Balance at 1 July 2018** | **95,225** |
| Total gains or losses: | |
| – in profit or loss | **-** |
| – in other comprehensive income | **10,501** |
| **Balance at 30 June 2019** | **105,726** |

## 11. INVESTMENTS (continued)

### Valuation technique and significant unobservable inputs

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

| Valuation technique | Significant unobservable inputs | Relationship and sensitivity of unobservable inputs to fair value |
|---|---|---|
| Net asset value (NAV) approach: This is the value of an entity's assets minus the value of its liabilities. | Market value of entity's audited assets and liabilities. | A significant increase in the assets would result in a significant increase in fair value, and vice versa. A significant increase in the liabilities would result in a significant decrease in fair value, and vice versa. |

Held to maturity investments with a carrying value of N$63.2 million (2018: N$57.1 million) have been encumbered and act as security for long-term loans (refer note 17.1.4).

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

## 12. INVENTORIES

| | CONSOLIDATED | | | COMPANY | | |
|---|---|---|---|---|---|---|
| | **2019** | 2018 | 2017 | **2019** | 2018 | 2017 |
| | **N$'000** | N$'000 | N$'000 | **N$'000** | N$'000 | N$'000 |
| | | Restated* | Restated* | | Restated* | Restated* |
| Maintenance spares and consumables | **23,664** | 226,872 | 224,247 | **23,664** | 226,872 | 224,247 |
| Fuel and coal | **16,382** | 20,495 | 55,676 | **16,382** | 20,495 | 55,676 |
| Obsolete stock recognised in profit or loss | **-** | - | (764) | **-** | - | (764) |
| Transfer to property, plant and equipment | **-** | (208,613) | (208,613) | **-** | (208,613) | (208,613) |
| | **40,047** | 38,754 | 70,546 | **40,047** | 38,754 | 70,546 |

* Certain amounts shown here do not correspond to the 2018 financial statements due to a classification error and reflect adjustments made, refer to note 30.

No inventory was pledged as security.

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

Inventory amounting to N$5.6 million (2018: N$49.7 million) was recognised as an expense in profit or loss.

## 13. TRADE AND OTHER RECEIVABLES

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | **2019 N$'000** | 2018 N$'000 | **2019 N$'000** | 2018 N$'000 |
| **Financial instruments:** | | | | |
| Trade receivables at amortised cost | **1,352,997** | 1,342,752 | **1,352,997** | 1,342,752 |
| - Gross receivables | **2,075,603** | 1,695,154 | **2,075,603** | 1,695,154 |
| - Allowance for impairment losses | **(722,606)** | (352,402) | **(722,606)** | (352,402) |
| Accrued interest | **141,026** | 161,662 | **141,026** | 161,662 |
| **Non-financial instruments:** | | | | |
| Prepayments | **25,468** | 3,456 | **25,468** | 3,456 |
| Project and other advances | **1,152** | 758 | **1,152** | 758 |
| Other receivables | **99,387** | 221,065 | **99,387** | 221,065 |
| **Total trade and other receivables** | **1,620,030** | 1,729,693 | **1,620,030** | 1,729,693 |

### 13.1 Categorisation of trade and other receivables

Trade and other receivables are categorised as follows in accordance with IFRS 9: Financial Instruments:

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| At amortised cost | **1,494,023** | 1,504,414 | **1,494,023** | 1,504,414 |
| Non-financial instruments | **126,007** | 225,279 | **126,007** | 225,279 |
| | **1,620,030** | 1,729,693 | **1,620,030** | 1,729,693 |

Expected credit losses (ECL) of N$58.1 million in respect of trade receivables were recognised in retained earnings being adjustment after adoption of IFRS 9.

Expected credit losses (ECL) of N$325.7 million (2018: N$93.9 million in terms of IAS 39) in respect of trade receivables were recognised in profit or loss.

The carrying amount of the trade receivables disclosed above approximates its fair value.

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

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

**Related party receivables**

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

The average credit period on sales of supply is 85 days. Namibian Prime Interest rate is charged on outstanding trade receivables that are more than 30 days past due.

The Group always measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix for some of the portfolios and loss rate approach for the rest. Both approaches are applied with reference to past default experience of the debtor with time value of money losses taken into account through the analysis of default experience by assessing the time taken to collect trade receivables. Adjustments are made for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The Group writes off a trade receivable when there is no reasonable expectations of recovering the contractual cash flows on a financial asset in its entirety or a portion thereof.

The provision matrix was applied to Category A customers and the loss rate approach was applied to Category B, Category C, Category D and Category E. The loss rates are calibrated based on historical loss experiences, considering the time value of money and further adjusted for forward looking information, achieved through the analysis of macroeconomic factors relavent to the debtors through statistical regression analysis.

Customers are grouped in different categories namely Category A to E according to their charasteristics and types. The categorisation of customers are based on the generic or unique individual contratcs of supply.

The following table details the risk profile of trade receivables based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer base.

Rede Nacional De Transporte De Electricidade (RNT), the Angolan electricity transmitor, Category B customer is struggling to pay as a result of the adverse market conditions in Angola which has affected the Angolan market heavily, thus the loss rate is 100%.

Category E customers are assesed individually and expected credit loss based on the individual customer history.

## 13. TRADE AND OTHER RECEIVABLES (continued)

| 30 June 2019 | Not past due | 30 days past due | 60 days past due | 90 days past due | Total |
|---|---|---|---|---|---|
| | N$'000 | N$'000 | N$'000 | N$'000 | N$'000 |
| **Category A Customers - Electricity transmission customers** | | | | | |
| Expected credit loss rate (%) | 0.38% | 1.33% | 3.48% | 81.28% | |
| Estimated total gross carrying amount at default | 686,739 | 254,605 | 207,209 | 150,256 | 1,298,809 |
| Lifetime ECL | 2,615 | 3,387 | 7,205 | 122,125 | 135,332 |
| **Category B Customers - Electricity cross border customers** | | | | | |
| Expected credit loss rate (%) | 0.93% | 0.93% | n/a | n/a | |
| Estimated total gross carrying amount at default | 12,669 | 2,794 | - | - | 15,463 |
| Lifetime ECL | 118 | 26 | - | - | 143 |
| **Category B Customers - Electricity cross border customers RNT** | | | | | |
| Expected credit loss rate (%) | 100.00% | 100.00% | 100.00% | 100.00% | |
| Estimated total gross carrying amount at default | 18,974 | 20,268 | 20,339 | 433,374 | 492,955 |
| Lifetime ECL | 18,974 | 20,268 | 20,339 | 433,374 | 492,955 |
| **Category C Customers - Electricity distribution customers** | | | | | |
| Expected credit loss rate (%) | 51.64% | 51.63% | n/a | 51.66% | |
| Estimated total gross carrying amount at default | 39,867 | 1,001 | - | 9,315 | 50,182 |
| Lifetime ECL | 20,586 | 517 | - | 4,810 | 25,913 |
| **Category D Customers - Government departments/ agents electricity customers** | | | | | |
| Expected credit loss rate (%) | 46.21% | 46.21% | 46.12% | 46.21% | |
| Estimated total gross carrying amount at default | 46,841 | 6,600 | 2,053 | 81,679 | 137,174 |
| Lifetime ECL | 21,643 | 3,050 | 948 | 37,740 | 63,381 |
| **Category E Customers - Sundry** | | | | | |
| Expected credit loss rate (%) | 0.72% | n/a | n/a | 10.82% | |
| Estimated total gross carrying amount at default | 37,454 | - | - | 43,567 | 81,021 |
| Lifetime ECL | 167 | - | - | 4,714 | 4,881 |
| **Total lifetime ECL** | | | | | 722,606 |

13. TRADE AND OTHER RECEIVABLES (continued)

| 01 July 2018 | Not past due | 30 days past due | 60 days past due | 90 days past due | Total |
|---|---|---|---|---|---|
| | N$'000 | N$'000 | N$'000 | N$'000 | N$'000 |
| **Category A Customers - Electricity transmission customer** | | | | | |
| Expected credit loss rate (%) | 0.28% | 1.29% | 3.89% | 79.75% | |
| Estimated total gross carrying amount at default | 689,673 | 235,976 | 113,917 | 86,849 | 1,126,415 |
| Lifetime ECL | 1,947 | 3,037 | 4,428 | 69,259 | 78,670 |
| **Category B Customers - Electricity cross border customers** | | | | | |
| Expected credit loss rate (%) | 1.02% | 1.00% | n/a | n/a | |
| Estimated total gross carrying amount at default | 11,191 | 2,404 | - | - | 13,596 |
| Lifetime ECL | 114 | 24 | - | - | 138 |
| **Category B Customers - Electricity cross border customers RNT** | | | | | |
| Expected credit loss rate (%) | 100.00% | 100.00% | 100.00% | 100.00% | |
| Estimated total gross carrying amount at default | 16,158 | 17,739 | 16,404 | 201,803 | 252,104 |
| Lifetime ECL | 16,158 | 17,739 | 16,404 | 201,803 | 252,104 |
| **Category C Customers - Electricity distribution customers** | | | | | |
| Expected credit loss rate (%) | 29.89% | 29.88% | n/a | 29.89% | |
| Estimated total gross carrying amount at default | 34,229 | 1,367 | - | 5,869 | 41,466 |
| Lifetime ECL | 10,231 | 409 | - | 1,754 | 12,394 |
| **Category D Customers - Government departments/ agents electricity customers** | | | | | |
| Expected credit loss rate (%) | 42.74% | 42.74% | 42.72% | 42.74% | |
| Estimated total gross carrying amount at default | 44,402 | 10,823 | 1,826 | 56,359 | 113,410 |
| Lifetime ECL | 18,976 | 4,626 | 780 | 24,086 | 48,468 |
| **Category E Customers - Sundry** | | | | | |
| Expected credit loss rate (%) | 0.74% | n/a | n/a | 21.73% | |
| Estimated total gross carrying amount at default | 29,213 | 11,102 | 22,619 | 85,230 | 148,164 |
| Lifetime ECL | 216 | - | - | 18,521 | 18,738 |
| **Total lifetime ECL** | | | | | **410,512** |

## 13. TRADE AND OTHER RECEIVABLES (continued)

The following table shows the movement in lifetime ECL that has been recognised for trade and other receivables in accordance with the simplified approach set out in IFRS 9.

| | Collectively assessed | Individually assessed | Total |
|---|---|---|---|
| | N$'000 | N$'000 | N$'000 |
| **Balance as at 1 July 2018** | - | 258,532 | 258,532 |
| Transfer to credit-impaired | - | 93,870 | 93,870 |
| Transfer from credit-impaired | | | |
| Net remeasurement of loss allowance | 42,578 | 15,532 | 58,110 |
| Amounts written off | - | - | - |
| Amounts recovered | - | - | - |
| Change in loss allowance due to new trade and other receivables originated net of those derecognised due to settlement | - | - | - |
| Foreign exchange gains and losses | - | - | - |
| Changes in credit risk parameters | - | - | - |
| **Balance as at 1 July 2018** | **42,578** | **367,934** | **410,512** |
| Transfer to credit-impaired | 85,099 | 240,851 | 325,950 |
| Transfer from credit-impaired | - | (223) | (223) |
| Net remeasurement of loss allowance | | | |
| Amounts written off | - | (13,633) | (13,633) |
| Amounts recovered | - | - | - |
| Change in loss allowance due to new trade and other receivables originated net of those derecognised due to settlement | - | - | - |
| Foreign exchange gains and losses | - | - | - |
| Changes in credit risk parameters | - | - | - |
| **Balance as at 30 June 2019** | **127,677** | **594,929** | **722,606** |

## 14. CASH AND CASH EQUIVALENTS

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| | **N$'000** | N$'000 | **N$'000** | N$'000 |
| Cash and cash equivalents consist of: | | | | |
| Cash on hand | **70** | 73 | **70** | 73 |
| Call account - Long run marginal cost | **500,471** | - | **500,471** | - |
| Bank balances | **297,621** | 565,053 | **297,621** | 565,053 |
| Short term deposits | **1,744,399** | 1,744,994 | **1,744,399** | 1,744,994 |
| | **2,542,561** | 2,310,120 | **2,542,561** | 2,310,120 |

All the cash and cash equivalents are available for use by the Group except for the Long run marginal cost (LRMC) call account which is restricted and may only be utilised with the approval of the Electricity Control Board (ECB).

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

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

## 15. TAXATION

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | 2019 N$'000 | 2018 N$'000 | 2019 N$'000 | 2018 N$'000 |
| **Namibian company tax** | | | | |
| Current taxation | 464,437 | 585,371 | 464,437 | 585,371 |
| Current taxation - prior period adjustment | - | 21,342 | - | 21,342 |
| Deferred taxation | (165,731) | (98,616) | (165,731) | (91,852) |
| Taxation recognised in profit or loss | 298,706 | 508,097 | 298,706 | 514,861 |
| Taxation recognised in other comprehensive income | 302,197 | 14,149 | 298,429 | 14,149 |
| Total taxation | 600,903 | 522,246 | 597,136 | 529,010 |
| | | | | |
| **Tax rate reconciliation** | % | % | % | % |
| Standard Tax Rate | 32.00 | 32.00 | 32.00 | 32.00 |
| Adjusted for: | | | | |
| Manufacturing deduction | | | - | - |
| Kudu Project | (0.14) | 0.14 | (0.14) | 0.14 |
| Social Responsibility | 0.13 | 0.08 | 0.12 | 0.08 |
| Donations | 0.46 | - | 0.45 | - |
| Legal fees not allowed for tax purposes | 0.03 | 0.04 | 0.03 | 0.04 |
| STEM withholding tax | 0.04 | 0.00 | 0.03 | 0.00 |
| Depreciation which relate to permanent differences | 0.06 | 0.04 | 0.06 | 0.04 |
| Reversal of impairments on associate | - | (0.92) | - | (0.92) |
| Impairment of assets | 1.42 | - | 1.39 | - |
| (Profit)/loss on disposal of associate | - | (0.24) | - | (0.24) |
| Recoupment not taxable acquired before Nampower became taxable entity | (0.01) | - | (0.01) | - |
| Short term insurance | 0.04 | 0.05 | 0.04 | 0.04 |
| Share of profit - associates | 0.77 | 0.00 | - | 0.00 |
| Penalties and fines | 0.87 | - | 0.85 | - |
| Interest paid | 1.13 | - | 1.10 | - |
| Government grant | (0.31) | (0.14) | (0.30) | (0.14) |
| Capital contributions by customers | (2.98) | (0.96) | (2.91) | (0.90) |
| Prior period adjustment | (5.05) | 2.13 | - | 2.12 |
| Manufacturing deduction | - | (2.92) | (4.93) | (2.89) |
| Effective tax rate | 28.46 | 29.30 | 27.79 | 29.38 |

## 15. TAXATION (continued)

**Taxation recognised in other comprehensive income**

| | CONSOLIDATED | | | COMPANY | | |
|---|---|---|---|---|---|---|
| | Before tax | Tax expense (benefit) | Net of tax | Before tax | Tax expense (benefit) | Net of tax |
| **2019** | | | | | | |
| Remeasurements of employee benefits | (22,673) | 7,255 | (15,418) | (22,603) | 7,233 | (15,370) |
| Share of other comprehensive income of associates | (11,703) | 3,745 | (7,958) | - | - | - |
| Valuation of listed and unlisted equity instruments | (15,036) | - | (15,036) | (15,036) | - | (15,036) |
| Revaluation of property, plant and equipment | (909,988) | 291,196 | (618,792) | (909,988) | 291,196 | (618,792) |
| Revaluation of strategic stock | (10,358) | - | (10,358) | (10,358) | | (10,358) |
| | (969,758) | 302,197 | (667,561) | (957,985) | 298,429 | (659,556) |
| 2018 | | | | | | |
| Remeasurements of employee benefits | (43,778) | 14,149 | (29,629) | (44,215) | 14,149 | (30,066) |
| Available-for-sale financial assets | (133) | - | (133) | (133) | - | (133) |
| | (43,911) | 14,149 | (29,762) | (44,348) | 14,149 | (30,199) |

## 16. SHARE CAPITAL AND RESERVES

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | 2019 N$'000 | 2018 N$'000 | 2019 N$'000 | 2018 N$'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 (2018: 165 000 000) ordinary shares at N$1 | **165,000** | 165,000 | **165,000** | 165,000 |
| The unissued share capital is under the control of the Government of the Republic of Namibia, represented by the Ministry of Mines and Energy, as the sole shareholder. | | | | |
| **16.3 Share premium** | | | | |
| Share premium arising on shares issued | **900,000** | 900,000 | **900,000** | 900,000 |

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

(2018: 100 000 000 Ordinary shares of N$1 each and share premium of N$9.)

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

### 16.4 Capital revaluation reserve

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

### 16.5 Strategic inventory revaluation reserve

The revaluation reserve relates to the revaluation of strategic inventory items. The revaluation is performed in line with the Group's property, plant and equipment policy.

### 16.6 Investment valuation reserve

The reserve consists of all fair value movements relating to financial instruments classified as listed and unlisted equity.

The fair value adjustment relates to 25 249 shares held in Sanlam Ltd, 57 shares held in Alten Solar Power (Hardap) Pty Ltd and 1 267 500 shares held in Erongored (Pty) Ltd.

# Notes to the Financial Statements (continued)
## for the year ended 30 June 2019

### 17. INTEREST BEARING LOANS AND BORROWINGS (CONSOLIDATED AND COMPANY)

| 17.1 | Interest Bearing Borrowings | Currency |
|---|---|---|
| 17.1.1 | Agence Francaise de Development * | EUR |
| 17.1.2 | Development Bank of Southern Africa ^ | ZAR |
| 17.1.3 | European Investment Bank - loan II * | GBP |
| 17.1.4 | NMP20N Bonds issued - Caprivi Link Interconnector1^ | ZAR |
| 17.1.5 | Development Bank of Namibia1 | NAD |
| 17.1.6 | NMP19N Bonds issued - Ruacana 4th unit1 | NAD |
| 17.1.7 | European Investment Bank - loan III1 | ZAR |
| 17.1.8 | Agence Francaise de Development II1 | ZAR |
| 17.1.9 | KFW Bankengruppe I1 | ZAR |
| 17.1.10 | KFW Bankengruppe II1 | ZAR |
| 17.1.11 | KFW Bankengruppe III1 | ZAR |
| | Less: Installments payable within one year transferred to current liabilities | |

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

^ The loan is secured by a pledge of investments (zero coupon bonds) with a carrying value of N$63.2 million (2018: N$57.1 million) and a nominal value of N$80 million.

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

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

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

Refer to note 29.1 (classification of financial instrument classes into IAS 39 categories).

The Group's exposure to liquidity and currency risks related to interest bearing loans and borrowings is disclosed in note 29.

**Defaults and breaches**

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

| | | | 30 JUNE 2019 | | 30 JUNE 2018 | |
|---|---|---|---|---|---|---|
| Coupon interest rate | Effective interest rate | Year of maturity | Carrying value N$'000 | Face value N$'000 | Carrying value N$'000 | Face value N$'000 |
| 3.00% | 9.39% | 2019 | 3,122 | 1,293 | 9,423 | 3,878 |
| 9.82% | 9.82% | 2022 | 80,000 | 80,000 | 80,000 | 80,000 |
| 3.00% | 7.62% | 2021 | 81,948 | 71,979 | 108,547 | 94,436 |
| 9.35% | 9.35% | 2020 | 482,000 | 482,000 | 482,000 | 482,000 |
| Prime less 4.5% | Prime less 4.5% | 2024 | 26,849 | 26,849 | 31,321 | 31,321 |
| 10.00% | 10.00% | 2019 | 250,000 | 250,000 | 250,000 | 250,000 |
| 9.26% | 9.26% | 2029 | 230,842 | 230,842 | 252,827 | 252,827 |
| 6.10% | 6.10% | 2027 | 187,500 | 187,500 | 209,559 | 209,559 |
| 5.29% | 5.29% | 2020 | 48,913 | 48,913 | 97,825 | 97,825 |
| 6.98% | 6.98% | 2021 | 95,121 | 95,121 | 133,170 | 133,170 |
| 8.26% | 8.26% | 2027 | 337,519 | 337,519 | 377,200 | 377,200 |
| | | | 1,823,814 | 1,812,016 | 2,031,872 | 2,012,216 |
| | | | 455,115 | 451,221 | 207,433 | 201,815 |
| | | | 1,368,699 | 1,360,795 | 1,824,439 | 1,810,401 |

## 18. DEFERRED REVENUE LIABILITIES

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | **2019 N$'000** | 2018 N$'000 | **2019 N$'000** | 2018 N$'000 |
| **Non-current liability** | | | | |
| Deferred revenue government grant: generation assets | **188,159** | 197,024 | **188,159** | 197,024 |
| Deferred revenue: Capital contributions received | **261,325** | - | **261,325** | - |
| Interest rate subsidy - EIB Loan III | **15,828** | 19,243 | **15,828** | 19,243 |
| Transfers of assets from customers | **703,340** | 869,318 | **703,340** | 869,318 |
| | **1,168,652** | 1,085,585 | **1,168,652** | 1,085,585 |
| **Current liability** | | | | |
| Interest rate subsidy - EIB Loan III | **3,415** | 3,749 | **3,415** | 3,749 |
| Deferred revenue government grant: generation assets | **6,857** | 6,857 | **6,857** | 6,857 |
| Deferred revenue: Long-run marginal cost | **500,471** | 127,143 | **500,471** | 127,143 |
| Deferred revenue: Capital contributions received | **91,911** | - | **91,911** | - |
| | **602,655** | 137,749 | **602,655** | 137,749 |

### 18.1 Deferred revenue - Government Grants

### 18.1.1 Government Grant - generation assets

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| **Reconciliation of deferred revenue - Government Grant** | | | | |
| Opening balance | **203,880** | 211,023 | **203,880** | 211,023 |
| Recognised in profit or loss | **(8,864)** | (7,143) | **(8,864)** | (7,143) |
| Closing balance | **195,016** | 203,880 | **195,016** | 203,880 |

No government grant was received during the year under review. The final portion of N$10 million of the full grant amount was received during the 2013 financial year. The grant was received to subsidise the construction of Anixas Powerstation, the 22.5 megawatt (MW) emergency power plant at Walvis Bay to serve as a back-up energy supply to prevent power black outs that may be experienced during peak hours. Of this grant N$8.9 million (2018: N$7.1 million) was recognised as income during the current year while the N$195.0 million (2018: N$203.9 million) represents deferred income and will be recognised on a systematic basis over the useful life of the power plant.

### 18.2 Interest rate subsidy - EIB Loan III

An interest rate subsidy of N$65.9 million was received during the financial year ended 30 June 2010. EU-Africa Infrastructure Trust Fund ("ITF") approved, inter alia, the provision of an interest rate subsidy for an amount of €5 million (five million euros), equivalent to N$65.9 million to enable EIB to make available finance to NamPower at reduced interest rates. The parties have agreed that the interest rate subsidy be applied upfront in order to reduce the interest payable. Of this grant N$3.7 million (2018: N$4.1 million) was recognised as income during the current year whilst the remaining N$19.2 million (2018: N$22.9 million) represents deferred income and will be recognised over the period of the loan of 20 years.

## 18. DEFERRED REVENUE LIABILITIES (continued)

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | 2019 N$'000 | 2018 N$'000 | 2019 N$'000 | 2018 N$'000 |
| **18.3 Deferred revenue: Capital contributions received** | | | | |
| Reconciliation of deferred revenue - Capital contributions received | | | | |
| Opening balance | | | | |
| Adjustment as a result of adoption of IFRS 15 | 320,554 | - | 320,554 | - |
| Adjusted opening balance | 320,554 | - | 320,554 | - |
| Additions in the current period | 130,051 | - | 130,051 | - |
| Recognised in profit or loss | (97,369) | - | (97,369) | - |
| Closing balance | 353,236 | - | 353,236 | - |
| Current | 91,911 | - | 91,911 | - |
| Non-current | 261,325 | - | 261,325 | - |
| | 353,236 | - | 353,236 | - |

Capital contributions received include upfront payments received from Transmission customers for the construction of assets. The credit for the upfront capital contribution is initially recognised in deferred revenue, once the construction of the asset is complete, the deferred revenue is recognised in revenue in accordance with IFRS 15 over the period of the Power Supply Agreement (PSA) or the useful life of the asset whichever is shorter. Refer to note 5.2.8 for further details.

### 18.4 Deferred revenue: Long-run marginal cost

In 2013, the Ministry of Mines and Energy introduced the long-run marginal cost (LRMC) levy to create a reserve for use in avoiding significant future price shocks to the Namibian consumer. This levy was included in the 2014 financial year tariff at 2.54 cents/kWh and amounted to N$127.1 million. The year under review included the LRMC levy of 9.3 cents/kWh amounting to N$373.3 million (2018: Nill). In line with the directives of the Regulator, the Electricity Control Board, the LRMC levy is ring-fenced within the Company and invested in a separate interest bearing account effective 1 July 2018. These funds can only be utilised with the specific approval of the Regulator.

## 19. DEFERRED TAX LIABILITIES

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | **2019 N$'000** | 2018 N$'000 | **2019 N$'000** | 2018 N$'000 |
| Balance at the beginning of the year | **6,293,711** | 6,378,176 | **6,293,707** | 6,371,411 |
| Initial adoption of IFRS 9 | **(18,595)** | - | **(18,595)** | - |
| Initial adoption of IFRS 15 - capital contributions | **(305,414)** | - | **(305,414)** | - |
| Current charge recognised in profit or loss | **(165,731)** | (98,616) | **(165,731)** | (91,853) |
| Current year | **(165,731)** | (98,616) | **(165,731)** | (91,853) |
| Temporary differences | **(165,731)** | (98,616) | **(165,731)** | (91,853) |
| Current charge recognised in other comprehensive income | **302,197** | 14,149 | **298,429** | 14,149 |
| Balance at end of year | **6,106,167** | 6,293,711 | **6,102,396** | 6,293,707 |
| The balance comprises: | | | | |
| Property, plant and equipment | **6,248,889** | 6,355,449 | **6,245,141** | 6,355,445 |
| Initial adoption of IFRS 9 | **(18,595)** | - | **(18,595)** | - |
| Intangible assets | **6,777** | 9,037 | **6,777** | 9,037 |
| Investment properties | **4,327** | 3,397 | **4,327** | 3,397 |
| Prepayments | **258** | 258 | **258** | 258 |
| Inventories | **7,573** | 72,599 | **7,573** | 72,599 |
| Interest accrued | **-** | 31,040 | **-** | 31,040 |
| Severance pay liability | **(15,905)** | (16,275) | **(15,905)** | (16,275) |
| Fair value swaps, loans and unrealised foreign exchange losses | **(27,646)** | (28,539) | **(27,646)** | (28,539) |
| Strategic inventory | **28,837** | 15,475 | **28,837** | 15,475 |
| Post retirement medical benefit | **(69,643)** | (73,065) | **(69,666)** | (73,065) |
| Power purchase and power sales agreement- embedded derivative | **(11,389)** | (34,396) | **(11,389)** | (34,396) |
| Provisions and advance payments | **(47,316)** | (41,269) | **(47,316)** | (41,269) |
| | **6,106,167** | 6,293,711 | **6,102,396** | 6,293,707 |

### Judgements

An adjustment was made to the deferred tax balance in respect of assets transferred by customers and assets constructed by the Group if upfront capital contributions were received. The adjustment reduced the deferred tax balance with N$467.4 million.

The Group considered the carrying amounts for the past 10 years of customer contributed and donated assets and diminted the carrying amounts at its fair value, as at 30 June 2019. It was not practical to go beyond ten years as information was not available.

## 20. TRADE AND OTHER PAYABLES

| | CONSOLIDATED 2019 | CONSOLIDATED 2018 | COMPANY 2019 | COMPANY 2018 |
|---|---|---|---|---|
| Financial instruments: | | | | |
| Trade payables | **1,218,429** | 944,144 | **1,218,439** | 944,151 |
| Swap and loan interest payable | **57,620** | 61,905 | **57,620** | 61,905 |
| Retention creditors | **13** | 5,008 | **13** | 5,008 |
| Non-financial instruments: | | | | |
| Leave and bonus accruals | **136,970** | 122,239 | **136,970** | 122,239 |
| Total trade and other payables | **1,413,031** | 1,133,296 | **1,413,041** | 1,133,303 |

### 20.1 Categorisation of trade and other payables

Trade and other payables are categorised as follows in accordance with IFRS 9: Financial Instruments:

| | CONSOLIDATED 2019 | CONSOLIDATED 2018 | COMPANY 2019 | COMPANY 2018 |
|---|---|---|---|---|
| At amortised cost | **1,276,061** | 1,011,057 | **1,276,071** | 1,011,063 |
| Non-financial instruments | **136,970** | 122,239 | **136,970** | 122,239 |
| | **1,413,031** | 1,133,296 | **1,413,041** | 1,133,303 |

## 20. TRADE AND OTHER PAYABLES (continued)

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | 2019 N$'000 | 2018 N$'000 | 2019 N$'000 | 2018 N$'000 |

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

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

### 20.2 Leave and bonus accruals

The Group accrues for leave pay and bonuses for all employees. The values at 30 June 2019 for leave and bonus accruals were of N$118.3 million (2018: N$105.5 million) and N$18.6 million (2018: N$16.7 million) respectively and were determined by reference to the leave days accrued and proportionate annual bonus accrual. The bonus accrual is expected to be utilised within the following financial year.

### 20.3 Related party payables

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

### 20.4 Retention creditors

| | Consolidated 2019 N$'000 | Consolidated 2018 N$'000 | Company 2019 N$'000 | Company 2018 N$'000 |
|---|---|---|---|---|
| Non-Current | 12,419 | 26,744 | 12,419 | 26,744 |
| Current (included in trade payables) | 13 | 5,008 | 13 | 5,008 |
| | 12,432 | 31,752 | 12,432 | 31,752 |

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

## 21. DERIVATIVES

### 21.1 Derivative assets

| | Consolidated 2019 N$'000 | Consolidated 2018 N$'000 | Company 2019 N$'000 | Company 2018 N$'000 |
|---|---|---|---|---|
| Forward exchange contract assets | 1,730 | 16,990 | 1,730 | 16,990 |
| Interest rate and cross currency swaps | 11,386 | 20,258 | 11,386 | 20,258 |
| Valuation firm commitments | 217 | 5,811 | 217 | 5,811 |
| | 13,333 | 43,059 | 13,333 | 43,059 |

### 21.2 Derivative liabilities

| | Consolidated 2019 N$'000 | Consolidated 2018 N$'000 | Company 2019 N$'000 | Company 2018 N$'000 |
|---|---|---|---|---|
| Non-Current: Embedded derivatives - Power Purchase/Sale Agreements (PPA/PSA) | - | 107,486 | - | 107,486 |
| Current: Embedded derivatives - Power Purchase/Sale Agreements (PPA/PSA) | 35,592 | - | 35,592 | - |
| | 35,592 | 107,486 | 35,592 | 107,486 |

The Group hedges its risk to interest rate and currency risks in terms of the foreign loans by entering into interest rate and cross currency swaps. Changes in the fair value of the swaps that are designated and qualify as fair value hedges are recorded in the profit or loss component of the statement of comprehensive income, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

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

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

The electricity purchase price in terms of the Power Purchase Agreement (PPA) with ZETCO 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.

# Notes to the Financial Statements (continued)
## for the year ended 30 June 2019

### 21. DERIVATIVES (continued)

**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 2019 | | | | | |
|---|---|---|---|---|---|---|---|
| Input | Unit | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
| NAD/USD | USD per NAD | **14.20** | 14.93 | 15.80 | 16.50 | 17.45 | 18.51 |
| ZAR discount factor | | **0.99** | 0.93 | 0.86 | 0.81 | 0.76 | 0.70 |
| United States PPI | Year-on-year (%) | **0.36** | 0.16 | 0.49% | 0.44% | - | - |

### 22. EMPLOYEE BENEFITS

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | **2019 N$'000** | 2018 N$'000 | **2019 N$'000** | 2018 N$'000 |
| Post Retirement Medical Benefits | **278,510** | 266,531 | **278,510** | 266,531 |
| Severance pay liability | **49,702** | 50,860 | **49,702** | 50,860 |
| | **328,212** | 317,391 | **328,212** | 317,391 |

**22.1 Post Retirement Medical Benefits**

**22.1.1 Actuarial assumptions**

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

The present value of the provision at 30 June 2019, as determined by an actuarial valuation, was N$278.5 million (2018: N$266.5 million). This actuarial valuation was performed by QED Actuaries and Consultants (Pty) Ltd. The liability is expected to be settled over 20 years.

The Group expects to pay N$119.3 million (2018: N$111.0 million) in contributions to the defined benefit plans in 2020.

**Liability for defined benefit obligations**

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

| | | | | |
|---|---|---|---|---|
| Discount rate at 30 June (%) | **10.48** | 10.54 | **10.48** | 10.54 |
| Medical cost trend rate (%) | **8.30** | 8.89 | **8.30** | 8.89 |

22. EMPLOYEE BENEFITS (conitnued)

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | 2019 N$'000 | 2018 N$'000 | 2019 N$'000 | 2018 N$'000 |
| **22.1.1 Actuarial assumptions (continued)** | | | | |
| Assumptions regarding future mortality have been based on published statistics and mortality tables. Mortality for pre-retirement has been based on the SA 85-90 mortality table and the PA (90) ultimate mortality table was used for post-retirement benefits. | | | | |
| The current longevities underlying the values of the defined medical benefit liability at the reporting date were as follows: | | | | |
| **Longevity (years) at age 65** | | | | |
| Males | 14.3 | 14.6 | 14.3 | 14.6 |
| Females | 18.8 | 18.4 | 18.8 | 18.4 |
| Should the medical cost trend increase or decrease by 1% the defined medical benefit liability would be as follows: | | | | |
| 1% increase in medical cost trend | 281,295 | 269,196 | 281,295 | 269,196 |
| 1% decrease in medical cost trend | (275,725) | (263,866) | (275,725) | (263,866) |
| **22.1.2 Movements in the net liability for defined benefit obligations recognised in the statement of financial position** | | | | |
| Net liability for defined obligations as at 1 July | 266,531 | 276,884 | 266,531 | 276,884 |
| Interest cost | 28,681 | 28,697 | 28,681 | 28,697 |
| Current service costs | 8,292 | 9,086 | 8,292 | 9,086 |
| Benefits paid | (5,413) | (5,014) | (5,413) | (5,014) |
| Actuarial loss/(gain) on obligation: | | | | |
| - Financial assumptions | (24,744) | (25,113) | (24,744) | (25,113) |
| - Other sources | 5,163 | (18,009) | 5,163 | (18,009) |
| Net liability for defined obligations as at 30 June | 278,510 | 266,531 | 278,510 | 266,531 |
| 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 | 37,343 | 38,161 | 37,343 | 38,161 |
| 1% decrease in current service + interest rate cost trend | (36,603) | (37,405) | (36,603) | (37,405) |
| **22.1.3 Expense recognised in profit or loss** | | | | |
| Current service costs | 8,292 | 9,086 | 8,292 | 9,086 |
| Interest cost | 28,681 | 28,697 | 28,681 | 28,697 |
| | 36,973 | 37,783 | 36,973 | 37,783 |
| The expense is included in the administrative expenses in profit or loss. | | | | |
| **22.2 Severance pay liability** | | | | |
| Present value of net obligations | 49,702 | 50,860 | 49,702 | 50,860 |
| Present value of unfunded obligations | 49,702 | 50,860 | 49,702 | 50,860 |
| Recognised liability for defined benefit obligations | 49,702 | 50,860 | 49,702 | 50,860 |

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

# Notes to the Financial Statements (continued)
## for the year ended 30 June 2019

### 22. EMPLOYEE BENEFITS (continued)

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | **2019 N$'000** | 2018 N$'000 | **2019 N$'000** | 2018 N$'000 |
| **22.2.1 Liability for severance pay obligations** | | | | |
| The following were the principal actuarial assumptions at the reporting date: | | | | |
| Discount rate at 30 June (%) | **8.41** | 9.20 | **8.41** | 9.20 |
| Salary inflation rate at 30 June (%) | **6.13** | 7.24 | **6.13** | 7.24 |
| Investment return at 30 June | **8.41** | 9.20 | **8.41** | 9.20 |
| Should the salary inflation rate increase or decrease by 1% the severance pay liability would be as follows: | | | | |
| 1% increase in salary inflation rate | **50,199** | 51,369 | **50,199** | 51,369 |
| 1% decrease in salary inflation rate | **(49,205)** | (50,351) | **(49,205)** | (50,351) |
| **22.2.2 Movements in the net liability for defined benefit obligations recognised in the Group and Company statements of financial position** | | | | |
| Net liability for defined obligations as at 1 July | **50,860** | 47,652 | **50,860** | 47,652 |
| Interest cost | **4,679** | 4,131 | **4,679** | 4,131 |
| Current service costs | **1,589** | 1,532 | **1,589** | 1,532 |
| Benefits paid | **(4,404)** | (1,362) | **(4,404)** | (1,362) |
| Actuarial loss/(gain) on obligation: | | | | |
| - Financial assumptions | **(812)** | (1,217) | **(812)** | (1,217) |
| - Other sources | **(2,210)** | 124 | **(2,210)** | 124 |
| Net liability for defined obligations as at 30 June | **49,702** | 50,860 | **49,702** | 50,860 |
| 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 | **6,331** | 5,720 | **6,331** | 5,720 |
| 1% decrease in current service + interest rate cost trend | **(6,205)** | (5,606) | **(6,205)** | (5,606) |
| **22.2.3 Expense recognised in the Group and Company statements of comprehensive income** | | | | |
| Current service costs | **1,589** | 1,532 | **1,589** | 1,532 |
| Interest on obligation | **4,679** | 4,131 | **4,679** | 4,131 |
| | **6,268** | 5,663 | **6,268** | 5,663 |
| The expense is included in the administrative expenses in profit or loss. | | | | |
| **22.3 Expense recognised in other comprehensive income** | | | | |
| Remeasurements of post-retirement medical benefits - actuarial gain | **(19,651)** | (42,685) | **(19,581)** | (43,122) |
| Remeasurements of severance pay liability - actuarial gain | **(3,022)** | (1,093) | **(3,022)** | (1,093) |
| | **(22,673)** | (43,778) | **(22,603)** | (44,215) |

## 23. CAPITAL COMMITMENTS

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | **2019 N$'000** | 2018 N$'000 | **2019 N$'000** | 2018 N$'000 |
| **Projects for Capital Expenditure** | | | | |
| Approved by Board of Directors | **11,814,773** | 6,352,169 | **11,814,773** | 6,352,169 |
| Less: Expenditure to 30 June | **(1,648,054)** | (1,627,925) | **(1,648,054)** | (1,627,925) |
| Amount still to be expended | **10,166,719** | 4,724,244 | **10,166,719** | 4,724,244 |
| Amounts contracted at year end | **58,205** | 35,106 | **58,205** | 35,106 |
| | **58,205** | 35,106 | **58,205** | 35,106 |

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

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | **2019 N$'000** | 2018 N$'000 | **2019 N$'000** | 2018 N$'000 |
| **Recognised in profit or loss** | | | | |
| Interest income on: | **879,651** | 771,585 | **879,651** | 771,585 |
| - Financial assets at amortised cost | **730,587** | 648,699 | **730,587** | 648,699 |
| - Financial assets at fair value through profit or loss | **149,064** | 122,886 | **149,064** | 122,886 |
| Interest costs on: | **(171,774)** | (193,419) | **(171,774)** | (193,419) |
| - Financial liabilities designated at fair value through profit or loss | **(92,190)** | (107,964) | **(92,190)** | (107,964) |
| - Financial liabilities held for trading | **(6,166)** | (11,881) | **(6,166)** | (11,881) |
| - Financial liabilities at amortised cost | **(73,418)** | (73,574) | **(73,418)** | (73,574) |
| | **707,877** | 578,166 | **707,877** | 578,166 |

## 25. REVENUE

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| | **N$'000** | N$'000 | **N$'000** | N$'000 |

The Group derives its revenue from Power Supply Agreements with customers for the consumption of electricity and other services over time and at a point in time. This is consistent with the revenue information that is disclosed for each reportable segment under IFRS 8 Operating Segments (see note 32).

**Disaggregation of revenue**
**Per performance obligation**

| | CONSOLIDATED 2019 N$'000 | CONSOLIDATED 2018 N$'000 | COMPANY 2019 N$'000 | COMPANY 2018 N$'000 |
|---|---|---|---|---|
| **Revenue Comprises** | | | | |
| **Over time** | | | | |
| - Sales of electricity | **4,558,006** | - | **4,558,006** | - |
| - Services | **27,198** | - | **27,198** | - |
| - STEM sales | **6,686** | - | **6,686** | - |
| - Transfer of assets from customers - Capital contributions by customers | **97,731** | - | **97,731** | - |
| - Maximum demand | **974,027** | - | **974,027** | - |
| - Network charges | **826,746** | - | **826,746** | - |
| - Other | **89,075** | - | **89,075** | - |
| | **6,579,468** | - | **6,579,468** | - |

**Per customer type**

| | CONSOLIDATED 2019 N$'000 | CONSOLIDATED 2018 N$'000 | COMPANY 2019 N$'000 | COMPANY 2018 N$'000 |
|---|---|---|---|---|
| **Revenue Comprises** | | | | |
| **Over time** | | | | |
| - Sales of electricity - Transmission Customer | **4,164,233** | - | **4,164,233** | - |
| - Sales of electricity - Distribution Customer | **386,061** | - | **386,061** | - |
| - Sales of electricity - Prepaid Electricity | **7,712** | - | **7,712** | - |
| - Services - Transmission Customer | **6,819** | - | **6,819** | - |
| - Services - Distribution Customer | **20,379** | - | **20,379** | - |
| - Maximum demand | **974,027** | - | **974,027** | - |
| - Network charges | **826,746** | - | **826,746** | - |
| - STEM sales | **6,686** | - | **6,686** | - |
| - Transfer of assets from customers - Capital contributions by customers | **97,731** | - | **97,731** | - |
| - Other | **89,075** | - | **89,075** | - |
| | **6,579,468** | - | **6,579,468** | - |

| | CONSOLIDATED 2019 N$'000 | CONSOLIDATED 2018 N$'000 | COMPANY 2019 N$'000 | COMPANY 2018 N$'000 |
|---|---|---|---|---|
| **Comparative disclosure as per IAS 18 and IFRIC 18:** | | | | |
| - Sales of electricity* | **6,412,958** | 6,434,868 | **6,412,958** | 6,434,868 |
| - Extension charges | **62,094** | 61,973 | **62,094** | 61,973 |
| - STEM sales | **6,686** | 48,901 | **6,686** | 48,901 |
| - Transfer of assets from customers - Capital contributions by customers | **97,731** | 49,075 | **97,731** | 49,075 |
| | **6,579,468** | 6,594,816 | **6,579,468** | 6,594,816 |

*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.

## 25. REVENUE (continued)

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| | **N$'000** | N$'000 | **N$'000** | N$'000 |

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

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

**Judgements**

The Group acts as Principal in the arrangement whereby Eskom directly supplies electricity to Orange River customers and Skorpion Mine. The Group is primarily responsible for fulfilling the contract for the supply of electricity to Skorpion Mine and customers on the banks of the Orange River.

The key judgements are as follows:

Orange river and Skorpion Mine are customers of NamPower, therefore the Group can be seen as subcontracting Eskom to supply electricity to these customers on the Group's behalf.

The performance obligation for the supply of electricity lies with the Group.

The Group carries the credit risk.

| | CONSOLIDATED 2019 N$'000 | CONSOLIDATED 2018 N$'000 | COMPANY 2019 N$'000 | COMPANY 2018 N$'000 |
|---|---|---|---|---|
| **25.1 Other income comprises of:** | | | | |
| - Government grant | **8,864** | 7,143 | **8,864** | 7,143 |
| - Grant funding other | **1,174** | 661 | **1,174** | 661 |
| - Gain on disposal of subsidiary | **-** | 8,422 | **-** | 13,249 |
| - Sundry income | **68,223** | 6,364 | **68,223** | 15,570 |
| | **78,262** | 22,590 | **78,262** | 36,623 |

Sundry income include rent received, discount received, scrap sales and license renewal of electrical contractors.

## 26. (LOSS)/PROFIT BEFORE TAXATION

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| | **N$'000** | N$'000 | **N$'000** | N$'000 |
| **Profit before taxation is stated after charging/(crediting):** | | | | |
| Directors' emoluments paid by Company | | | | |
| fees for services as directors | **5,793** | 5,580 | **5,793** | 5,580 |
| - paid to non-executive directors | **1,921** | 1,858 | **1,921** | 1,858 |
| - paid to executive directors | **3,872** | 3,722 | **3,872** | 3,722 |
| Auditors' remuneration | | | | |
| - audit fee | **3,253** | 4,046 | **3,253** | 4,046 |
| Impairment on property, plant and equipment | **46,576** | - | **46,576** | - |
| Depreciation of property, plant and equipment | **775,533** | 868,853 | **775,532** | 868,722 |
| Amortisation of intangible asset | **7,797** | 6,714 | **7,797** | 6,714 |
| Remuneration other than to employees for | **8,990** | 7,165 | **8,990** | 7,165 |
| - managerial services | **5,093** | 1,308 | **5,093** | 1,308 |
| - technical services | **1,901** | 4,484 | **1,901** | 4,484 |
| - other professional services | **1,996** | 1,373 | **1,996** | 1,373 |
| Research and development expenditure | **(4,703)** | 7,686 | **(4,703)** | 7,686 |

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

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | **2019 N$'000** | 2018 N$'000 | **2019 N$'000** | 2018 N$'000 |
| Movement in allowance for impairment losses | **325,727** | 93,870 | **325,727** | 93,870 |
| Fines and penalties | **28,571** | 4 | **28,571** | 4 |
| Contribution to Social Responsibility Programs | **4,109** | 4,266 | **4,109** | 4,266 |
| Gain on disposal of property, plant and equipment | **(5,400)** | (1,399) | **(5,400)** | (1,399) |
| Staff costs | **810,461** | 768,311 | **810,461** | 768,311 |
| Salaries and wages | **745,237** | 710,245 | **745,237** | 710,245 |
| Company contribution: Provident Fund | **65,224** | 57,963 | **65,224** | 57,963 |
| Others | **-** | 103 | **-** | 103 |
| Severance Pay | **1,864** | 4,301 | **1,864** | 4,301 |
| - Liability | **6,268** | 5,663 | **6,268** | 5,663 |
| - Benefits paid | **(4,404)** | (1,362) | **(4,404)** | (1,362) |
| Post retirement medical benefit | **31,560** | 32,769 | **31,560** | 32,769 |
| - Liability | **36,973** | 37,783 | **36,973** | 37,783 |
| - Benefits paid | **(5,413)** | (5,014) | **(5,413)** | (5,014) |
| Foreign exchange gains on trade payables/receivables, bank balances, loans payable and foreign exchange contracts | **(172,922)** | (226,262) | **(172,922)** | (226,262) |
| - realised | **(62,225)** | (90,776) | **(62,225)** | (90,776) |
| - unrealised | **(110,697)** | (135,486) | **(110,697)** | (135,486) |
| Foreign exchange losses on trade payables/receivables, bank balances, loans payable and foreign exchange contracts | **155,217** | 221,319 | **155,217** | 221,319 |
| - realised | **82,369** | 147,241 | **82,369** | 147,241 |
| - unrealised | **72,848** | 74,078 | **72,848** | 74,078 |
| IAS 39 Fair value adjustments | **(56,594)** | 13,433 | **(56,594)** | 13,433 |
| - derivative contracts | **8,872** | 35,421 | **8,872** | 35,421 |
| - foreign denominated loans | **834** | 1,642 | **834** | 1,642 |
| - Unrealised (gain)/loss on embedded derivative Power Purchase Agreement (PPA) and Power Sales Agreement (PSA) | **(71,895)** | (20,535) | **(71,895)** | (20,535) |
| - Fair value (loss)/gain on firm commitments | **5,594** | (3,095) | **5,594** | (3,095) |
| Government grants recognised in profit or loss | **(8,864)** | (7,143) | **(8,864)** | (7,143) |
| Income generating Investment Property | | | | |
| - rental income | **(4,708)** | (4,608) | **(4,708)** | (4,608) |
| - direct operating expenses | **622** | 551 | **622** | 551 |
| Non-income generating Investment Property | | | | |
| - direct operating expenses | **82** | 70 | **82** | 70 |
| Fair value adjustment on investment properties | **(2,906)** | 2,422 | **(2,906)** | 2,422 |

## 27. RELATED PARTIES

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | **2019 N$'000** | 2018 N$'000 | **2019 N$'000** | 2018 N$'000 |
| **Identity of related parties** | | | | |
| The Company has related party relationships with its subsidiaries (see note 7.1), associates (see note 7.2) and key management personnel. Key management personnel comprise directors and executive management. | | | | |
| The Government of the Republic of Namibia is the sole shareholder. | | | | |
| **Transactions with key management personnel** | | | | |
| The key management personnel compensations are as follows: | | | | |
| Short-term employee benefits | **20,269** | 18,463 | **20,269** | 18,463 |
| Post-retirement employment benefits | **315** | 2,009 | **315** | 2,009 |
| Other long-term employment benefits | **3,198** | 203 | **3,198** | 203 |
| | **23,782** | 20,675 | **23,782** | 20,675 |
| Total remuneration is included in 'staff costs' (see note 26) | | | | |
| Directors' emoluments are disclosed in note 26. | | | | |
| During the year the Company, in the ordinary course of business, entered into various sale and purchase transactions with its Shareholder, associates, fellow government owned entities and subsidiaries. | | | | |
| **Shareholder** | | | | |
| Transactions with the Shareholder (The Government of the Republic of Namibia) refer note 18.1. | | | | |
| **Sales** | | | | |
| **Investments** | | | | |
| Erongored (Pty) Ltd | **871,335** | 916,869 | **871,335** | 916,869 |
| - Electricity sales | **860,397** | 818,672 | **860,397** | 818,672 |
| - Service level agreement and technical support | **56** | 40 | **56** | 40 |
| - Capital contribution received | **-** | 87,269 | **-** | 87,269 |
| - Municipal services | **33** | 38 | **33** | 38 |
| - Guarantees received | **10,849** | 10,849 | **10,849** | 10,849 |
| Alten Solar Power (Hardap) Pty Ltd | **63,288** | - | **63,288** | - |
| - Electricity sales | **5,484** | - | **5,484** | - |
| - Electricity purchases | **57,804** | - | **57,804** | - |
| **Associates** | | | | |
| Cenored (Pty) Ltd | **207,245** | 191,290 | **460,033** | 424,618 |
| - Electricity sales | **207,018** | 191,118 | **459,529** | 424,236 |
| - Service level agreement and technical support | **227** | 172 | **504** | 382 |

## 27. RELATED PARTIES (continued)

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | **2019 N$'000** | 2018 N$'000 | **2019 N$'000** | 2018 N$'000 |
| Nored Electricity (Pty) Ltd | **247,322** | 235,137 | **742,037** | 705,483 |
| - Electricity sales | **245,901** | 226,918 | **737,776** | 680,822 |
| - Rental income | **45** | 40 | **134** | 121 |
| - Service level agreement and technical support | **106** | 35 | **318** | 105 |
| - Capital contribution received | **1,270** | 8,144 | **3,809** | 24,435 |
| Municipal services from related parties | **1,426** | 6,369 | **4,127** | 18,963 |
| - Nored Electricity (Pty) Ltd | **1,230** | 6,184 | **3,691** | 18,553 |
| - Cenored (Pty) Ltd | **196** | 185 | **436** | 410 |
| Guarantees received | **4,868** | 5,111 | **12,417** | 12,955 |
| - Cenored (Pty) Ltd | **2,805** | 3,048 | **6,228** | 6,766 |
| - Nored Electricity (Pty) Ltd | **2,063** | 2,063 | **6,189** | 6,189 |
| **Fellow government owned entities** | | | | |
| The individually significant sales transactions with fellow government owned entities are listed below: | | | | |
| Electricity Sales | **1,861,603** | 1,828,146 | **1,861,603** | 1,828,146 |
| - Namibia Water Corporation | **151,141** | 145,586 | **151,141** | 145,586 |
| - City of Windhoek | **1,545,020** | 1,478,857 | **1,545,020** | 1,478,857 |
| - Namdeb Diamond Corporation (Pty) Ltd | **165,442** | 203,703 | **165,442** | 203,703 |
| **Subsidiary** | | | | |
| Okaomba Investment (Pty) Ltd | **-** | - | **-** | 95 |
| - Rent paid | **-** | - | **-** | 95 |
| **Related party balances** | | | | |
| Due from / (due to) | | | | |
| **Investments** | **100,099** | 163,089 | **100,099** | 163,089 |
| - Erongored (Pty) Ltd | **100,134** | 163,093 | **100,134** | 163,093 |
| - Erongored (Pty) Ltd | **(34)** | (4) | **(34)** | (4) |
| **Associate** | **93,093** | 75,157 | **258,659** | 199,292 |
| - Cenored (Pty) Ltd | **26,469** | 33,584 | **58,755** | 74,548 |
| - Cenored (Pty) Ltd | **(16)** | (15) | **(35)** | (32) |
| - Nored Electricity (Pty) Ltd | **66,738** | 41,678 | **200,234** | 125,045 |
| - Nored Electricity (Pty) Ltd | **(98)** | (90) | **(295)** | (269) |

## 27. RELATED PARTIES (continued)

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | **2019 N$'000** | 2018 N$'000 | **2019 N$'000** | 2018 N$'000 |
| **Fellow government owned entities** | **453,885** | 396,528 | **453,885** | 396,528 |
| - Namdeb Diamond Corporation (Pty) Ltd | **18,232** | 22,368 | **18,232** | 22,368 |
| - City of Windhoek | **414,916** | 351,760 | **414,916** | 351,760 |
| - Namibia Water Corporation (Pty) Ltd | **20,737** | 22,401 | **20,737** | 22,401 |
| **Guarantees received** | **17,574** | 16,751 | **17,574** | 16,751 |
| - Namdeb Diamond Corporation (Pty) Ltd | **16,446** | 16,446 | **16,446** | 16,446 |
| - Namibia Water Corporation (Pty) Ltd | **1,128** | 305 | **1,128** | 305 |

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

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

## 28. EMPLOYEE INFORMATION

### Retirement benefits

The policy of the Company is to provide retirement benefits for its employees.

The NamPower Provident Fund is a defined contribution fund governed by the Pension Fund Act, and is for all its employees except for those who do not qualify in terms of the rules of the fund. Of the employees, 98% are members of the fund. The fund is administered by Retirement Funds Solutions Namibia (Pty) Ltd and is valued annually. The last valuation of the fund was performed as at 30 June 2019, which indicated that the fund is in a sound financial position.

Contributions to the fund are based on a percentage of salaries and are expensed in the period in which they are paid. The Company's contribution to the Fund amounted to N$65.2 million (2018: N$58.0 million).

The Company's contribution paid to the Fund for the key management amounted to N$2.3 million (2018: N$2.0 million).

## 29. FINANCIAL INSTRUMENTS

### 29.1 Classes and categories of financial instruments and their fair values

The following table combines information about:

- classes of financial instruments based on their nature and characteristics;
- the carrying amounts of financial instruments;
- fair values of financial instruments (except financial instruments when carrying amount approximates their fair value); and
- fair value hierarchy levels of financial assets and financial liabilities for which fair value was disclosed.

Fair value hierarchy levels 1 to 3 are based on the degree to which the fair value is observable:

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

# Notes to the Financial Statements (continued)
## for the year ended 30 June 2019

### 29. FINANCIAL INSTRUMENTS (continued)

### 29.1 CONSOLIDATED

| 2019 (IFRS 9 classification) | CARRYING VALUE | | | | |
|---|---|---|---|---|---|
| | FINANCIAL ASSETS | | | | |
| in thousands of Namibia Dollar | Reference notes | FVTPL - designated | FVTPL – mandatorily measured | FVTOCI | FVTOCI – designated |
| **Financial assets** | | | | | |
| Listed equity | 11 | - | - | - | 1,973 |
| Collective investment schemes | 11 | 2,191,045 | - | - | - |
| Derivative financial assets | 21.1 | - | 13,333 | - | - |
| Loans and receivables | 10 | - | - | - | - |
| Non-current investments | 11 | - | - | - | 232,717 |
| Fixed deposits and Treasury bills at amortised cost | 11 | - | - | - | - |
| Cash and cash equivalents | 14 | - | - | - | - |
| Trade and other receivables^ | 13.1 | - | - | - | - |
| | | 2,191,045 | 13,333 | - | 234,691 |
| **Financial liabilities** | | | | | |
| Interest bearing loans and borrowings | 17 | - | - | - | - |
| Derivative financial liabilities | 21.2 | - | - | - | - |
| Interest bearing loans and borrowings | 17 | - | - | - | - |
| Trade and other payables* | 20.1 | - | - | - | - |
| Non-current retention creditors | 20.4 | - | - | - | - |
| | | - | - | - | - |

Financial instruments at amortised cost approximate fair value as the terms of the instruments are either short term or market related. As such the related fair values have not been disclosed in accordance with the IFRS 7.29 (a) exemption.

* Accrued expenses of N$137.0 million (2018: N$122.2 million) that are not financial liabilities are not included.

^ Project and other advances and prepayments of N$126.0 million (2018: N$225.2 million) that are not financial assets are not included.

There have been no transfers between the fair value hierarchy levels (2018: no transfers).

The table above analyses financial instruments carried at fair value as the amounts are a reasonable approximation of fair value.

| CARRYING VALUE | | | | | FAIR VALUE | | | |
|---|---|---|---|---|---|---|---|---|
| | FINANCIAL LIABILITIES | | | | LEVEL | | | |
| Amortised cost | FVTPL - designated | FVTPL – mandatorily measured | Amortised cost | Total | 1 | 2 | 3 | Total |
| - | - | - | - | 1,973 | 1,973 | - | - | 1,973 |
| - | - | - | - | 2,191,045 | - | 2,191,045 | - | 2,191,045 |
| - | - | - | - | 13,333 | - | 13,333 | - | 13,333 |
| 19,515 | - | - | - | 19,515 | - | - | - | - |
| 856,003 | - | - | - | 1,088,720 | - | 126,991 | 105,726 | 232,717 |
| 4,146,574 | - | - | - | 4,146,574 | - | - | - | - |
| 2,542,561 | - | - | - | 2,542,561 | - | - | - | - |
| 1,494,023 | - | - | - | 1,494,023 | - | - | - | - |
| 9,058,676 | | - | - | 11,497,745 | 1,973 | 2,331,369 | 105,726 | 2,439,069 |
| | | | | | | | | |
| - | - | - | (56,727) | (56,727) | - | - | - | - |
| - | - | (35,592) | - | (35,592) | - | - | (35,592) | (35,592) |
| - | - | - | (1,767,087) | (1,767,087) | - | - | - | - |
| - | - | - | (1,276,061) | (1,276,061) | - | - | - | - |
| - | - | - | (12,419) | (12,419) | - | - | - | - |
| - | - | (35,592) | (3,112,294) | (3,147,886) | - | - | (35,592) | (35,592) |

## 29. FINANCIAL INSTRUMENTS (continued)

### 29.1 CONSOLIDATED

| 2018 (IAS 39 classification) | CARRYING VALUE | | | |
|---|---|---|---|---|
| in thousands of Namibia Dollar | Reference notes | Loans and receivables | Held-for-trading | Held-to-maturity |
| **Financial assets measured at fair value** | | | | |
| Listed equity | 11 | - | - | - |
| Collective investment schemes | 11 | - | - | - |
| Derivative financial assets | 21.1 | - | 43,059 | - |
| | | - | 43,059 | - |
| **Financial assets not measured at fair value** | | | | |
| Loans and receivables | 10 | 20,942 | - | - |
| Non-current investments | 11 | - | - | 752,721 |
| Fixed deposits at amortised cost | 11 | 3,853,188 | - | - |
| Cash and cash equivalents | 14 | 2,310,120 | - | - |
| Trade and other receivables^ | 13.1 | 1,504,414 | - | - |
| | | 7,688,664 | - | 752,721 |
| **Financial liabilities measured at fair value** | | | | |
| Interest bearing loans and borrowings | 17 | - | - | - |
| Derivative financial liabilities | 21.2 | - | (107,486) | - |
| | | - | (107,486) | - |
| **Financial liabilities not measured at fair value** | | | | |
| Interest bearing loans and borrowings | 17 | - | - | - |
| Trade and other payables* | 20.1 | - | - | - |
| Non-current retention creditors | 20.4 | - | - | - |
| | | - | - | - |

Financial instruments at amortised cost approximate fair value as the terms of the instruments are either short term or market related. As such the related fair values have not been disclosed in accordance with the IFRS 7.29 (a) exemption.

*Accrued expenses of N$122.2 million (2017: N$72.2 million) that are not financial liabilities are not included.

^ Project and other advances and prepayments of N$225.2 million (2017: N$30.4 million) that are not financial assets are not included.

There have been no transfers between the fair value hierarchy levels (2017: no transfers).

The table above analyses financial instruments carried at fair value as the amounts are a reasonable approximation of fair value.

| CARRYING VALUE | | | | FAIR VALUE | | | |
|---|---|---|---|---|---|---|---|
| Available-for-sale | Designated / Fair value through profit or loss | Other financial liabilities at amortised cost | Total | Level 1 | Level 2 | Level 3 | Total |
| 1,769 | - | - | 1,769 | 1,769 | - | - | 1,769 |
| - | 1,600,594 | - | 1,600,594 | - | 1,600,594 | - | 1,600,594 |
| - | - | - | 43,059 | - | 43,059 | - | 43,059 |
| 1,769 | 1,600,594 | - | 1,645,422 | 1,769 | 1,643,653 | - | 1,645,422 |
| - | - | - | 20,942 | - | - | - | - |
| 35,415 | - | - | 788,136 | - | - | - | - |
| - | - | - | 3,853,188 | - | - | - | - |
| - | - | - | 2,310,120 | - | - | - | - |
| - | - | - | 1,504,414 | - | - | - | - |
| 35,415 | - | - | 8,476,800 | - | - | - | - |
| - | (87,310) | - | (87,310) | - | (87,310) | - | (87,310) |
| - | - | - | (107,486) | - | - | (107,486) | (107,486) |
| - | (87,310) | - | (194,796) | - | (87,310) | (107,486) | (194,796) |
| - | - | (1,944,562) | (1,944,562) | - | - | - | - |
| - | - | (1,011,057) | (1,011,057) | - | - | - | - |
| - | - | (26,744) | (26,744) | - | - | - | - |
| - | - | (2,982,363) | (2,982,363) | - | - | - | - |

# Notes to the Financial Statements (continued)
## for the year ended 30 June 2019

### 29. FINANCIAL INSTRUMENTS (continued)

### 29.1 COMPANY

| 2019 (IFRS 9 classification) | CARRYING VALUE | | | | |
|---|---|---|---|---|---|
| | FINANCIAL ASSETS | | | | |
| in thousands of Namibia Dollar | Reference notes | FVTPL - designated | FVTPL – mandatorily measured | FVTOCI | FVTOCI – designated |
| **Financial assets** | | | | | |
| Listed equity | 11 | - | - | - | 1,973 |
| Collective investment schemes | 11 | 2,191,045 | - | - | - |
| Derivative financial assets | 21.1 | - | 13,333 | - | - |
| Loans and receivables | 10 | - | - | - | - |
| Non-current investments | 11 | - | - | - | 232,717 |
| Fixed deposits and Treasury bills at amortised cost | 11 | - | - | - | - |
| Cash and cash equivalents | 14 | - | - | | - |
| Trade and other receivables^ | 13.1 | - | - | - | - |
| Interest in subsidiaries | 7.1 | 5,002 | - | - | - |
| | | 2,196,047 | 13,333 | - | 234,691 |
| **Financial liabilities** | | | | | |
| Interest bearing loans and borrowings | 17 | - | - | - | - |
| Derivative financial liabilities | 21.2 | - | - | - | - |
| Interest bearing loans and borrowings | 17 | - | - | - | - |
| Trade and other payables* | 20.1 | - | - | - | - |
| Loans due to subsidiaries | 7.1 | - | - | - | - |
| Non-current retention creditors | 20.4 | - | - | - | - |
| | | - | - | - | - |

Financial instruments at amortised cost approximate fair value as the terms of the instruments are either short term or market related. As such the related fair values have not been disclosed in accordance with the IFRS 7.29 (a) exemption.

* Accrued expenses of N$137.0 million (2018: N$122.2 million) that are not financial liabilities are not included.

^ Project and other advances and prepayments of N$126.0 million (2018: N$225.2 million) that are not financial assets are not included.

There have been no transfers between the fair value hierarchy levels (2018: no transfers).

The table above analyses financial instruments carried at fair value as the amounts are a reasonable approximation of fair value.

| CARRYING VALUE | | | | | FAIR VALUE | | | |
|---|---|---|---|---|---|---|---|---|
| FINANCIAL LIABILITIES | | | | | LEVEL | | | |
| Amortised cost | FVTPL - designated | FVTPL – mandatorily measured | Amortised cost | Total | 1 | 2 | 3 | Total |
| - | - | - | - | 1,973 | 1,973 | - | - | 1,973 |
| - | - | - | - | 2,191,045 | - | 2,191,045 | - | 2,191,045 |
| - | - | - | - | 13,333 | - | 13,333 | - | 13,333 |
| 19,515 | - | - | - | 19,515 | - | - | - | - |
| 856,003 | - | - | - | 1,088,720 | - | 126,991 | 105,726 | 232,717 |
| 4,146,574 | - | - | - | 4,146,574 | - | - | - | - |
| 2,542,561 | - | - | - | 2,542,561 | - | - | - | - |
| 1,494,023 | - | - | - | 1,494,023 | - | - | - | - |
| - | - | - | - | 5,002 | - | - | - | - |
| 9,058,676 | - | - | - | 11,502,747 | 1,973 | 2,331,369 | 105,726 | 2,439,069 |
| | | | | | | | | |
| - | - | - | (56,727) | (56,727) | - | - | - | - |
| - | - | (35,592) | - | (35,592) | - | - | (35,592) | (35,592) |
| - | - | - | (1,767,087) | (1,767,087) | - | - | - | - |
| - | - | - | (1,276,071) | (1,276,071) | - | - | - | - |
| - | - | - | (6,388) | (6,388) | - | - | - | - |
| - | - | - | (12,419) | (12,419) | - | - | - | - |
| - | - | (35,592) | (3,118,692) | (3,154,284) | - | - | (35,592) | (35,592) |

# Notes to the Financial Statements (continued)
## for the year ended 30 June 2019

### 29. FINANCIAL INSTRUMENTS (continued)

### 29.1 COMPANY

| 2018 (IAS 39 classification) | CARRYING VALUE | | | |
|---|---|---|---|---|
| in thousands of Namibia Dollar | Reference notes | Loans and receivables | Held-for-trading | Held-to-maturity |
| **Financial assets measured at fair value** | | | | |
| Listed equity | 11 | - | - | - |
| Collective investment schemes | 11 | - | - | - |
| Derivative financial assets | 21.1 | - | 43,059 | - |
| | | - | 43,059 | - |
| **Financial assets not measured at fair value** | | | | |
| Loans receivable | 10 | 20,942 | - | - |
| Non-current investments | 11 | - | - | 752,721 |
| Fixed deposits at amortised cost | 11 | 3,853,188 | - | - |
| Cash and cash equivalents | 14 | 2,310,120 | - | - |
| Trade and other receivables^ | 13.1 | 1,504,414 | - | |
| Interest in subsidiaries | 7.1 | 5,002 | - | - |
| | | 7,693,665 | - | 752,721 |
| **Financial liabilities measured at fair value** | | | | |
| Interest bearing loans and borrowings | 17 | - | - | - |
| Derivative financial liabilities | 21.2 | - | (107,486) | - |
| | | - | (107,486) | - |
| **Financial liabilities not measured at fair value** | | | | |
| Interest bearing loans and borrowings | 17 | - | - | - |
| Trade and other payables* | 20.1 | - | - | - |
| Loans due to subsidiaries | 7.1 | - | - | - |
| Non-current retention creditors | 20.4 | - | - | - |
| | | - | - | - |

Financial instruments at amortised cost approximate fair value as the terms of the instruments are either short term or market related. As such the related fair values have not been disclosed in accordance with the IFRS 7.29 (a) exemption.

* Accrued expenses of N$122.2 million (2017: N$72.2 million) that are not financial liabilities are not included.

^ Project and other advances and prepayments of N$225.2 million (2017: N$30.4 million) that are not financial assets are not included.

There have been no transfers between the fair value hierarchy levels (2017: no transfers).

The table above analyses financial instruments carried at fair value as the amounts are a reasonable approximation of fair value.

| | CARRYING VALUE | | | | FAIR VALUE | | | |
|---|---|---|---|---|---|---|---|---|
| | Available-for-sale | Designated / Fair value through profit or loss | Other financial liabilities at amortised cost | Total | Level 1 | Level 2 | Level 3 | Total |
| | 1,769 | - | - | 1,769 | 1,769 | - | - | 1,769 |
| | - | 1,600,594 | - | 1,600,594 | - | 1,600,594 | - | 1,600,594 |
| | - | - | - | 43,059 | - | 43,059 | - | 43,059 |
| | 1,769 | 1,600,594 | - | 1,645,422 | 1,769 | 1,643,653 | - | 1,645,422 |
| | - | - | - | 20,942 | - | - | - | - |
| | 35,415 | - | - | 788,136 | - | - | - | - |
| | - | - | - | 3,853,188 | - | - | - | - |
| | - | - | - | 2,310,120 | - | - | - | - |
| | - | - | - | 1,504,414 | | | | |
| | - | - | - | 5,002 | - | - | - | - |
| | 35,415 | - | - | 8,481,801 | - | - | - | - |
| | - | | - | | | | | |
| | - | (87,310) | - | (87,310) | - | (87,310) | - | (87,310) |
| | - | - | - | (107,486) | - | - | (107,486) | (107,486) |
| | - | (87,310) | - | (194,796) | - | (87,310) | (107,486) | (194,796) |
| | - | - | (1,944,562) | (1,944,562) | - | - | - | - |
| | - | - | (1,011,063) | (1,011,063) | - | - | - | - |
| | - | - | (6,388) | (6,388) | | | | |
| | - | - | (26,744) | (26,744) | - | - | - | - |
| | - | - | (2,988,758) | (2,988,758) | - | - | - | - |

## 29. FINANCIAL INSTRUMENTS (continued)

### 29.1 Classes and categories of financial instruments and their fair values

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

| | CONSOLIDATED AND COMPANY | |
|---|---|---|
| | 2019<br>N$'000 | 2018<br>N$'000 |
| **Embedded derivative liabilities** | | |
| Carrying value at beginning of the year | (107,486) | (131,261) |
| Net fair value loss on embedded derivatives and forward exchange contracts recognised in profit or loss | 71,894 | 23,775 |
| Carrying value at end of the year | (35,592) | (107,486) |
| **Embedded derivative assets** | | |
| Carrying value at beginning of the year | - | 3,036 |
| Net fair value gain/(loss) on embedded derivatives recognised in profit or loss | - | (3,036) |
| Carrying value at end of the year | - | - |
| **Non-current investments** | | |
| Carrying value at beginning of the year | 35,415 | - |
| Effect of change in initial application of IFRS 9 | 59,810 | |
| Net fair value gain on unlisted investments through OCI | 10,501 | - |
| Carrying value at end of the year | 105,726 | - |

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.

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

| Financial assets/ financial liabilities | Fair value hierarchy | Valuation technique(s) and key input(s) | Relationship of unobservable inputs to fair value |
|---|---|---|---|
| Collective investment schemes | Level 2 | The valuation model is based on the Net Asset Values (NAV) of the individual funds as quoted in the active markets. i.e. quoted prices | Not applicable |
| Derivative financial assets and Derivative financial liabilities | Level 2 & Level 3 | Discounted cash flow: The valuation model considers the present value of expected future cash flows discounted using a risk adjusted discount rate for both ZAR and USD. The expected cash flows is determined by considering the possible scenario of forecast revenue. i.e. interest rates, inflation rates and exchange rates. | The estimated fair value of the purchase agreements will increase/(decrease) with an indirect correlation of the above-mentioned sensitivities, while there is a direct correlation in the fair value of the sales agreement with an increase/(decrease) of the sensitivities. |
| Non-current investments | Level 3 | Net asset value (NAV) approach: This is the value of an entity's assets minus the value of its liabilities. | A significant increase in the assets would result in a significant increase in fair value, and vice versa. A significant increase in the liabilities would result in a significant decrease in fair value, and vice versa. |

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

## 29. FINANCIAL INSTRUMENTS (continued)

### 29.2 Financial risk management

**Overview**

The Group and Company have exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk and
- market risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group and Company's management of capital. Further quantitative disclosures are included throughout the Group and Company financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established an Audit and Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Group's Risk Management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit and Risk Management Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit and Risk Management Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit and Risk Management Committee.

### 29.3 Credit risk

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

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

The recoverability of a financial asset which is neither past due nor impaired is assessed, taking into account its financial position, past experience and other factors. The Group believes that the amounts of instruments held at 30 June 2019 are still recoverable.

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

#### 29.3.1 Management of credit risk

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

**Responsibility and governance**

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

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

The ALCO committee:

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

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

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

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

### 29. FINANCIAL INSTRUMENTS (continued)

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

#### 29.4 Exposure to credit risk

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

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.

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| | **N$'000** | N$'000 | **N$'000** | N$'000 |
| Current investments | **6,339,592** | 5,455,551 | **6,339,592** | 5,455,551 |
| Non-current investments | **1,088,720** | 788,136 | **1,088,720** | 788,136 |
| Loans receivables | **19,515** | 20,942 | **19,515** | 20,942 |
| Trade and other receivables | **1,494,023** | 1,504,414 | **1,494,023** | 1,504,414 |
| Cash and cash equivalents | **2,542,561** | 2,310,120 | **2,542,561** | 2,310,120 |
| Derivative assets | **13,333** | 43,059 | **13,333** | 43,059 |
| Interest in subsidiaries | **-** | - | **5,002** | 5,002 |
| | **11,497,744** | 10,122,222 | **11,502,746** | 10,127,224 |
| **29.4.1 Financial income and expenses** | | | | |
| **Recognised in profit or loss** | | | | |
| **Net gains and (losses) on financial assets and liabilities through profit or loss** | | | | |
| Realised foreign exchange gains (FVTPL) | **62,225** | 90,776 | **62,225** | 90,776 |
| Unrealised foreign exchange gains | **79,765** | 3,624 | **79,765** | 3,624 |
| Unrealised gain from Swaps currency valuation (FVTPL) | **30,931** | 68,125 | **30,931** | 68,125 |
| Unrealised loss from Swaps currency valuation (FVTPL) | **(22,238)** | (30,250) | **(22,238)** | (30,250) |
| Unrealised foreign exchange losses | **(50,610)** | 23,005 | **(50,610)** | 23,005 |
| Realised foreign exchange losses (FVTPL) | **(82,369)** | (147,241) | **(82,369)** | (147,241) |
| Realised exchange rate gains on foreign loans (FVTPL) | **(834)** | (1,642) | **(834)** | (1,642) |
| Fair value adjustment on embedded derivative-Power Purchases Agreement (Held for trading asset) | **71,895** | 20,855 | **71,895** | 20,855 |
| Realised Swap losses (FVTPL) | **(31,694)** | (65,272) | **(31,694)** | (65,272) |
| Realised Swap profits (FVTPL) | **22,822** | 29,851 | **22,822** | 29,851 |
| Fair value adjustment on embedded derivative-Power Sales Agreement (Held for trading liability) | **-** | (319) | **-** | (319) |
| Fair value (loss)/gain on firm commitments | **(5,594)** | - | **(5,594)** | - |
| **Recognised in other comprehensive income** | | | | |
| Net change in fair value of listed and unlisted equity (2018: available-for-sale) | **(15,036)** | (133) | **(15,036)** | (133) |

* FVTPL - Fair value through profit or loss

## 29. FINANCIAL INSTRUMENTS (continued)

### 29.4.2 Guarantees

The Group's policy is to provide financial guarantees only to wholly-owned subsidiaries. As at 30 June 2019 no guarantee was outstanding.

**NamPower employee home loans**

Suretyship for N$47.8 million (2018: N$41.0 million) to four local banks (Bank Windhoek Limited, First National Bank Namibia, Standard Bank Namibia and Nedbank Namibia) for all employees who are on the Company's housing scheme and have attained financing from the aforementioned financial institutions. Such suretyship is limited to the original loan amount attained by each employee and excludes any additional financing for improvements or upgrades.

### 29.4.3 Trade and other receivables

**(a) Trade receivables**

Credit risk with respect to trade and other receivables is limited due to the large number of customers comprising the Group's customer base and their spread across different industries and geographical areas. The main classes of electricity receivables are cross border, large power users and small power users. Key large power users comprise mainly Namibian municipalities, town councils, village councils, regional councils, mining customers and regional electricity distributors (REDs).

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

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

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

The level of security is reviewed when a customer defaults on their payment obligation or requires additional electricity supply capacity in which case they are required to either provide security or increase their existing security to an amount equivalent to three months' of estimated future consumption before supply will commence.

Payment terms vary between customer classes as per the Group's credit policy. Interest is charged at a market related rate on balances in arrears.

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

The Group always measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix for some of the portfolios and loss rate approach for the rest. Both approaches are applied with reference to past default experience of the debtor with time value of money losses taken into account through the analysis of default experience by assessing the time taken to collect trade receivables. Adjustments are made for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The Group writes off a trade receivable when there is no reasonable expectations of recovering the contractual cash flows on a financial asset in its entirety or a portion thereof. Progress on the collection process is reviewed on a regular basis and if it is evident that the amount will not be recovered, it is recommended for write-off in terms of the Group's policy and delegation of authority. The process of recovery continues unless it is confirmed that there is no prospect of recovery or the costs of such action will exceed the benefits to be derived. Amounts written off are determined after taking into account the value of the security held.

The total cumulative expected credit losses for electricity receivables at 30 June 2019 was N$722.6 million (2018: N$352.4 million) (refer note 29.4.4). The enhancement of credit control strategies and monitoring of payment levels of all trade receivables continue to receive management attention.

## 29. FINANCIAL INSTRUMENTS (continued)

### 29.4.3 Trade and other receivables (continued)

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

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | **2019 N$'000** | 2018 N$'000 | **2019 N$'000** | 2018 N$'000 |
| Domestic- Namibia | **1,477,897** | 1,473,224 | **1,477,897** | 1,473,224 |
| Regional Exports/ Cross border customers | **16,126** | 31,190 | **16,126** | 31,190 |
| | **1,494,023** | 1,504,414 | **1,494,023** | 1,504,414 |

The maximum exposure to credit risk for trade and other receivables at the reporting date by type of customer was:

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | **2019 N$'000** | 2018 N$'000 | **2019 N$'000** | 2018 N$'000 |
| Distributors | **1,126,021** | 862,242 | **1,126,021** | 862,242 |
| Mining | **106,370** | 240,203 | **106,370** | 240,203 |
| End-user customers | **56,891** | 106,152 | **56,891** | 106,152 |
| Other trade receivables | **204,741** | 295,817 | **204,741** | 295,817 |
| | **1,494,023** | 1,504,414 | **1,494,023** | 1,504,414 |

Concentration of credit risk that arises from the Group's receivables in relation to categories of the customers by percentage of total receivables from customers is:

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | **2019 %** | 2018 % | **2019 %** | 2018 % |
| Distributors | **75** | 57 | **75** | 57 |
| Mining | **7** | 16 | **7** | 16 |
| End-user customers | **4** | 7 | **4** | 7 |
| Other trade receivables | **14** | 20 | **14** | 20 |
| | **100** | 100 | **100** | 100 |

The aging of trade receivables not impaired at the reporting date for Group and Company are as follows (IAS 39):

| | CONSOLIDATED AND COMPANY |
|---|---|
| | 2018 N$'000 Nett |
| Not past due | 840,657 |
| 30 days past due | 264,412 |
| 60 days past due | 226,023 |
| 90 days past due | 173,321 |
| | 1,504,414 |

## 29. FINANCIAL INSTRUMENTS (continued)

### 29.4.4 Expected credit losses

| | CONSOLIDATED AND COMPANY | | CONSOLIDATED AND COMPANY | |
|---|---|---|---|---|
| | **2019 N$'000 Gross** | 2019 N$'000 Expected credit losses | **2018 N$'000 Gross** | 2018 N$'000 Expected credit losses |
| Not past due | **849,560** | 64,156 | **859,114** | 18,457 |
| 30 days past due | **285,664** | 28,101 | **297,973** | 33,561 |
| 60 days past due | **205,299** | 28,446 | **443,545** | 217,522 |
| 90 days past due | **876,106** | 601,903 | **256,183** | 82,862 |
| | **2,216,629** | 722,606 | **1,856,816** | 352,402 |

The above impairment losses are based on individual impairments.

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

| | CONSOLIDATED AND COMPANY | |
|---|---|---|
| | **2019 N$'000** | 2018 N$'000 |
| **Balance 1 July** | **352,402** | 258,532 |
| - Impairment loss recognised | **58,110** | 93,870 |
| - Adjustment upon application of IFRS 9 | **-** | - |
| - Impairment utilised | **(13,633)** | - |
| - Transfer to credit-impaired | **325,727** | - |
| **Balance at 30 June** | **722,606** | 352,402 |

The Group uses a combination of two approaches, namely the Provision Matrix approach and the loss rate approach.

Expected credit losses of N$492.9 million relates to Rede Nacional De Electricidade (RNT), the Angolan electricity distributor. RNT is struggling to pay as a result of the adverse market conditions in Angola which has affected the Angolan market heavily.

The remainder of the expected credit losses at 30 June 2019 is attributable to several customers.

**Valuation assumptions (in terms of IFRS 9)**

The Group assesses its trade and other receivables' probability of default and loss given default at each balance sheet date, based on historical data adjusted by forward looking information. The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default.

The Group measures the loss allowance at an amount equal to 12 month ECL at the current reporting date. The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

**Valuation assumptions (in terms of IAS 39)**

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

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

## 29. FINANCIAL INSTRUMENTS (continued)

### 29.4.4 Expected credit losses (continued)

| | CONSOLIDATED AND COMPANY | |
|---|---|---|
| | 2019<br>N$'000 | 2018<br>N$'000 |
| **Security relating to trade receivables**<br>The security held against trade receivables for the Group and Company comprises bank guarantees and cash deposits. The estimate of the fair value of the security is: | | |
| **(a) Cash deposits** | | |
| Electricity receivables security deposit -Cash | | |
| Domestic Namibia | 28,990 | 25,516 |
| Regional Exports/Cross Border customers | 368 | 368 |
| | 29,358 | 25,884 |
| **(b) Bank Guarantees** | | |
| Domestic- Namibia | 371,118 | 289,135 |
| Cross Border customers | 35 | 58 |
| Guarantees - Eskom | 908 | 908 |
| | 372,061 | 290,101 |

### 29.4.5 Cash and cash equivalents

The Group held cash and cash equivalents of N$2.5 billion at 30 June 2019 (2018: N$2.3 billion). The cash and cash equivalents are held with bank and financial institution counterparties, which are rated for foreign currency long-term as BBB- and national long-term rating AA-(zaf), based on Fitch ratings.

### 29.5 Liquidity risk

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

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

The management of liquidity and funding risk is vested with the treasury section in accordance with practices and limits set by Exco and the board. The Group's liquidity and funding management process includes:

- projected cash flows and considering the cash required by the Group and optimising the short-term liquidity;
- monitoring financial liquidity ratios;
- maintaining a diverse range of funding sources with adequate back-up facilities, managing the concentration and profile of debt maturities and
- maintaining liquidity and funding contingency plans.

## 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.

| CONSOLIDATED | Carrying amount | Total contractual cash flows | Contractual cash flows 1 year or less | Contractual cash flows 1- 5 years | Contractual cash flows 5 years and more |
|---|---|---|---|---|---|
| | N$ '000 | N$ '000 | N$ '000 | N$ '000 | N$ '000 |
| **2019** | | | | | |
| **Non-derivative financial liabilities** | | | | | |
| Secured long term loans | | | | | |
| - GBP fixed rate loan | **(81,948)** | **(82,877)** | **(27,617)** | **(55,260)** | **-** |
| - EUR floating rate loan | **(3,122)** | **(3,163)** | **(3,163)** | **-** | **-** |
| - ZAR denominated loans | **(1,461,894)** | **(1,911,278)** | **(298,221)** | **(1,204,977)** | **(408,080)** |
| - NAD denominated loans | **(276,849)** | **(292,930)** | **(268,586)** | **(24,344)** | **-** |
| Non current retention creditors | **(12,419)** | **(12,419)** | **-** | **(12,419)** | **-** |
| Trade and other payables | **(1,276,061)** | **(1,276,061)** | **(1,276,061)** | **-** | **-** |
| **Derivative financial liabilities** | | | | | |
| - Interest rate swaps and cross currency interest rate swaps used for hedging | **-** | **6,129** | **2,117** | **4,012** | **-** |
| **2018** | | | | | |
| **Non-derivative financial liabilities** | | | | | |
| **Secured long term loans** | | | | | |
| - GBP fixed rate loan | (108,547) | (110,818) | (27,677) | (83,141) | - |
| - EUR floating rate loan | (9,423) | (9,657) | (6,529) | (3,128) | - |
| - ZAR denominated loans | (1,632,580) | (2,222,057) | (310,779) | (1,383,984) | (527,294) |
| - NAD denominated loans | (281,321) | (324,016) | (31,086) | (286,844) | (6,086) |
| Non-current retention creditors | (26,744) | (26,744) | - | (26,744) | - |
| Trade and other payables | (1,011,057) | (1,011,057) | (1,011,057) | - | - |
| **Derivative financial liabilities** | | | | | |
| - Interest rate swaps and cross currency interest rate swaps used for hedging | - | 9,069 | 2,704 | 6,365 | - |

29. FINANCIAL INSTRUMENTS (continued)

29.5.1 Contractual Cash Flows (continued)

| COMPANY | Carrying amount | Total contractual cash flows | Contractual cash flows 1 year or less | Contractual cash flows 1- 5 years | Contractual cash flows 5 years and more |
|---|---|---|---|---|---|
| | N$ '000 | N$ '000 | N$ '000 | N$ '000 | N$ '000 |
| **2019** | | | | | |
| **Non-derivative financial liabilities** | | | | | |
| **Secured long term loans** | | | | | |
| - GBP fixed rate loan | **(81,948)** | **(82,877)** | **(27,617)** | **(55,260)** | **-** |
| - EUR floating rate loan | **(3,122)** | **(3,163)** | **(3,163)** | **-** | **-** |
| - ZAR denominated loans | **(1,461,894)** | **(1,911,278)** | **(298,221)** | **(1,204,977)** | **(408,080)** |
| - NAD denominated loans | **(276,849)** | **(292,930)** | **(268,586)** | **(24,344)** | **-** |
| Non-current retention creditors | **(12,419)** | **(12,419)** | **-** | **(12,419)** | **-** |
| Trade and other payables | **(1,276,071)** | **(1,276,071)** | **(1,276,071)** | **-** | **-** |
| Loans due to subsidiaries | **(6,388)** | **(6,388)** | **(6,388)** | **-** | **-** |
| **Derivative financial liabilities** | | | | | |
| - Interest rate swaps and cross currency interest rate swaps used for hedging | **-** | **6,129** | **2,117** | **4,012** | **-** |
| **2018** | | | | | |
| **Non-derivative financial liabilities** | | | | | |
| **Secured long term loans** | | | | | |
| - GBP fixed rate loan | (108,547) | (110,818) | (27,677) | (83,141) | - |
| - EUR floating rate loan | (9,423) | (9,657) | (6,529) | (3,128) | - |
| - ZAR denominated loans | (1,632,580) | (2,222,057) | (310,779) | (1,383,984) | (527,294) |
| - NAD denominated loans | (281,321) | (324,016) | (31,086) | (286,844) | (6,086) |
| Non-current retention creditors | (26,744) | (26,744) | - | (26,744) | - |
| Trade and other payables | (1,011,064) | (1,011,064) | (1,011,064) | - | - |
| Loans due to subsidiaries | (6,388) | (6,388) | (6,388) | - | - |
| **Derivative financial liabilities** | | | | | |
| - Interest rate swaps and cross currency interest rate swaps used for hedging | - | 9,069 | 2,704 | 6,365 | - |

29. FINANCIAL INSTRUMENTS (continued)

### 29.5.2 Derivative financial instruments

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

**Valuation assumptions**

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

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

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

The principal or contract amount of derivative financial instruments were:

| | CONSOLIDATED AND COMPANY | |
|---|---|---|
| | 2019<br>N$'000 | 2018<br>N$'000 |
| Net interest rate and cross currency swaps | 11,386 | 20,258 |
| Forward exchange contracts | 294,464 | 245,923 |
| | 305,849 | 266,181 |

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

### 29.5.3 Primary sources of funding and unused facilities

The primary sources to meet the Group's liquidity requirements are revenue, cash inflows from maturing financial assets purchased, funds committed by government, local debt issued in the market as well as foreign debt. To supplement these liquidity sources under stress conditions, overdraft facilities with commercial banks are in place as indicated below:

| | | |
|---|---|---|
| General banking facilities | 192,500 | 192,500 |
| | 192,500 | 192,500 |

The overdraft facilities, if utilised are repayable strictly on demand and will be charged at the prevailing bank's prime lending rate from time to time. The prime lending rate of the commercial banks at 30 June 2019 was 10.5%.

Other facilities in place are:

| | | |
|---|---|---|
| SB VAF fleet cards | 1,100 | 1,100 |
| FEC | 100,000 | 100,000 |
| Derivative | 350,000 | 350,000 |
| | 451,100 | 451,100 |

## 29. FINANCIAL INSTRUMENTS (continued)

### 29.6 Market risk

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

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

**Financial instruments managed by the treasury function**

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

**Embedded derivatives**

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

The net impact on profit or loss of changes in the fair value of the embedded derivatives for the Group and Company is a fair value gain of N$71.9 million (2018: N$20.9 million gain). At 30 June 2019 the embedded derivative asset amounted to Nil (2018: Nil) for the Group and Company. The embedded derivative liability at 30 June 2019 was N$35.6 million (2018: N$107.5 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)
- ther price risk (refer note 29.6.3)

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

#### 29.6.1 Interest rate risk

Interest rate risk is the risk that the Group's financial position may be adversely affected as a result of changes in interest rate levels, yield curves and spreads.

The Group's interest rate risk arises mainly from long-term borrowings. Long-term borrowings and debt securities are issued at both fixed rates and floating rates and expose the Group to fair value interest rate risk.

The Group generally adopts a policy that its exposure to interest rates is on a fixed rate basis. Swaps have been used to convert the interest on floating rates to a fixed rate basis.

The Group adopts a policy of ensuring that its exposure to changes in interest rates on borrowings is hedged economically. This is achieved by entering into interest rate swaps.

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

| | | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|---|
| | Reference note | **Carrying amount 2019 N$ '000** | Carrying amount 2018 N$ '000 | **Carrying amount 2019 N$ '000** | Carrying amount 2018 N$ '000 |
| **Variable rate financial instruments** | | | | | |
| Financial assets | 11 | **2,191,045** | 1,600,594 | **2,191,045** | 1,600,594 |
| Financial liabilities | 17.1.5 | **(26,849)** | (31,321) | **(26,849)** | (31,321) |
| | | **2,164,196** | 1,569,273 | **2,164,196** | 1,569,273 |
| **Fixed rate financial instruments** | | | | | |
| Financial assets | 29.1 | **9,291,393** | 8,476,800 | **9,296,395** | 8,481,801 |
| Financial liabilities | 17 | **(1,796,965)** | (2,000,551) | **(1,796,965)** | (2,000,551) |
| | | **7,494,428** | 6,476,249 | **7,499,430** | 6,481,250 |

## 29. FINANCIAL INSTRUMENTS (continued)

### 29.6.1 Interest rate risk (continued)

**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 2018.

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

| CONSOLIDATED AND COMPANY | Equity 100 bp increase | Equity 100 bp decrease | Profit or (loss) 100 bp increase | Profit or (loss) 100 bp decrease |
|---|---|---|---|---|
| **30 June 2019** | | | | |
| Variable rate instruments | | | | |
| Interest rate swap | | | | |
| **- DBN** | | | | |
| NAD Curve | **(183)** | 183 | **(268)** | 268 |
| **30 June 2018** | | | | |
| Variable rate instruments | | | | |
| Interest rate swap | | | | |
| **- DBN** | | | | |
| NAD Curve | **(213)** | 213 | **(313)** | 313 |

### 29.6.2 Currency risk

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

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

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

**Recognised assets and liabilities**

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

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

## 29. FINANCIAL INSTRUMENTS (continued)

### 29.6.2 Currency risk (continued)

**CONSOLIDATED**

**The currency position at 30 June 2019 is set below**

| in thousands of Namibia Dollar | Note | N$ | ZAR | US$ | Euro | GBP | BWP | Total |
|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | |
| Other financial assets | 21.1 | 11,603 | - | 1,730 | - | - | - | 13,333 |
| Loans receivable | 10 | 19,515 | - | - | - | - | - | 19,515 |
| Trade and other receivables | 13.1 | 999,928 | - | 494,095 | - | - | - | 1,494,023 |
| Investments | 11 | 7,265,077 | 163,236 | - | - | - | - | 7,428,313 |
| Cash and cash equivalents | 14 | 566,853 | 1,858,982 | 116,636 | 44 | 46 | - | 2,542,561 |
| | | 8,862,976 | 2,022,218 | 612,461 | 44 | 46 | - | 11,497,745 |
| **Liabilities** | | | | | | | | |
| Interest bearing loans and borrowings | 17 | (276,849) | (1,461,895) | - | (3,122) | (81,948) | - | (1,823,814) |
| Other financial liabilities | 21.2 | - | - | (35,592) | - | - | - | (35,592) |
| Trade and other payables | 20.1 | (685,857) | (557,412) | (26,854) | (25) | (35) | (5,878) | (1,276,061) |
| Non current retention creditors | 20.4 | (12,419) | - | - | - | - | - | (12,419) |
| | | (975,125) | (2,019,307) | (62,446) | (3,147) | (81,983) | (5,878) | (3,147,886) |
| **Gross statement of financial position exposure** | | 7,887,851 | 2,911 | 550,015 | (3,103) | (81,937) | (5,878) | 8,349,859 |
| Next year's forecast sales | | 6,972,560 | - | - | - | - | - | 6,972,560 |
| Next year's forecast purchases | | (440,722) | (3,072,545) | (992,524) | - | - | - | (4,505,791) |
| **Gross exposure** | | 14,419,689 | (3,069,634) | (442,509) | (3,103) | (81,937) | (5,878) | 10,816,628 |
| Foreign exchange contracts | | - | - | 1,730 | - | - | - | 1,730 |
| **Net exposure** | | 14,419,689 | (3,069,634) | (440,779) | (3,103) | (81,937) | (5,878) | 10,818,358 |

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

| **Currency translation rates:** | **30 June 2019** |
|---|---|
| 1 SA Rand | N$1.0 |
| 1 US Dollar | N$14.1 |
| 1 Euro | N$16.1 |
| 1 GBP | N$17.9 |
| 1 BWP | N$1.3 |

## 29. FINANCIAL INSTRUMENTS (continued)

### 29.6.2 Currency risk (continued)

**CONSOLIDATED**

**The currency position at 30 June 2018 is set below**

| in thousands of Namibia Dollar | Note | N$ | ZAR | US$ | Euro | GBP | BWP | Total |
|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | |
| Other financial assets | 21.1 | 26,069 | - | 16,990 | - | - | - | 43,059 |
| Loans receivable | 10 | 20,942 | - | - | - | - | - | 20,942 |
| Trade and other receivables | 13.1 | 1,233,991 | - | 270,423 | - | - | - | 1,504,414 |
| Investments | 11 | 5,674,610 | 569,077 | - | - | - | - | 6,243,687 |
| Cash and cash equivalents | 14 | 418,054 | 1,744,994 | 147,015 | 12 | 45 | - | 2,310,120 |
| | | 7,373,666 | 2,314,071 | 434,428 | 12 | 45 | - | 10,122,222 |
| **Liabilities** | | | | | | | | |
| Interest bearing loans and borrowings | 17 | (281,321) | (1,632,581) | - | (9,423) | (108,547) | - | (2,031,872) |
| Other financial liabilities | 21.2 | - | - | (107,486) | - | - | - | (107,486) |
| Trade and other payables | 20.1 | (638,342) | (261,432) | (107,767) | (1,561) | (33) | (1,922) | (1,011,057) |
| Non current retention creditors | 20.4 | (26,744) | - | - | - | - | - | (26,744) |
| | | (946,407) | (1,894,013) | (215,253) | (10,984) | (108,580) | (1,922) | (3,177,159) |
| **Gross statement of financial position exposure** | | 6,427,259 | 420,058 | 219,175 | (10,972) | (108,535) | (1,922) | 6,945,063 |
| Next year's forecast sales | | 6,356,925 | - | 415,686 | - | - | - | 6,772,611 |
| Next year's forecast purchases | | (391,148) | (1,927,565) | (1,359,883) | - | - | - | (3,678,596) |
| **Gross exposure** | | 12,393,036 | (1,507,507) | (725,022) | (10,972) | (108,535) | (1,922) | 10,039,078 |
| Foreign exchange contracts | | - | - | 16,987 | - | - | - | 16,987 |
| **Net exposure** | | 12,393,036 | (1,507,507) | (708,035) | (10,972) | (108,535) | (1,922) | 10,056,065 |

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

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

# Notes to the Financial Statements (continued)
## for the year ended 30 June 2019

### 29. FINANCIAL INSTRUMENTS (continued)

#### 29.6.2 Currency risk (continued)

**COMPANY**

**The currency position at 30 June 2019 is set below**

| in thousands of Namibia Dollar | Note | N$ | ZAR | US$ | Euro | GBP | BWP | Total |
|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | |
| Other financial assets | 21.1 | 11,603 | - | 1,730 | - | - | - | 13,333 |
| Loans receivable | 10 | 19,515 | - | - | - | - | - | 19,515 |
| Trade and other receivables | 13.1 | 999,928 | - | 494,095 | - | - | - | 1,494,023 |
| Investments | 11 | 7,265,077 | 163,236 | - | - | - | - | 7,428,313 |
| Cash and cash equivalents | 14 | 566,853 | 1,858,982 | 116,636 | 44 | 46 | - | 2,542,561 |
| Interest in subsidiaries | 7.1 | 5,002 | - | - | - | - | - | 5,002 |
| | | 8,867,978 | 2,022,218 | 612,461 | 44 | 46 | - | 11,502,747 |
| **Liabilities** | | | | | | | | |
| Interest bearing loans and borrowings | 17 | (276,849) | (1,461,895) | - | (3,122) | (81,948) | - | (1,823,814) |
| Other financial liabilities | 21.2 | - | - | (35,592) | - | - | - | (35,592) |
| Trade and other payables | 20.1 | (685,867) | (557,412) | (26,854) | (25) | (35) | (5,878) | (1,276,071) |
| Non current retention creditors | 20.4 | (12,419) | - | - | - | - | - | (12,419) |
| Loans due to subsidiaries | 7.1 | (6,388) | - | - | - | - | - | (6,388) |
| | | (981,523) | (2,019,307) | (62,446) | (3,147) | (81,983) | (5,878) | (3,154,284) |
| **Gross statement of financial position exposure** | | 7,886,455 | 2,911 | 550,015 | (3,103) | (81,937) | (5,878) | 8,348,463 |
| Next year's forecast sales | | 6,972,560 | - | - | - | - | - | 6,972,560 |
| Next year's forecast purchases | | (440,722) | (3,072,545) | (992,524) | - | - | - | (4,505,791) |
| **Gross exposure** | | 14,418,293 | (3,069,634) | (442,509) | (3,103) | (81,937) | (5,878) | 10,815,232 |
| Foreign exchange contracts | | - | - | 1,730 | - | - | - | 1,730 |
| **Net exposure** | | 14,418,293 | (3,069,634) | (440,779) | (3,103) | (81,937) | (5,878) | 10,816,962 |

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

| **Currency translation rates:** | **30 June 2019** |
|---|---|
| 1 SA Rand | N$1.0 |
| 1 US Dollar | N$14.1 |
| 1 Euro | N$16.1 |
| 1 GBP | N$17.9 |
| 1 BWP | N$1.3 |

29. FINANCIAL INSTRUMENTS (continued)

29.6.2 Currency risk (continued)

## COMPANY

**The currency position at 30 June 2018 is set below**

| in thousands of Namibia Dollar | Note | N$ | ZAR | US$ | Euro | GBP | BWP | Total |
|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | |
| Other financial assets | 21.1 | 26,069 | - | 16,990 | - | - | - | 43,059 |
| Loans receivable | 10 | 20,942 | - | - | - | - | - | 20,942 |
| Trade and other receivables | 13.1 | 1,233,991 | - | 270,423 | - | - | - | 1,504,414 |
| Investments | 11 | 5,674,610 | 569,077 | - | - | - | - | 6,243,687 |
| Cash and cash equivalents | 14 | 418,054 | 1,744,994 | 147,015 | 12 | 45 | - | 2,310,120 |
| Interest in subsidiaries | 7.1 | 5,002 | - | - | - | - | - | 5,002 |
| | | 7,378,668 | 2,314,071 | 434,428 | 12 | 45 | - | 10,127,224 |
| **Liabilities** | | | | | | | | |
| Interest bearing loans and borrowings | 17 | (281,321) | (1,632,581) | - | (9,423) | (108,547) | - | (2,031,872) |
| Other financial liabilities | 21.2 | - | - | (107,486) | - | - | - | (107,486) |
| Trade and other payables | 20.1 | (638,348) | (261,432) | (107,767) | (1,561) | (33) | (1,922) | (1,011,063) |
| Non current retention creditors | 20.4 | (26,744) | - | - | - | - | - | (26,744) |
| Loans due to subsidiaries | 7.1 | (6,388) | - | - | - | - | - | (6,388) |
| | | (952,802) | (1,894,013) | (215,253) | (10,984) | (108,580) | (1,922) | (3,183,554) |
| **Gross statement of financial position exposure** | | 6,425,866 | 420,058 | 219,175 | (10,972) | (108,535) | (1,922) | 6,943,670 |
| Next year's forecast sales | | 6,356,925 | - | 415,686 | - | - | - | 6,772,611 |
| Next year's forecast purchases | | (391,148) | (1,927,565) | (1,359,883) | - | - | - | (3,678,596) |
| **Gross exposure** | | 12,391,644 | (1,507,507) | (725,022) | (10,972) | (108,535) | (1,922) | 10,037,685 |
| Foreign exchange contracts | | - | - | 16,987 | - | - | - | 16,987 |
| **Net exposure** | | 12,391,644 | (1,507,507) | (708,035) | (10,972) | (108,535) | (1,922) | 10,054,672 |

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

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

## 29. FINANCIAL INSTRUMENTS (continued)

### 29.6.2 Currency risk (continued)

| | CONSOLIDATED AND COMPANY | | | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| | **Equity** | Equity | **Profit or (Loss)** | Profit or (Loss) |
| | **N$'000** | N$'000 | **N$'000** | N$'000 |
| **Sensitivity analysis** | | | | |
| A strengthening of the N$ against the following currencies at 30 June 2019 would have increased/(decreased) profit or loss and equity by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis as for 2018. | | | | |
| US Dollar (10 percent strengthening) | **23,856** | 53,593 | **35,607** | 78,813 |
| Euro (10 percent strengthening) | **(208)** | (746) | **(310)** | (1,097) |
| GBP (10 percent strengthening) | **(5,490)** | (7,380) | **(8,194)** | (10,854) |
| BWP (10 percent strengthening) | **(388)** | (131) | **(588)** | (192) |
| A weakening of the N$ against the following currencies at 30 June 2019 would have increased/(decreased) profit or loss and equity by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2018. | | | | |
| US Dollar (10 percent weakening) | **(23,856)** | (53,593) | **(35,607)** | (78,813) |
| Euro (10 percent weakening) | **208** | 746 | **310** | 1,097 |
| GBP (10 percent weakening) | **5,490** | 7,380 | **8,194** | 10,854 |
| BWP (10 percent strengthening) | **388** | 131 | **588** | 192 |

### 29.6.3 Other price risk

Inflation price risk arises from embedded derivatives as discussed under note 29.8. The risk arises from movements in the United States production price index (PPI). Equity price risk arises from available-for-sale financial instruments. The risk arises from movements in the share price of the equity investment.

The following is the sensitivity analysis of the change in the value of the embedded derivatives (relating to customised pricing agreements) as a result of changes in the United States PPI. This analysis has been performed on the same basis as the prior year. The analysis assumes that all other variables remain constant and the possible impact on equity and on profit or loss is:

| | 2019 Equity N$'000 | 2018 Equity N$'000 | 2019 Profit or (Loss) N$'000 | 2018 Profit or (Loss) N$'000 |
|---|---|---|---|---|
| United States PPI | | | | |
| 1% increase | **(177)** | (2,303) | **(260)** | (3,437) |
| 1% decrease | **177** | 2,299 | **260** | 3,432 |

## 29. FINANCIAL INSTRUMENTS (continued)

### 29.7 Capital management

| | CONSOLIDATED AND COMPANY | | | |
|---|---|---|---|---|
| | **2019 Equity N$'000** | 2018 Equity N$'000 | **2019 Profit or (Loss) N$'000** | 2018 Profit or (Loss) N$'000 |
| The Group manages the total shareholders' equity and debt as capital. Capital consists of ordinary share capital, development fund, reserve fund and debt. The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital and the level of dividends to ordinary shareholders. | | | | |
| The Group manages the following as capital: | | | | |
| Ordinary share capital | **1,065,000** | 1,065,000 | **1,065,000** | 1,065,000 |
| Reserve fund | **1,755,589** | 1,693,649 | **1,755,589** | 1,693,649 |
| Development fund | **6,887,145** | 6,290,174 | **6,739,391** | 6,125,092 |
| Debt | **5,384,877** | 4,891,614 | **5,391,275** | 4,898,009 |
| | **15,092,611** | 13,940,437 | **14,951,255** | 13,781,750 |

The major items that impact the capital include:

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

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

NamPower Treasury is tasked with the duties of managing the Group'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 5.11 (2018: 6.13), debt to EBITDA of -6.82 (2018: -3.28) and a debt equity ratio of 8:92 (2018: 9:91). 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 the Group is based on historical cost and depreciated replacement cost for Generation and Transmission assets respectively.

The electricity business is currently in a major expansion phase. There is national consensus that the capital expansion programme continues. The funding related to new generating, transmitting and other capacity is envisaged to be obtained from cash generated by the business, shareholder support and funds borrowed on the local and overseas markets. The adequacy of price increases allowed by the regulator and the level and timing of shareholder support are key factors in the sustainability of the Group.

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

## 30. PRIOR PERIOD ERROR

| | Note | CONSOLIDATED AND COMPANY | | | |
|---|---|---|---|---|---|
| | | 2018 N$'000 | 2017 N$'000 | 2018 N$'000 | 2017 N$'000 |
| The Group has assessed the material and spares classified as inventory in terms of IAS 2 and found that items can be used for more than one financial period. Similar items are also included in the current strategic inventory that is classified as property, plant and equipment. | | | | | |
| The Group concluded that the material and spares must be reclassified to property, plant and equipment in the strategic inventory category. | | | | | |
| The correction of the error results in adjustments as follows: | | | | | |
| **30.1 Statements of financial position** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment - as previously reported | | **20,801,717** | 21,041,341 | **20,801,717** | 21,022,926 |
| Prior period error | | **208,613** | 208,613 | **208,613** | 208,613 |
| Property, plant and equipment - restated | 6 | **21,010,330** | 21,249,954 | **21,010,330** | 21,231,539 |
| **Current assets** | | | | | |
| Inventories - as previously reported | | **247,367** | 279,159 | **247,367** | 279,159 |
| Prior period error | | **(208,613)** | (208,613) | **(208,613)** | (208,613) |
| Inventories - restated | 12 | **38,754** | 70,546 | **38,754** | 70,546 |

| | | CONSOLIDATED AND COMPANY | | | |
|---|---|---|---|---|---|
| | Note | 2018<br>N$'000 | 2017<br>N$'000 | 2018<br>N$'000 | 2017<br>N$'000 |
| **31. Prior period error** | | | | | |
| An adjustment was made in respect of accrued interest previously accounted for in cash flows from financing activities. | | | | | |
| The correction of the error results in adjustments as follows: | | | | | |
| **31.1 Statements of Cash Flows** | | | | | |
| **Cash generated from operations** | | | | | |
| Movement in trade and other receivables - as previously reported | | (759,442) | | (759,442) | |
| Prior period error - accrued interest | | 160,410 | | 160,410 | |
| Movement in trade and other receivables - restated | | (599,032) | | (599,032) | |
| Movement in trade payables | | 265,682 | | 265,692 | |
| Prior period error - accrued interest | | (61,905) | | (61,905) | |
| Movement in trade payables - restated | | 203,777 | | 203,787 | |
| **Cash flows from operating activities** | | | | | |
| Cash generated from operations - as previously reported | | 1,928,849 | | 1,929,643 | |
| Prior period error | | 98,505 | | 98,505 | |
| Cash generated from operations - restated | | 2,027,354 | | 2,028,148 | |
| **Cash flows from financing activities** | | | | | |
| Net cash used in financing activities - as previously reported | | (226,212) | | (226,212) | |
| Prior period error | | (98,505) | | (98,505) | |
| Net cash used in financing activities - restated | | (324,717) | | (324,717) | |

## 32. SEGMENT REPORTING

### Business unit segments

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

The following summary describes the operations in each of the Group's reportable segments:

**Generation:** Supply of energy

**Transmission:** Transmission of energy

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

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

### 32.1 Information about reportable business units

| | GENERATION | |
|---|---|---|
| Amounts in N$'000 | 2019 | 2018 |
| Total revenues | 820,952 | 1,000,769 |
| Intersegment revenue | (820,952) | (1,000,769) |
| Total segment revenue | - | - |
| Interest Income | - | - |
| Interest expense | (33,639) | (36,287) |
| Depreciation & amortisation | (308,948) | (382,232) |
| Impairment | - | - |
| Staff costs | (172,412) | (166,853) |
| Post retirement medical benefit | (6,916) | (7,957) |
| Foreign exchange gains on trade payables/receivables, bank balances and loans payable | - | - |
| Foreign exchange losses on trade payables/receivables, bank balances and loans payable | - | - |
| Segment result (before tax) | 616,911 | 681,189 |

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

| | CONSOLIDATED AND COMPANY | |
|---|---|---|
| | 2019<br>N$'000 | 2018<br>N$'000 |
| Domestic- Namibia | 6,294,893 | 6,305,212 |
| Regional Exports/ Cross border customers | 284,576 | 289,604 |
| | 6,579,468 | 6,594,816 |

| TRANSMISSION | | OTHER | | TOTAL | |
|---|---|---|---|---|---|
| **2019** | 2018 | **2019** | 2018 | **2019** | 2018 |
| **7,611,650** | 7,498,815 | **4,203,634** | 3,970,007 | **12,636,235** | 12,469,591 |
| **(1,680,096)** | (1,557,997) | **(3,555,719)** | (3,316,010) | **(6,056,767)** | (5,874,775) |
| **5,931,554** | 5,940,818 | **647,915** | 653,997 | **6,579,468** | 6,594,816 |
| | | | | | |
| **148,907** | 91,783 | **730,744** | 679,802 | **879,651** | 771,585 |
| **(128,905)** | (138,867) | **(9,230)** | (18,265) | **(171,774)** | (193,419) |
| **(415,078)** | (440,724) | **(59,304)** | (52,611) | **(783,330)** | (875,567) |
| **(43,236)** | - | **(3,340)** | - | **(46,577)** | - |
| **(296,774)** | (474,533) | **(341,275)** | (126,925) | **(810,461)** | (768,311) |
| **(14,515)** | (23,588) | **(15,542)** | (6,238) | **(36,973)** | (37,783) |
| **-** | - | **172,922** | 226,262 | **172,922** | 226,262 |
| **-** | - | **(155,217)** | (221,319) | **(155,217)** | (221,319) |
| **(5,005,979)** | (4,962,179) | **5,438,764** | 6,015,474 | **1,049,696** | 1,734,484 |

### 32.3 Information about major customers

Included in total segment revenue arising from the sale of electricity, extension charges, STEM sales and contribution by customers of N$6.6 billion (2018: N$6.6 billion) (see note 32.2 above) are revenues of approximately N$3.1 billion (2018: N$3.0 billion) which arose from electricity sales to the Group's three largest customers. No other single customers contributed 10% or more to the Group's revenue for both 2019 and 2018 financial years.

### 33. CONTINGENT LIABILITY

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

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

# Notes

## Notes

## Abbreviations

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

# Corporate Information

## Administration

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