ANNUAL REPORT
2014 / 2015

ERONGO red
power to the people


ERONGO
CiP


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Vision, Mission and Values

VISION
Electricity for all by 2020.

MISSION
The distribution and supply of electricity within the Erongo Region.

VALUES
Integrity
Accountability
Commitment
Customer Focus
Empowerment
Teamwork

Envisaged as a dynamic and efficient commercialised electricity distributor for the Erongo Region, the Erongo Regional Electricity Distributor Company (Pty) Ltd, commonly known as Erongo RED, started trading on 1 July 2005 within the context of the Namibian Government's National Development Plan.

Erongo RED was formed by merging the services of electricity distribution from various municipalities and town councils in Erongo region namely the Municipality of Walvis Bay, Swakopmund, Henties Bay and Omaruru; the Town Council of Karibib, Usakos and Arandis; Erongo Regional Council; and NamPower. Each of these institutions are shareholders of Erongo RED.

The initiative to create the REDs was part of the Electricity Supply Industry's (ESI) and the Electricity Distribution Industry's (EDI) restructuring Policy whose objective was to distribute and supply electricity through economies of scale, pooling of human and operational capital resources to ultimately stabilise

electricity prices and ensure reasonable, affordable and cost reflective tariffs to electricity consumers.

The company purchases electricity from NamPower for both urban and rural customers. The electricity is transmitted and distributed to different customer segments ranging from residential, business and industrial customers. Erongo RED uses about 15% of the total electricity requirement of Namibia. The Electricity industry in Namibia is regulated by the Electricity Control Board of Namibia, and thus Erongo RED operates under the board's set regulations.

The core business of Erongo RED is to distribute and supply electricity within the region of Erongo. Erongo RED received a distribution and supply licence which is valid until 2030. The company also received a generation licence in 2006 for embedded power generation for a 220 kW wind generator near Walvis Bay, the first known network-connected wind generator in Namibia.

Chairperson's Report 2015

Isac Tjombonde
Chairperson:
Board of Directors
Erongo RED

The year ended 30 June 2015 was another positive one for Erongo RED as the company posted positive results in terms of its revenue, assets and human capital growth. The financial performance is extremely pleasing given the challenges and volatility associated with the generation, transmission and distribution of electricity in the Electricity Supply Industry (ESI).

The Board is pleased with the overall performance of Erongo RED and feels confident that the RED's model is viable and that the company is progressing in the right direction.

During the period under review, Erongo RED embarked on a number of capital intensive projects which impacted on the overall profitability of the Company. For the financial year ended 30 June 2015, our profits decreased by 20% compared to 2014. The decrease in profit is mainly driven by the ongoing capital projects such as the Walvis Bay bulk upgrade, Swakopmund upgrade and the subsidisation of electricity to pensioners and the low income groups in our society.

The Erongo RED's revenue increased by 12% for the year ended 30 June 2015. In 2014, Erongo RED received a grant of N$38 million from the Ministry of Mines and Energy for the strengthening of the backbone and refurbishment of substations in Karibib, Okombahe and Ruby substation. This has increased our ability to expand our operations in the region.

It is a well-known fact that electricity is an important enabler towards a strong economic growth and prosperity in any country; Namibia being no exception. The importance of a secure, reliable and safe supply of electricity to the Erongo region, which is the industrial hub and centre for business excellence in the country, cannot be overstated. Again, ensuring access to a secure, reliable and safe supply of electricity is crucial to attract foreign direct investment and to stimulate economic growth in all sectors of our economy, which will open up numerous opportunities for job creation. This is particularly important in the case of major developmental activities in the Erongo region such as Namport (ports expansion), new fishing factories, mining and other industrial customers who are located in our area of operation.

Given the importance of electricity to the region, Erongo RED recognised the need to upgrade the network capacity of various towns within the region. Notably, the Walvis Bay bulk upgrade is now in full swing. This is the single largest project with the most significant capital injection made and being undertaken by Erongo RED thus far. While pursuing this project, Erongo RED will remain committed to the "Power to the People" project, and is pleased to report that during the period under review, numerous residential houses in Karibib, Usakos, Omaruru and Otjimbingwe have been connected with electricity.

During the period under review, the construction of the new Walvis Bay Intake Substation was completed. The remainder of the project is at an advanced stage and the primary equipment is currently being manufactured by ABB in the Czech Republic. The design was based on very reliable equipment with a good footprint in SADC, which is critical for support and maintenance. The installation of the substation equipment will commence in the next financial year. This substation will be the "gateway" for all energy to the town of Walvis Bay. Hence, the designs include redundant equipment and are based on a double busbar arrangement. The latest technology will be employed in terms of protection, automation and information schemes and will be based on the IEC61850 standard.

At Board level, our priority has always been to make sure that the electricity network is robust to meet the increased demand for this vital commodity. Investments of this nature are necessary if we are to ensure that we attain our vision to bring electricity to all by 2020.

Safety remains a high priority across the organisation. Hence, the Board and Management are committed to seek ways to improve our safety performance and drive the company towards zero tolerance rates of accidents. In this regard, the SHE Officer attended an electrical accident investigation training course. The company is also in the process of implementing health and safety procedures at work. The new safety, health and environment policy was approved for implementation with the main objective to further guide the company on health and safety matters.

One of our core strengths is the competency and experience of technical and non-technical staff. At Erongo RED, we believe that it is important to invest in our most valuable asset – our employees. It is for this reason that we have put policies in place to encourage, empower and develop our people to succeed at every level, whilst delivering excellent services. It is also important to note that technology is rapidly changing the way businesses and organisations are managed. As such, at the Board level, we have ensured that the company invests in our human capital in order to keep pace with the ever changing business world. The graduate programme, management development programme, bursaries and job attachment opportunities are part of Erongo RED's drive to develop skills.

During the period under review, Erongo RED also invited reputable service providers to assist with the business blue print and tender phases for an Enterprise Resource Planning (ERP) system. The purpose of the aforesaid exercise was to determine whether or not the current ERP system and underlying Information and Communication Technology (ICT) infrastructure is adequate, scalable and adaptable to service the current as well as strategic objectives of the organisation. When implemented, the new ERP system will enable Erongo RED to engage more efficiently with its customers and stakeholders.

On recommendation by the Audit and Risk Committee, the Board of Directors approved the Enterprise Risk Management Policy and Register, which guides the identification of key risks and the manner in which they are managed within the company. During the period under review, the Board of Directors, acting on recommendations by the EXCO also approved the following policies and charters:

- Wellness, HIV and Alcohol Policy;
- Credit Card Policy;
- Internal Audit Charter;
- Reward and Recognition Policy;
- Fixed Asset Policy;
- Safety, Health and Environment Policy;
- Social Tariff Policy;
- Customer Service Charter;
- Transport Policy;
- Procurement Policy;
- Procedures and Delegation of Authority.

These policies are vital in streamlining our operations and ensuring smooth operations, hence the need to regularly review and update the policies.

At Erongo RED we are cognisant of the responsibility we have towards our community. For this purpose, the company through the Corporate Social Responsibility Committee made an investment of more than N$0.5 million in the communities which we serve. Donations and sponsorships have thus far been extended to various schools, community projects and environment management initiatives. As set out in our Corporate Social Responsibility Policy, we aim to:

- show involvement and commitment towards the upliftment of people in the community served by Erongo RED.
- demonstrate Erongo RED's willingness to alleviate suffering and poverty among the less fortunate.
- show Erongo RED's commitment towards conserving the environment.
- demonstrate commitment to the plight of skills shortages by assisting students.
- stimulate the economy by supporting, SMEs, NGOs etc.
- assist and supplement people in the Erongo region.

We are also cognisant of the importance of our stakeholders to Erongo RED. As part of the drive to foster and build strong relationships with all our stakeholders, we have established a Board Sub-Committee (Stakeholder Engagement Committee) to continue engaging different stakeholders on key strategic issues.

During the period under review, Erongo RED was awarded the Diamond Arrow Award in the category of Electrical Contractor Suppliers from Professional Management Review Africa (PMR Africa). This award was for Erongo RED's contribution to economic growth and stimulation of development in Namibia. Erongo RED also received an award for best customer services in the electrical category from Customer Service Management Association (CSMA). These awards are testimony that there is a lot of goodwill prevailing at Erongo RED and one can confidently say that we are on the right track.

Conclusion

I would like to thank the senior management team, led superbly by Robert Kahimise, for their outstanding performance once again to the growth of the Erongo RED. The Board further wishes to extend sincere appreciation to all the employees for their contribution and dedicated service to Erongo RED which contributed to the continuous growth and positive performance of the Company. I would also like to express my sincere gratitude for the valuable support, assistance and cooperation extended to Erongo RED by the line ministries, shareholders and other stakeholders.

Chief Executive Officer's Report

Robert Kahimise
Chief Executive Officer: Erongo RED

The financial year ending 30 June 2015 was a very significant year on Erongo RED's calendar. During the fiscal year under review, the company continued to experience a strong momentum both financially and operationally.

Commenting on the significance of time, **Cecelia Ahern observes that:** "Our life is made up of time. Our days are measured in hours; our pay measured by those hours, our knowledge is measured by years. [...] And yet time eventually runs out and you wonder in your heart of hearts if those seconds, minutes, hours, days, weeks, months, years and decades were being spent the best way they possibly could," .
By the same logic, this is true of the time spent in a year in an organisation. A year is not a very long time in the life of an organisation, nevertheless, it is significant to review and determine a company's progress and milestones achieved during the 12 month cycle.

The Erongo Regional Electricity Distributor Company (Pty) Ltd, commonly known as Erongo RED, started trading on 1 July 2005 within the context of the Namibian Government's National Development Plan. Erongo RED was formed by merging the services of electricity distribution from various municipalities, town councils in Erongo region, the Erongo Regional Council and NamPower. The initiative to create the REDs was part of the Electricity Supply Industry's (ESI) restructuring Policy to distribute and supply electricity through economies of scale, pooling of human and operational capital resources to ultimately stabilise electricity prices and ensure reasonable, affordable and cost reflective tariffs to electricity consumers in the country.

Erongo RED was established using cash resources plus fixed assets of N$266,9 million; hence today the company is financially and technically stable and is able to afford substantial capital investment. These achievements required extraordinary strategic and prudent financial management to ensure that the company operates within an environment that is above reproach and at the same time within acceptable risk levels whilst still being open to innovative changes.

Since its establishment in 2005, the operation of Erongo RED has been guided by its objective to become the "leading electricity provider". We achieved this vision in the year 2012 and from 2013 our objective shifted from being the "leading electricity provider" to that of bringing "power to the people". The intention was to empower people in the Erongo region by supplying them with electricity. That is why our vision has shifted to "electricity for all by 2020".

Essentially, this growth and success can only be accredited to our Shareholders, Directors, staff members and our customers. As an essential service provider, we are not necessarily profit driven, however we always strive to run the company that will provide reasonable, affordable and cost reflective tariffs to electricity consumers in the Erongo region. At the same time, we also strive to invest in the infrastructure for future purposes.

The revenue increased by 12% from N$768 million in the previous fiscal year to N$861 million for the year ended 30 June 2015. The revenue increase is attributed by the 9% average tariff increase and 3% increase in units sold.

For the period ended June 2015, the company recorded a net profit after tax of N$44 million compared to N$56 million in 2014. The decrease in profit is due to the additional provision for write-off of basics charged on prepaid migrated accounts, inherited bad data and increase in other expenses.

3538 installations done | **2227** of them were free

Erongo RED has certainly made its mark over the past 10 years. In fact, we have established ourselves as pioneers and trendsetters in the electricity distribution industry, not only within the country, but also abroad. Erongo RED has indeed become a source of reference and a model for many countries that aspire to set up a similar electricity distribution and supply model. For the period under review, the board approved a total budget amount of over N$283 million for capital projects. In total there were 58 projects the majority of which are multiyear implementation projects. Erongo RED also continued with the execution of the "power to the people" projects aimed at supplying electricity to all. In this regard, a total of 111 houses were electrified in Otjimbingwe and 52 houses in Usakos at a project cost of around N$3.6 million.

In addition, the first phase of the Swakopmund Bulk upgrade to 30 MVA project was completed. The Walvis Bay Bulk Upgrade is still in progress, with the first phase which include construction and completion of the new Paratus Intake Substation at a cost of N$12 million during the 2014/15 financial year.

At Erongo RED, we seek to be an employer of choice. During the financial period of 2012-2013, the company conducted a cultural assessment survey to evaluate the staff member's opinion about the company. The entropy level of this survey was not satisfactory, thus measures were put in place to improve the organisational culture by establishing a Cultural Transformation Committee. The Committee engaged with staff members on a regular basis through various platforms in the quest to reduce the entropy level.

For the period under review, our employee numbers decreased from 293 to 289. This was mainly due to normal and early retirement. We always strive to ensure that we have the right people in the right positions and we do this by recruiting suitably qualified and passionate employees for identified approved positions. Also, the pilot performance management process is progressing well and will be implemented in the near future across the company.

For the first time, during this year, a group of employees from different business units attended the management development programme (MDP). The purpose of this intervention is to develop and nurture future supervisors and managers to execute their responsibility efficiently. The company also scooped the PMR Diamond Arrow Award and the Best Customer Service Award in the energy sector during the period under review.

In our drive to improve service delivery, we have realised the importance of the ability to communicate proactively with our staff members on matters affecting them. Such a thrust during this review period necessitated that we constantly dialogue with our staff through regular meetings, the staff newsletter, staff communiques, emails, intranet and social gatherings.

Further, a pertinent point to note is that during the period under review, Erongo RED contributed over N$0.5 million towards our corporate responsibility in the communities in which we operate. Our corporate responsibility focussed on five (5) key areas namely education, community development, environment, sports and community projects.

While noble interventions have been made in the past, Erongo RED realises it is equally important to make future plans. As we soldier on, we realise that in life, no matter how much contribution one has made, good work can never be finished. As such, it is appropriate to constantly remind ourselves that we must not rest on our achievements, which is quite easy to do; but rather press ahead to anticipate what else we can do to catapult our vision to bring electricity to all in the Erongo region.

Erongo RED also subsidises the Pensioner tariffs and over the years we have seen a considerable increase in the number of pensioner registrations as shown in the overview of the Supply Business Unit on Page 16. The subsidy for the Pensioner tariff was approximately N$ 10.3 million for the period under review.

Furthermore, Erongo RED introduced the free pre-paid meter installation project three years back. This project was meant to encourage both low income earners and consuming customers to convert from conventional electricity to pre-paid electricity in order to benefit from the subsidised or pensioner tariff. Significantly, for the period under review, a total of 3 538 installations were done of which 2 227 were free installations for 30Amps and below connections. This progressive pattern is buttressed by the increase in the pre-paid customer base from 16 120 in June 2014 to 19 658 by the end of June 2015. Customers are now aware of the advantages especially with regard to the inclining block tariff where the 1st step and 2nd step tariff are subsidised by the company.

For the period under review, the Call Centre logged a total of 50 557 calls of which 44887 were resolved reasonably within an accepted time and represent a 96% achievement rate. The remaining 4 383 calls were resolved after the due time. Also important to note is the Call Centre's toll free number (0819600) which was broadly advertised through the television, radio and print media.

Between July 2014 and June 2015 a record total number of 111 in-feed customers imported 1 218 519 units which is less than 1% of the total units consumed during the same period. On the other hand, the New Bulk and Solar Infeed customers added to the AMR system, increased to 726 meters since the implementation of this project two years ago.

Erongo RED like all other electricity distributors operates in an increasingly challenging environment. Some of the major challenges include the aging infrastructure, the fast growing local economies, demand outstripping supply and the gradual rise of generation electricity prices in recent years. Another significant challenge that the electricity supply industry is facing is the pressure to supply electricity at an affordable rate while the cost of generating and distributing electricity is rising steeply. We are well aware of these challenges, and subsidised pensioners and vulnerable customers to the tune of over N$10 million for the period under review. For Erongo RED to remain competitive, it is essential that the company continuously improves its management and operational efficiency.

As we move towards celebrating our 10th Anniversary, we are determined to re-dedicate ourselves to developing Erongo RED into an enabler of economic emancipation.

Conclusion

In conclusion, on behalf of the Board of Directors, I would like to record my appreciation for the unwavering commitment, support and loyalty of the Erongo RED Management team and staff members. The Company is highly indebted to both past and present staff, who helped to set up Erongo RED and firmly placed the company on its feet.

100+ houses connected to the grid

96% call centre achievement rate

Sponsorship of mattresses to Usakos Secondary School

Sponsorship of the construction material towards the School Hostel in Otjohorongo

Sponsorship of three industrial sewing machines to Huisenra Taradi Community Project in Usakos

Sponsorship towards Shack Fires Awareness Campaign

Corporate Social Responsibility

Sponsorship of Mattresses and Cutlery to the !Oê‡Gâb Primary School

Underlying all of Erongo RED's policies and practices is our accountability towards the communities in which we operate. We, at Erongo RED believe in the involvement and commitment towards the development of our people. The Erongo RED CSR predominantly directs its funding on the communities that are directly involved with the company's operations.

Support is rendered in five key areas, namely:

- Education and Training – E.g. Bursaries, job attachments and training material.
- Community Support – E.g. Orphanages, old age homes and community centres.
- Environment – E.g. 'Clean up' campaigns and community assistance during droughts.
- Events and Functions – E.g. Sponsorships of temporary electricity connections for events and functions.
- Sport - Sponsoring a personality e.g. soccer star, to be Erongo RED's brand ambassador and community involvement through sponsoring community sports tournaments.

During the period under review, Erongo RED sponsored community related activities worth over N$0.5 million. Below is the list of the activities sponsored during the year under review:

APPLICANT	DESCRIPTION	AMOUNT (N$)
Walvis Bay Municipal Golf	Invitation to participate in Golf Day	1 600
NANASO	Table booked for Gala Dinner	10 000
NANASO	Pledge towards Gala Dinner	5 000
Erongo Regional Council: Daures Constituency	HIV/AIDS Sensitization Weekend	24 000
Namibia Men living with HIV	Refreshments Sponsorship	3 616
Usakos Town Council	Table booked for Gala Dinner	10 000
Swakopmund Municipality	Table booked for Gala Dinner	8 000
Swakopmund Municipality	Pledge towards Gala Dinner	10 000
Erongo Youth Forum	Youth forum in Erongo	48 436
International Coastline	Clean-up Campaign	1 660
Ministry of Youth	Employees Wellness and Sport Development Program	6 482

Walvis Bay Gymnastic Club	Sponsorship towards Rhythmic National Championships	60 000
Otjohorongo Primary School	Sponsorship of building material towards school hostel	52 383
Office of the Governor	Sponsorship towards Christmas Lunch - Pensioners	4 999
Coastal Clean-up Campaign	Branded T-shirts and Caps	17 79
!Oe‡Gâb Primary School – Tubusis	Mattresses	40 153
!Oe‡Gâb Primary School – Tubusis	Cutlery Sponsorship towards hostel	2 999
Uis Community Hall	Painting of Community Hall	26 185
Uis Community Hall	Material for broken windows	6 499
Huisenra Taradi Community Project – Usakos	Sponsorship of three industrial sewing machines	17 914
AEDU Namibia	Sponsorship towards 6th AEDU Dinner	30 000
The Association of Local Authorities in Namibia	Sponsorship towards 25th independence banquet	20 000
Councillor Michael Skini Charity Cup	Sponsorship of Trophies and Medals	5 269
Mr. Erich Areseb	University Accommodation sponsorship	5 000
Uis Town Council	Painting of Uis Community Hall	5 807
Kuisebmond Secondary School	Sponsorship towards Erongo RED KSS Soccer Tournament: Medals & Trophies	3 710
Kuisebmond Secondary School	Sponsorship towards Erongo RED KSS Soccer Tournament: Soccer Kits	10 097
Kuisebmond Secondary School	Sponsorship towards Erongo RED KSS Soccer Tournament: Medical Emergency Response	3 201
Kuisebmond Secondary School	Sponsorship towards Erongo RED KSS Soccer Tournament: Rent a toilet	1 955
Kuisebmond Secondary School	Sponsorship towards Erongo RED KSS Soccer Tournament: Winning Prizes	31 500
Ben Lourens Doeseb	Sponsorship towards snake bite victims	4 500
Rivanno Tjirambi	Sponsorship towards accommodation in South Africa	1 350
Maria Uahindua	Sponsorship of school clothes towards Fire Victim	2 303
Narraville Primary School	Sponsorship towards educational tour to South Africa: T-shirts	7 768
Undjakuje Veii	Sponsorship: Laptop	9 890
Omaruru Municipality	Omaruru Oasis Festival: Table booked	6 000
Omaruru Municipality	Omaruru Oasis Festival: Pledge towards Gala Dinner	10 000
Omaruru Municipality	Omaruru Oasis Festival: Stall for EXPO	3 000
Namibia Coast Conversation and Management	Sponsorship towards Gala Dinner	6 500
Bluewaters Sports Club	Soccer boots sponsorship	14 488
Faith Education Centre	Table Booked: Gala Dinner	3 000
Total		**N$ 527 043**

Corporate Social Responsibility

TEMPORARY ELECTRICITY CONNECTIONS	DESCRIPTION	DATE
Office of the Regional Secretary	Nathanael Maxwilili Festival	10 – 13 October 2014
DBV SPCA	Love of Animals Musical Festival	25 October 2014
Usakos Town Council	Heritage Festival Day	24 – 25 October 2015
Mondesa Cultural Festival	Mondesa Cultural Festival	31 October – 01 November 2014
Live to ride M.C.C	Annual Toy Run	30 November 2014
Erongo RED Social Committee	Social Braai	28 February 2015
Walvis bay Municipality	Walvis Bay Fishtival	2 – 4 April 2015
Walvis Bay Private High School	2015 Desert Sport Festival	7 – 11 April 2015
Karibib Town Council	KTTF 2015	28– 30 May 2015
Pro-ED Akademie	Namibia's Annual Private Schools Sporting Weekend	3 – 6 June 2015
Kuisebmond Secondary School	KSS Reunion Gala Fundraising Dinner	4 October 2015
Namport Erongo Business & Tourism Expo	Namport Erongo Business & Tourism Expo	29 October – 01 November 2015

Job Attachment students from different Vocational Training centres.

Being a Corporate Citizen since the establishment of its CSR Committee, Erongo RED has invested in a number of projects. Chief amongst the sponsorships done to date is education. Erongo RED is strongly determined to make a difference to the Namibian youth by rewarding hard-working and dedicated students with bursaries. Since 2012, Erongo RED has sponsored six (6) full bursaries to students from various regions studying in the fields of finance, electrical engineering and law.

In addition, Erongo RED has granted 10 apprenticeships to students from various vocational training centres, such as the Namibian Institute of Mining and Technology (NIMT), giving them the opportunity to gain practical skills through job attachment programmes.

Freddie Vries
Executive Manager:
Finance and Administration

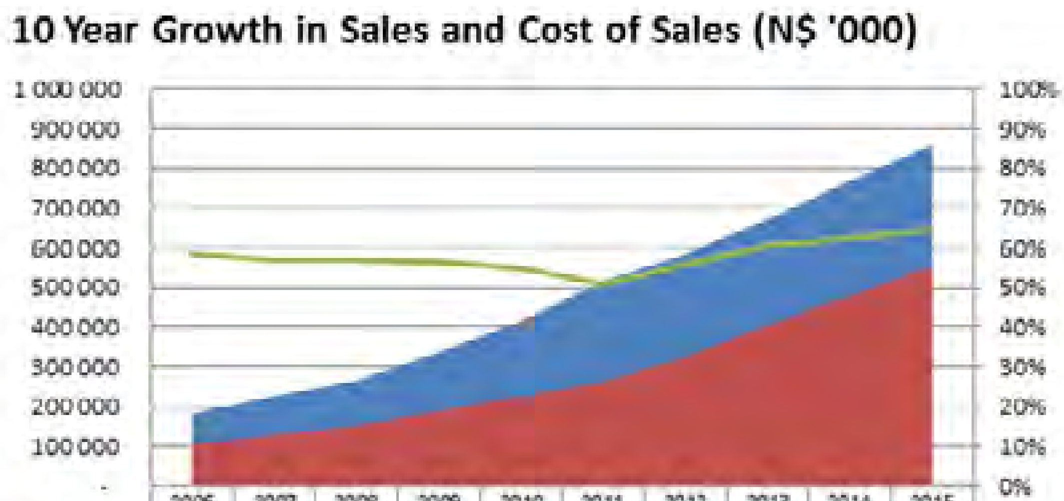
The Finance and Administration Business Unit is responsible for the financial administration and reporting systems, stores and procurement, financial risk management, fleet control and asset administration, financing and loan administration as well as working capital management.

During the year under review, the Business Unit implemented new strategies to balance the responsibilities of cost control, working capital management and generating acceptable returns on funds used. Particular attention is being paid to the long-term capital projects' progress to monitor and plan for expected cash outflows. Successful negotiations of the DBN loan have provided the required impetus to the bulk upgrade projects, including Lithops, Walvis Bay and the Swakop South Water Scheme.

Erongo RED's 10th year of operations saw the company reach a number of milestones, and despite challenges and downward pressure on its gross profit margins, continues to strengthen its asset base and income-generating capacity.

Real growth in terms of units sold of about 4% contributed to the total growth in Revenues of 12% to N$860,9 million (2014: N$767,9 million) over the 2014/2015 financial year. However, the impact of increasing NamPower tariffs resulted in a further decline in the GP%, from 38% (in 2014) to 37%.

Figure 1 - Comparison between growth in sales and cost of sales over the past 10 years.



	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Total Sales	183 915	227 405	266 298	337 460	415 845	517 961	584 914	673 060	767 906	860 998
Cost of Sales	107 310	129 309	151 444	190 696	227 963	263 357	326 408	405 804	480 658	554 658
Sales % used for CoS	58%	57%	57%	57%	55%	51%	56%	60%	63%	64%

The Finance and Administration Business Unit

The main contributing factors include:

- Subsidisation of certain customers
- Increase in NamPower energy purchases
- 50% subsidisation of Local Authority Surcharges (i.e. excluded from the ORM submitted to the ECB)

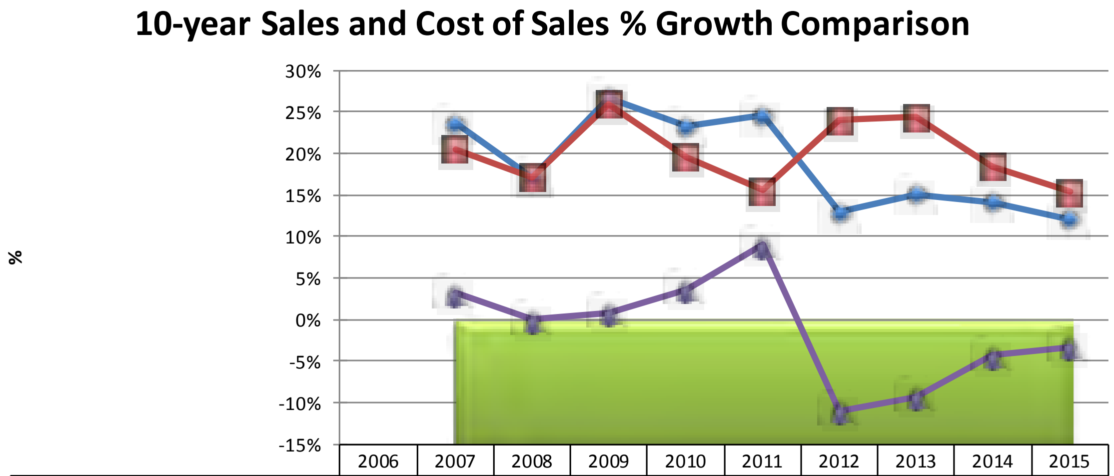
While the company is committed to providing access to electricity through the subsidisation of certain customer groups and by absorbing the impact of NamPower increases, this places additional downward pressure on our profit margins and could eventually affect the company's sustainability.

The impact of absorbing part of the increase dictated by NamPower is illustrated in figure 2 as follows:

Where increases were passed on to customers, the gross profit margin increased accordingly. However, where increases were partly absorbed by the company from 2012 onwards, following an amendment in the pricing strategies adopted by the Board and Management to reduce the impact of the continuous escalating electricity tariffs, especially on low and vulnerable customer groups of society, the GP% has seen a comparable reduction as well.

As a result of the reduction in gross profit margins as well as the marginal growth of 11.9% in operating costs compared to 2014, the company recorded a reduction in profit of 20.5% to N$44,2 million (2014: N$55,7 million). We are therefore engaged in continuous improvement of our spending patterns and continue to subject all purchases to the revised Procurement Policy and Procedures.

Figure 2 - Comparison between growth in sales and cost of sales over the past 10 years.



	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
GP% Reduction Zone		-15%	-15%	-15%	-15%	-15%	-15%	-15%	-15%	-15%
Sales Growth %		24%	17%	27%	23%	25%	13%	15%	14%	12%
Cost of Sales Growth %		21%	17%	26%	20%	16%	24%	24%	18%	15%
Impact Absorbed by Erongo RED		3%	0%	1%	4%	9%	-11%	-9%	-4%	-3%

The cost of electricity purchases forms the biggest portion of total costs, and increased from 63% in 2014 to 64% of total revenues for the year under review.

Continuous implementation of cost-efficiency strategies resulted in operating costs growing marginally at 9.50% compared to 2014.

Operating profit reduced by 12% from N$ 75.4 million in 2014 to N$ 66.4 million. This was due to the increase in sales revenue by 12% only, compared to cost of sales increase by 15% and operating cost growing marginally at 9,57% compared to 2014.

The cash position of the company improved markedly given the continuous monitoring of policies aimed at cost containment and optimal working capital management.

The company's total assets increased by 43.8% from N$ 786.8 million in 2014 to N$ 1.131 billion, driven mainly by cash, cash equivalents and prepayments to NamPower for bulk upgrades. Investments in new assets for the year amounts to N$84 million compared to N$88.9 million in 2014.

Erongo RED also recently revised its Procurement Policy with the aim to make it more favourable for BEE/ SME companies to participate in the company's tender processes when sourcing goods and services, as we believe in SMEs as catalysts of economic development in any country, with Namibia being no exception.

To conclude, the company's financial outlook remains positive, but will require continuous strict control to maintain and improve its financial position and shareholder value.

Nico Niemand
Executive Manager:
Supply Business Unit

The Supply Business Unit is responsible for customer service performance, revenue performance, billing services, rate determination and implementation, revenue protection and collection, energy management and metering. The Business Unit is tasked with the responsibility to ensure accurate metering of electricity consumption, implementation of reasonable and cost-reflective tariffs, excellent customer service and revenue protection services. Providing customer service excellence is what will keep our customers and shareholders happy. Essentially, customer service excellence is an advantage that enables Erongo RED to survive in a tough and increasingly uncertain business climate. During the period under review the business unit embarked on a diverse range of activities including among others:

- Roll out of pre-paid meters, the total number installed for the year was 3 538 of which 2 227 are free installations for 30Amps and below connections.
- Total pre-paid customer base recorded 19 658 by the end of June 2015.
- New Bulk and Solar Infeed customers added to AMR system, totals 726 meters since the implementation of this project two years ago.
- Installation of Three Phase Time of Use meters was 48 during the period under review; thus far 1 556 Time of Use (TOU) meters have been installed since implementation of this project.
- The continuation of the pensioner's tariff with 3% tariff increases.
- The introduction and testing of Grid in-feeds mainly rooftop solar systems. The total number of in-feed customers for the period under review was 111 and the kWh imported was 1 218 519 units which is less than 1% of the total units consumed for the period under review.

Due to industrial activities taking place in the fishing and mining industries, there has been a significant increase in electricity demand in the region. Erongo RED is vigorously upgrading its network and capacity in various towns to accommodate the marked increase in electricity demand. In the period under review, Erongo RED sold 440,986,330 units compared to 413,704,382 units in 2014; this was a 4% increase in units sold. Our average losses stand at 7.5% which is within the acceptable regulated standard of the 10% benchmark.

Figure 3 depicts the units purchased from NamPower, annual units sold and the annual units lost. Energy losses are within the allowed benchmark rate of 10%.

Figure 3

Year	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
kWh Purchased	376,200,499	391,164,972	399,886,601	424,673,817	432,122,942	444,391,684	458,163,824
kWh Losses	42,385,168	37,267,688	15,526,489	35,975,177	32,949,965	34,785,169	17,177,494
kWh Sold	333,815,331	353,897,284	384,360,112	388,698,640	399,172,977	409,785,515	440,986,330
Loss in %	11%	10%	4%	8%	8%	8%	4%

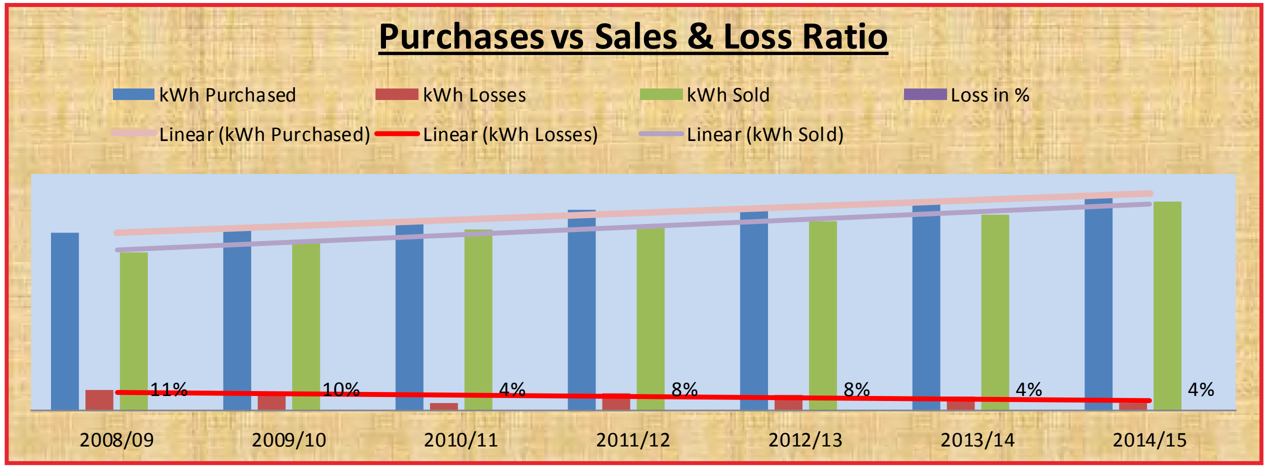
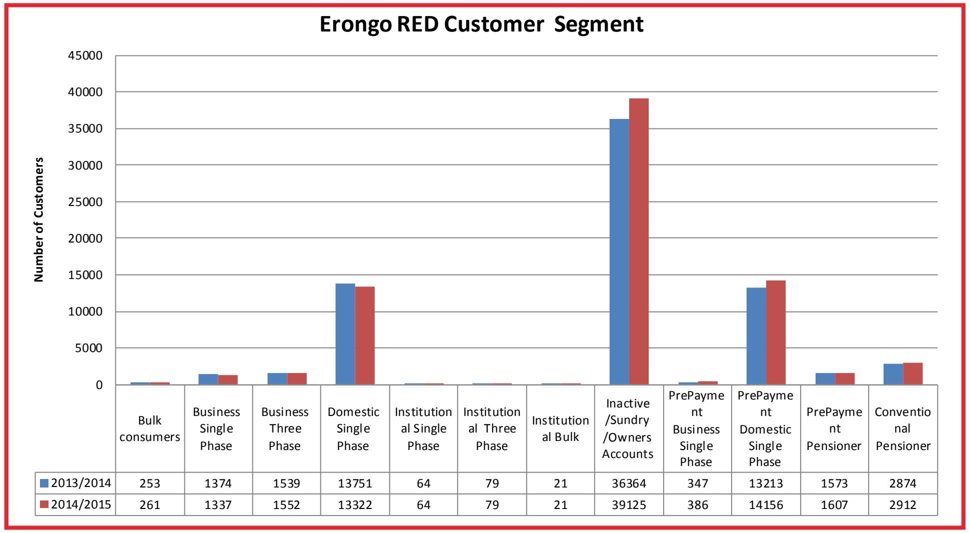


Figure 4



Erongo RED also subsidises the Pensioner tariffs and as illustrated in Figure 4, we can see a considerable increase in the number of registered pensioners in 2015. The cost to Erongo RED for subsidising the Pensioner tariffs was approximately N$ 10.3 million per annum.

Furthermore, Erongo RED introduced the free pre-paid meter installation project three years ago. The aim is to encourage low income earners as well as low consuming customers to convert from conventional electricity to pre-paid electricity in order to benefit from the subsidised or pensioner tariff.

Figure 5

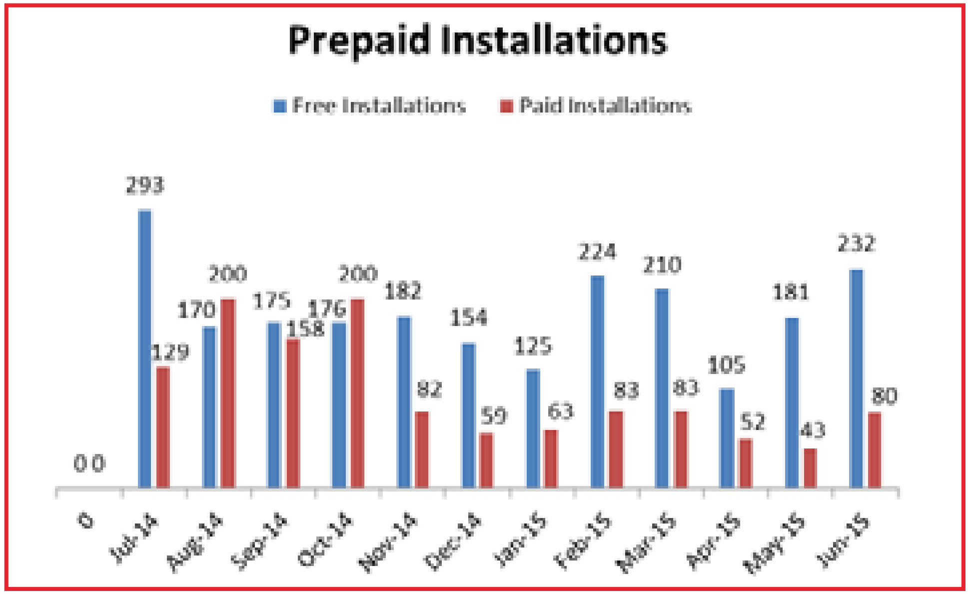


Figure 5 illustrates the number of free Pre-paid installations vis-à-vis the paid Pre-paid installations. What can be derived from the figure is that the free installations are peaking throughout the year meaning customers are becoming aware of the advantages especially with regard to the inclining block tariff where the 1st step and 2nd step tariff are subsidised by the organisation.

Call Centre

For Erongo RED, communicating with our clients is crucial and a large part of this communication is from the public requiring service, complaining and requesting for information. The process has thus been made easier through the introduction of a Call Centre.

A one stop solution Call Centre is now fully operational with possible consideration of shifts in future.

However, frustrations with waiting times on the phone, long queues and no straight answer as to when a fault(s) will be fixed are just some issues that can lead to stress and annoyance for both parties. We are happy to note that this has been resolved. Erongo RED made it possible for clients to register, process and save enquiries in one place, meaning that the process of fault reporting has been made easier for customers, and more efficient for the organization.

The Call Centre system allows one to store information in a single database, making internal communication more efficient. With everything now in one place, such as schedules of maintenance work and known problems, various departments can update and answer enquires more promptly.

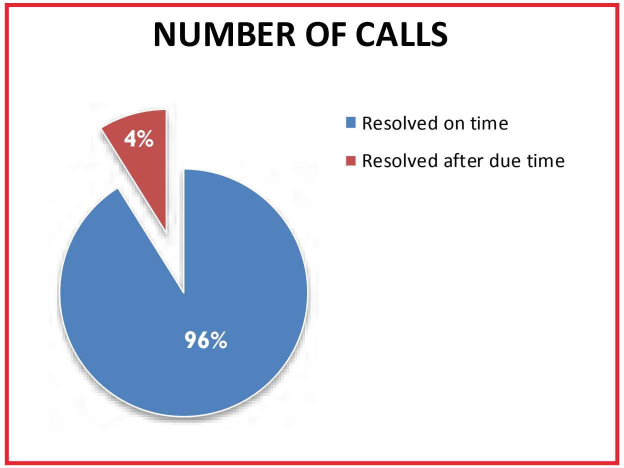
For the period under review, 96% of the Calls logged were resolved immediately while only 4% were resolved afterwards as depicted in Table 1 and Figure 6. The Call Centre has a toll free number (0819600) that has been functional since March 2014 and a standby number (0811665058) since July 2015.

Call Logging Summary

Table 1

DESCRIPTION OF CALLS	NUMBER OF CALLS
Number of Call Logged	50557
Resolved on Time (96 %)	44887
Resolved after due time (4 %)	4383

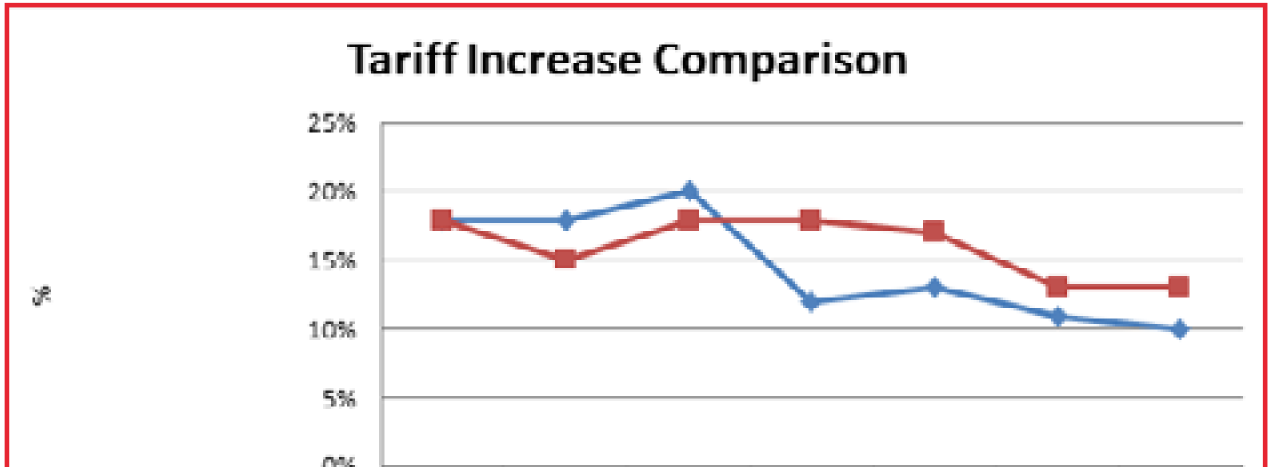
Figure 6



Tariffs:

For the period under review, Erongo RED has managed to harmonize 95 % of the Tariffs according to the Business Unit main objective regarding tariffs. The only exceptions are Uis and Erongo Regional Council.

Figure 7



	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Erongo RED Tariff inc %	18%	18%	20%	12%	13%	11%	10%
NamPower Tariff inc %	18%	15%	18%	18%	17%	13%	13%

Figure 7 depicts the NamPower tariff increases over the last 5 years in comparison to Erongo RED tariff increases during the same period. Erongo RED's approved tariff increase was 3% below the national average 13% increase by NamPower in the 2014/2015 financial year.

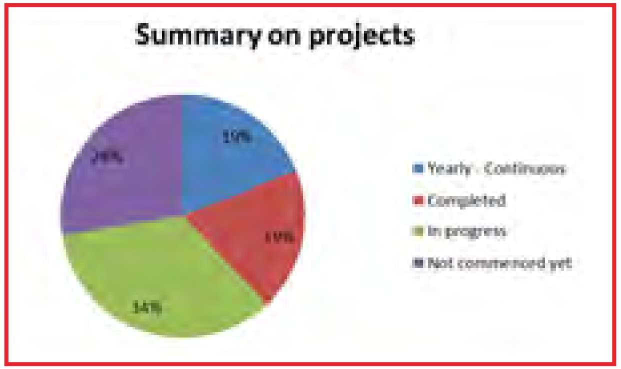
Fessor Mbango
Executive Manager: Network Engineering Business Unit

The Network Engineering Business Unit is responsible for: Network planning & Design, Organisational Information and Communications Technology (ICT), Project Engineering, Project Management, Consultant interaction as well as electrical contractors' registration and interaction. Most importantly, the BU ensures optimum Network Technical compliance and Professional Network Project Engineering Services to meet the electricity needs of present and future customers through timeous stakeholder engagement, implementation of all released planned projects, and anticipating how much power should be delivered as well as where and when it will be needed. The BU further ensures that the distribution and demand side options are adequately integrated and that the utilisations of assets are and remains optimised. Overall, the BU ensures a Systematic Network plannning and expansion.

For the period 1 July 2014 to 30 June 2015, a total budget of over N$283 million was requested and approved for new capital projects in addition to the amount carried over from the 2013/14 Financial year. The total number of these projects was 58 of which most of these are multiyear implementation projects. During the aforementioned period, 11 projects were fully completed while 11 projects relate to continuous improvement projects. At 30 June 2015, a total of 20 projects were in progress. 16 projects could not commence and were carried forward to the next financial year.

Figure 8 depicts a summary on the aforementioned projects:

Figure 8



Project Breakdown	# of Projects	Approved Budget	YTD Movement
Yearly - Continuous	11	25,376,359.00	9,978,001.61
Completed	11	27,176,116.00	10,337,830.92
In Progress	20	247,156,843.00	31,760,398.22
Not Yet Commenced	16	42,250,000.00	42,250,000.00
Total	**58**	**341,959,318.00**	**94,326,230.75**

Network Engineering Business Unit

In the period under review; the Business Unit was involved in the following capital projects:

- Electrification Projects; Erongo RED continued with the Power to The People Project. The aim of this project was to electrify existing houses that did not have access to electricity in Otjimbingwe and Usakos. A total of 111 houses were electrified in Otjimbingwe and 52 houses in Usakos at a project cost of around N$3.6 million. This is a yearly continuous project with more houses to be electrified during 2015/16 period.

- Swakopmund Extension 10 – Phase 2. This is a land development project whereby Erongo RED and Swakopmund municipality jointly developed the Extension 10 Phase-2, industrial area. This project was successfully completed during the 2014/15 financial year at a total cost of approximately N$22.8 million.

- Erongo RED also executed a project that included the Supply and Installation of Street lights in the towns of Usakos, Karibib and Omaruru at a total project cost of around N$0.7 million. This is a yearly continuous project as well with more street lighting installations expected during 2015/16 period in the towns of Usakos, Karibib, Omaruru and Arandis.

- Erongo RED also undertook a project for the provision of electrical infrastructure to the Swakopmund Rubbish Dump site. To this effect, a Substation building to the value of N$0.3 million was constructed and completed during 2013/14 year. The second phase of the installation of electrical infrastructures was completed at a cost of about N$0.6 million during 2014/15 financial year.

- The first phase of the Swakopmund Bulk upgrade to 30 MVA project was also completed. In this project the new Feld intake station building was constructed at an amount of N$4.5 million during the 2013/14 year. Phase 2 of the project includes the supply, installation, commissioning of all the associated electrical and control infrastructure is currently in progress. This will be a fully automated Switching station with SCADA that will allow for more effective and efficient control of the network. The upgrade is currently in progress and is expected to be completed in December 2015 at an expected cost of N$50.7 million.

- The Walvis Bay Bulk Upgrade is also in progress, with the first phase which included the new Paratus Intake Substation building construction completed to the amount of N$5 million during the 2013/14 financial year. The second phase of the project which includes the supply installation and commissioning of the electrical infrastructures is in progress. The solution comprises a double bus bar, three section 11kV switchboard. It is believed to be the largest solution in the world on 11kV and is a necessity for the evacuation of 120MW for current and future requirements. The substation will be advanced and sophisticated with full automation and SCADA functionality. The solution will also be based on the latest IEC61850 standards which will be the first deployment for Erongo RED. The substation is expected to be completed by the end of 2015 at an expected cost of N$72 million. The entire upgrade for the town of Walvis Bay which incorporates the NamPower portion is expected to be completed by January 2017.

- The construction of new Erongo RED Customer care offices in Arandis to the amount of N$4.8 million was also successfully completed.

- Phase 1 of the Ext 10 Henties Bay project which included the construction of the 2 substation buildings was completed at a cost of N$0.7 million during the 2014/15 financial year. The second phase which includes the supply, installation and commissioning of the electrical infrastructure will be implemented in 2015/16 at an expected cost of N$1.05 million.

- The replacement of switchgears at two Primary Switching stations namely, Welwitchia in Swakopmund and 18th Road in Walvis Bay has commenced with the appointment of the building contractor. The construction of the new buildings to house the new switchgear is expected to commence in September 2015. The Welwitchia in Swakopmund and 18th Road in Walvis Bay projects are expected to be completed during the 2015/16 financial year at an expected cost of N$6.6 million and N$7 million, respectively.

- The first phase of the new intake substations for Karibib and Usakos which included the construction of the substation buildings was successfully completed during the 2014/15 financial year to the amounts of N$0.9 million and N$1.2 million, respectively. Phase 2 of the projects which include the electrical infrastructure supply, installation, commissioning and changeover has commenced and is expected to be completed by November 2015 at an expected cost of about N$1.6 million and N$1.2 million, respectively.

Claude Tjizo
Executive Manager:
Network Operations and Maintenance Business Unit

The **Network Operations and Maintenance Business Unit** is responsible for system availability, a control centre, quality of supply and network maintenance. During the period under review, the Business Unit was involved in normal operations, maintenance and upgrading of the electrical network and achieved the following:

Maintenance:

The maintenance division is responsible for regular inspection, maintenance and repair of low, medium and high voltage faults on the electrical network within Erongo Region. During the period under review, the departments spent a total of N$ 12.5 million compared to N$ 8.7 million in 2013 on the maintenance of electrical infrastructure within the Erongo region. The increase of expenditure was mainly due to fault rectification, maintenance on aging infrastructure, replacement of vandalised equipment, and upgrading of electrical infrastructure due to the increase in the demand for electricity.

The list below shows mainly the maintenance work carried out during the period under review in various towns and settlements:

- **Replacement of broken kiosks** – considerable efforts have been made to repair all the broken kiosks across the region.
- **Replacement stolen earth wire in substations** – During the period under review numerous substations were broken, vandalised and earthing wire was removed by thieves. The stolen earth wires in the substations have been replaced.
- **Installation of alarms at various substations** – in a bid to address vandalism and tampering of electrical infrastructure, new alarm devices have been installed in some of the main substations.
- **Network Faults (cable and reticulations)** – Erongo RED responded within the reasonable accepted time to restore electricity to the affected customers.
- **Streetlights, traffic lights and high mast lights** – Routine inspections and maintenance have been carried out on the streetlights, traffic lights and high mast lights.

Construction:

The year under review was a busy year for the construction division due to increase in the demand for electricity by residential and business customers. Because electricity is a cornerstone of economic growth and social development, the construction division worked hard to ensure that some of the planned capital and operational projects were completed.

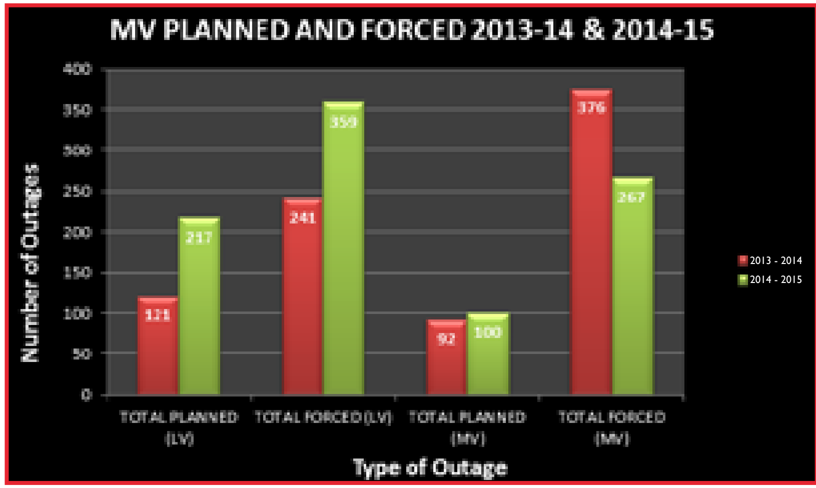
Control Centre:

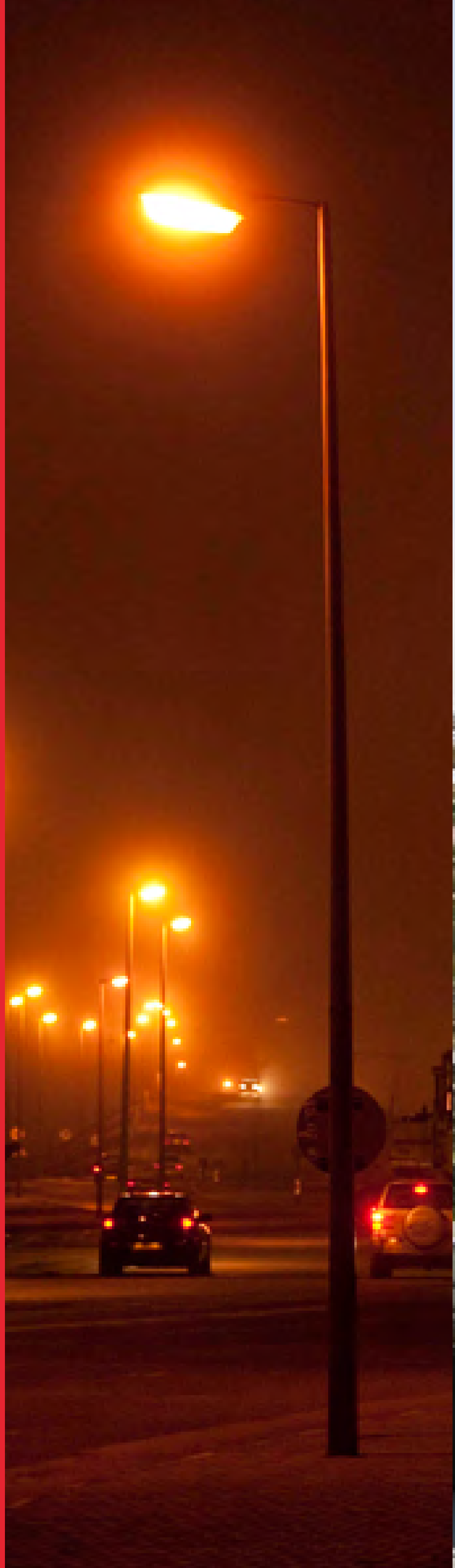
The Control Centre is responsible for the safe operation and efficient performance of the low and medium voltage network. Currently, the Control Centre has 5 personnel and the plans are underway to expand the Control Centre to a 24-hour manned one. The Control Centre is equipped with the state-of-the-art software (SCADA) system.

In the period under review, the division has been able to respond timely and restored electricity outages swiftly. The Control Centre continues to optimise the SCADA system to other towns by connecting new substations to the system.

In figure 9, the table shows the total number of planned and forced outages and faults reported during the period under review:

Figure 9






ISUZU


ERONGO

Monia Tjongarero
Senior Manager:
Human Capital and
Corporate Services

The Human Capital and Corporate Services Division (HC) is responsible for the provision of an encompassing Human Resource Function which include the Corporate Support, Building and Security and Health & Safety and Occupational Health functions. As a company operating in a regulated market, Erongo RED has driven its strategy in realising real returns to its shareholders while keeping a strategic focus on the development & growth of its staff members and ensuring sustainability of the business for the benefit of its key resources (employees). As part of Erongo RED's strategic focus, the Senior Manager Human Capital was appointed to drive the strategic leg of Human Capital and she joined Erongo RED during the 3rd quarter of the reporting period.

The Human Capital division held a strategic session where the division identified major strategic and critical issues, in particular, the management of Human Capital data management system, adding value and taking ownership of the Human Capital function. A distinct Human Capital business plan was developed focusing on adding value through activities that will improve operational efficiencies and enhance critical skills. In addition, the effective engagement of human capital to support overall objective of the organisation and ensuring continuity in addressing and adapting change initiatives, are key objectives in the Human Capital business plan.

In addition to effective management of employee growth, employee motivation, employee safety and most important, employee productivity depends on how prepared and responsive the Human Capital process including and not limited to recruitment, wellness, health and safety, development, remuneration, industrial relations is designed and implemented.

Furthermore, the transition which Erongo RED has experienced in the past two (2) years on all fronts of the business including leadership and operational effectiveness has necessitated the introduction of a Management Development Program (MDP) for key management staff in driving key internal projects and engaging change.

Out of a complement of 281 by end of June 2015, 267 employees were permanent, of which 37 are part of the Management team and 24 have successfully completed the MDP as collaboration between the Polytechnic of Namibia and the Wits Business School.

Below are some of the activities undertaken by the Human Capital Division during the period under review:

- Safety, Health, Environmental and Wellness (SHEW). For the global energy and utility industry, safety, health and environmental compliance are buzz words for effective business competitiveness. Thus, our Safety and Health function must ensure to deliver high quality support through prompt and proactive Safety, Health, Environmental and Wellness implementation, assessment, monitoring and compliance. To this end, our Safety and Health Policy and our Wellness / HIV AIDS and Drug & Alcohol policies have been approved by the Board. The division is currently setting out a plan for Safety, Health, Environmental and Wellness. Even then, it is significant to note that Mr Hamunyela, our very own passionate and energetic Safety, Health, Environmental and Wellness Officer, with his team has for this period driven various safety health and wellness interventions.

- To mention a few, an ECB compliance audit was conducted, various risk assessment training sessions were held, a wellness day for biometric and chronic conditions was held, and a Drug and Alcohol abuse intervention in collaboration with the Medical Aid and Ministry of Health was conducted. Most of these interventions have had a positive impact on our workforce especially in terms of creating awareness for our employees to take control of and strive towards healthy lifestyles. Such an intervention is bound to have an influence on their respective families.

Human Capital and Corporate Services

- Building and Security - A Building and Security Superintendent was appointed during the last quarter of the reporting period to ensure effective coordination of security aspects and the maintenance and upkeep of Erongo RED properties including substations. The biggest drive for this function is the placement of the CCTV tender to ensure security for both our employees, and building & property. Such a facility would be of great help especially toward curbing the unfortunate attack on our network through the recent copper theft during the reporting period. Furthermore, the effective transfer registration and maintenance of Erongo RED buildings continues to be another focus area for the division.

- Policy Formulation & Review – Our Human Capital policies are under constant review and may be changed from time to time, to suit the needs of the business. During the period under review, nine (9) Human Capital Policies were reviewed of which four (4) have been approved by the Board of Directors.

- Recruitment and Promotions During the period under review; it's evident that the drive for efficiency and financial stability created the need for a cross functional specialised and critical skills base. Thus, for the period of reporting, the drive was to fill and structure manpower in key critical positions.

This resulted in the following appointments across the board:

(i)	Appointments (Permanent) :	25
(ii)	Appointments (Fixed Term Contracts) :	34
(iii)	Appointments (Trainees) :	23
(iv)	Promotions :	26
(v)	Appointment Specialised/Critical Skills :	11

In order to achieve its objectives, Erongo RED highly depends on its ability to attract and retain high calibre employees. As such, it's important to note that in certain situations it may be necessary to supplement (without undermining the integrity of) the normal recruitment framework in order to attract, place and retain employees in key roles. As a result, the HC division is currently looking into reviewing the recruitment policy and the creation of a retention and succession policy.

During the period under review, the following cases of labour turnover were recorded:

(i)	Resignations :	12
(ii)	Early Retirements :	4
(iii)	Normal Retirement :	1
(iv)	Dismissals :	1

It is important to note that out of the 12 resignations; only one position was a specialised skill resignation. One of the focus areas for the next period will be the development of a succession and retention policy to ensure retention of key and critical skills.

- Labour Relations: Erongo RED continues to enjoy a sound labour relationship with the Union namely, the Mine Workers Union of Namibia (MUN). The parties' substantive negotiation process was another testimony of a mature relationship. The parties managed to sign a two (2) year substantive wage agreement covering the period from 01 July 2015 – 30 June 2017. The parties continue to engage in the Company Union's meeting platform for mutual labour related issues of interest. In terms of discipline the period under review has recorded a decrease in disciplinary cases. The following cases were recorded during the period under review:

(i)	Corrective Actions :	6
(ii)	Suspensions:	1
(iii)	Dismissal :	1

The company has a zero tolerance to misconducts and a disciplinary training intervention was conducted to create awareness on effective handling of discipline.

+25 permanent appointments

+26 promotions

Business Strategy and Performance Management System

Bennie Nangolo
Senior Manager:
Business Strategy and Performance Management System

"Strategic management is the highest level of managerial activity. Strategies are typically planned, crafted or guided by the Chief Executive Officer, approved or authorised by the Board of Directors, and then implemented under the supervision of the organisation's top management team or senior executives".

Following the implementation of the re-alignment process that took place in 2014, Erongo RED established a division called the Business Strategy & Performance Management System (PMS). The aforementioned division is currently responsible for assisting the Executive Management to develop and monitor the implementation, evaluation and review of Erongo RED's strategic plan. This process involves the implementation of the company's strategy internally and externally so that all employees, partners, suppliers, and contractors understand the company-wide strategic plan and how it carries out the company's overall goals.

Furthermore, the Business Strategy & PMS division is obliged to partner with all business units to develop metrics and monitor progress toward Erongo RED long-term objectives; and to implement and maintain the PMS and organisational culture transformation process. Also, the Business Strategy & PMS addresses strategic initiatives and/or opportunities that affect future growth and profitability of the company. The division is responsible for evaluating, designing, executing, measuring, monitoring and controlling business processes. The Business Strategy & PMS is responsible for the coordination and execution of the performance improvement initiatives across the organisation.

It is worth noting that strategic management is the highest level of managerial activity. Strategies are typically planned, crafted or guided by the Chief Executive Officer, approved or authorised by the Board of Directors, and then implemented under the supervision of the organisation's top management team or senior executives.

The Reward and Recognition Policies were approved on 11 November 2014 by the Board of Directors. The approval of the said policies has paved the way for the reward and recognition aspect of the implementation of the Performance Management System (PMS). Therefore, the company recognises the importance of the PMS, which was developed to reward staff for good performance as well as to award staff for long service at Erongo RED.

Erongo RED's PMS is based on the Balance Scorecard methodology, hence a variety of Key Performance areas were developed as guided by the PMS policy in order to assess and measure the company on the following outputs and goals:

- Financial – its financial sustainability and securing of funds
- Customer/Stakeholder – enhancing customer relations, improving Quality of Supply and Service and how the company will deliver a customer focused Erongo RED.
- Internal business processes i.e. Distribution and Supply Management - maintaining and creating and operating its network infrastructure, developing and implementing an Electrification Master Plan, implementing an Asset Management Plan, ensuring good corporate governance and ensuring business continuity/risk management.
- Learning & Growth (focus on human capital and/or learning and development) – transforming its organisational culture, implementing empowerment and retention strategies of staff and how the company will keep abreast and implement technologies to support core business functions.

Business Strategy and Performance Management System

STRATEGIC AREA OF PRIORITY	STRATEGIC PREMIUM (TARGET) 2014 - 2015	ACTUAL ACHIEVED
% Increase in Sales (N$)	15%	12%
Operating Costs over Sales	31%	29%
% Gross Profit	38%	36%
% Energy Losses	9%	8.6%
% Stakeholder Satisfaction	60%	81%
% Connected customers on customer friendly tariff structures and new Technology	30%	38%
Return on Assets Ratio	7%	5.8%
% Critical Top 10 Risks Mitigated	80%	100%
% Staff Achieving Perfomance Targets	60%	72%

72%
staff achieving performance targets.

Benjamin Nangombe
Public Relations and Marketing Officer

Erongo RED's approach to sustainability is inclusive and this inclusion implies an acknowledgement of the contributions, concerns and significance of the stakeholders in its fold. We seek to collaborate with our stakeholders to make a significant impact. Being a customer-focused organisation, customers are naturally our important stakeholders. We place our customers at the centre of our stakeholder relations while extending our commitment and engagement with customers, investors and shareholders, partners and suppliers.

During the period under review, media coverage of Erongo RED's activities was particularly positive and informative. The bulk of Erongo RED's media coverage focused mainly on electricity tariff increases, Walvis Bay bulk upgrade, power outages, electrification projects and sponsorship events. As part of our drive to improve both internal and external communication relationships, we convened public meetings with the shareholders and the public to inform them about the anticipated tariff increases, company projects as well as challenges faced by the company. Apart from engaging with the stakeholders, Erongo RED also disseminated information on electricity safety, the call centre and pre-paid electricity. Educational video clips were also used to educate our customers through print and broadcasting network.

Using of dialogue and feedback as our stronghold, we have managed to create multiple platforms of engagement with all our stakeholders. Through broadcasting and print media we have continued to share information whilst noting our stakeholders' sentiments, concerns and opinions. We regard our stakeholders' feedback from various engagements as valuable input in shaping our policies and strategies. It is worth noting also, that the SMS platform was a vital tool that enabled us to disseminate power outage alerts to customers in time.

Erongo RED regards our relationship with our customers as absolutely integral to the success of our business. Thus, we always strive to be frank and transparent when it comes to sharing of information.

Erongo RED Board of Directors

From left to right – Mr. T.N. Nambala (Vice Chairperson) Representing Walvis Bay Municipality, Mr. R. Junias Representing Walvis Bay Municipality, Mr. F. Hartzenberg Representing Swakopmund Municipality, Mr. M. Skini Representing Henties Bay Municipality, Ms. R Kaura Representing Omaruru Municipality, Mr. L. //Garoeb Representing Swakopmund Municipality, Mr. E. Wetha Representing Erongo Regional Council, Mr. I. Tjombonde (Chairperson) Representing NamPower, Mr. R. Kahimise (CEO) Ex-officio.

The directors are required in terms of the Namibian Companies Act, No 28 of 2004 to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the year then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors are satisfied that the company has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the company's annual financial statements. The annual financial statements have been examined by the company's external auditors and their report is presented on page 4.

The annual financial statements set out on pages 5 to 38, which have been prepared on the going concern basis, were approved by the directors on 23 October 2015 and were signed on their behalf by:

Director

Director

Walvis Bay
23 October 2015

Directors' Report

BUSINESS AND OPERATIONS

The company is primarily engaged in the distribution and supply of electricity to commercial and residential customers and other related activities in the Erongo Region and operated principally in Namibia.

Within the context of the Government's National Development Plan, the Ministry of Mines and Energy has formulated a White Paper on Energy Policy in 1998 which, amongst others, provides for the rationalisation of the electricity distribution industry through the formation of regional electricity distributors as a means of improving service delivery and efficiency within the electricity sector.

The supply and distribution licenses have come into force on 1 August 2005 and shall continue in operation from the date of its commencement for a period of 5 and 25 years respectively, unless cancelled or transferred sooner under section 30 of the Electricity Act. In terms of section 21(2) of the Electricity Act No 4 of 2007, these licenses may be renewed upon expiration of the periods.

FINANCIAL RESULTS

Review of financial results and activities

The financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Namibian Companies Act, No 28 of 2004. The accounting policies have been applied consistently compared to the prior year.

The company recorded a net profit after tax for the year ended 30 June 2015 of N$ 44,251,192. This represented a decrease of 20,5% from the net profit after tax of the prior year of N$55,680,273.

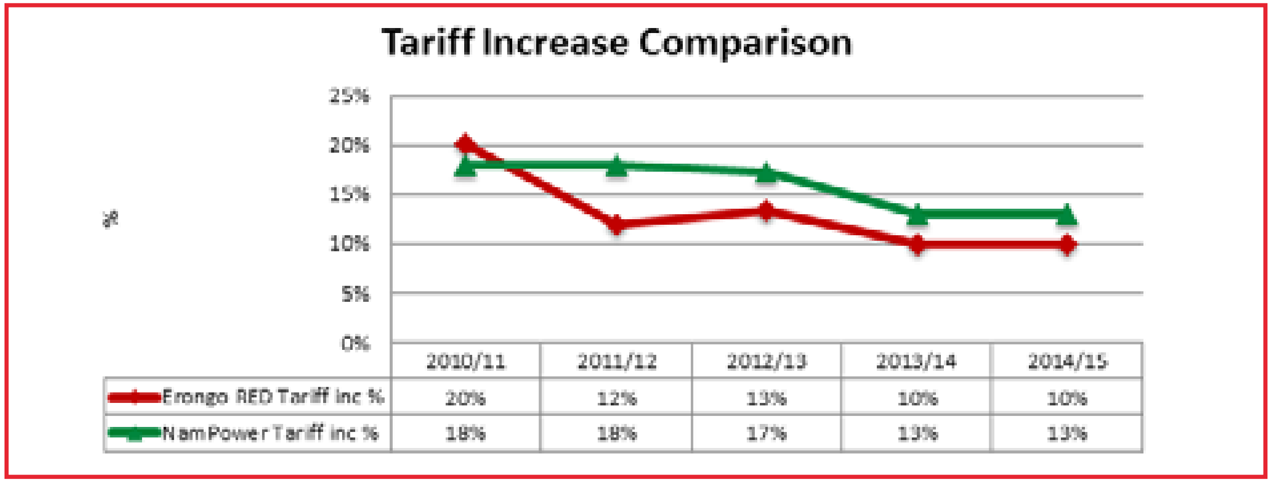
Company revenue increased by 12% from N$ 767,906,078 in the prior year to N$ 860,998,221 for the year ended 30 June 2015.

Company cash flows from operating activities increased by 292% from N$ 20,294,862 in the prior year to N$ 79,570,223 for the year ended 30 June 2015. This was mainly attributable to the grant received from the Ministry of Mines and Energy for electrification projects, to the amount of N$ 38,859,405 as well as deposits received from customers for customer funded assets, i.e. Sekelduin Project.

Background

Erongo RED operates in a regulated environment, which means that the Electricity Control Board (ECB) approves tariff applications by licensees on an annual basis. The ECB is tasked with ensuring that none of the licensees in Namibia make excessive profits (i.e. protecting the interests of the consumer), while also ensuring the long-term sustainability of the entity providing the service.

Figure 10 - Tariff Increase Comparison %



The establishment of Erongo RED in 2005 coincided with Cabinet's policy to fast-track the implementation of cost-reflective tariffs for NamPower, as well as the higher energy supply deficit experienced throughout Southern Africa. As Namibia imports close to 60% of its energy needs from SADC, these high generation / import costs had to be passed on from NamPower to its customers (including Erongo RED), who in turn, passed these costs on to consumers.

The **Tariff Comparison %** graph (figure 10) portrays the average tariff increase granted to NamPower by the ECB, compared to the average tariff increase granted to Erongo RED. As from 2012 onwards, Erongo RED's tariff increases were consistently lower than that of NamPower in order to reduce the impact of electricity increases on our customers.

An annual submission justifying the tariff request for the following year is made to the ECB using the template they've developed for all distributors (known as the Operating and Reporting Manual). In completing this document, the company takes into account the impact of tariff increases on customers, as well as on its own long-term sustainability.

However, the average increases published by NamPower do not always show the real impact on the company, and where these estimates are not fully anticipated in the ORM, it has the effect of reducing the gross profit available for operational and infrastructure purposes. Due to these differences, ECB implemented a Revenue Reconciliation project to reconcile the possible negative or positive financial impacts on an annual basis.

Actual Impact – Sales

Actual increases in revenue were slightly higher than expected, due to greater volumes in units sold compared to the initial expected volumes submitted in the ORM, as well as from additional revenue from regulated tariffs not expected at the time the budgets were submitted.

Current Results Compared to Previous Years' Results

The results of operations for the year are set out in the statement of comprehensive income.

Gross Profit %

In figure 12, the N$ Gross Profit area indicates that although GP has continued to increase over the past four years, the % year-on-year growth remains flat at 7%.

Following the successful catch-up levy for Walvis Bay in 2011, the GP % normalised to 44% in 2012. However, due to various contributing factors, the GP% has continued to fall, down to 36% in 2015. These factors include, but are not limited to:

Figure 11

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Actual Revenue % increase	23%	25%	13%	15%	14%	12%
ORM Average expected increase	18%	20%	12%	13%	10%	10%
Units sold % growth	6%	9%	1%	3%	4%	1%

Figure 12

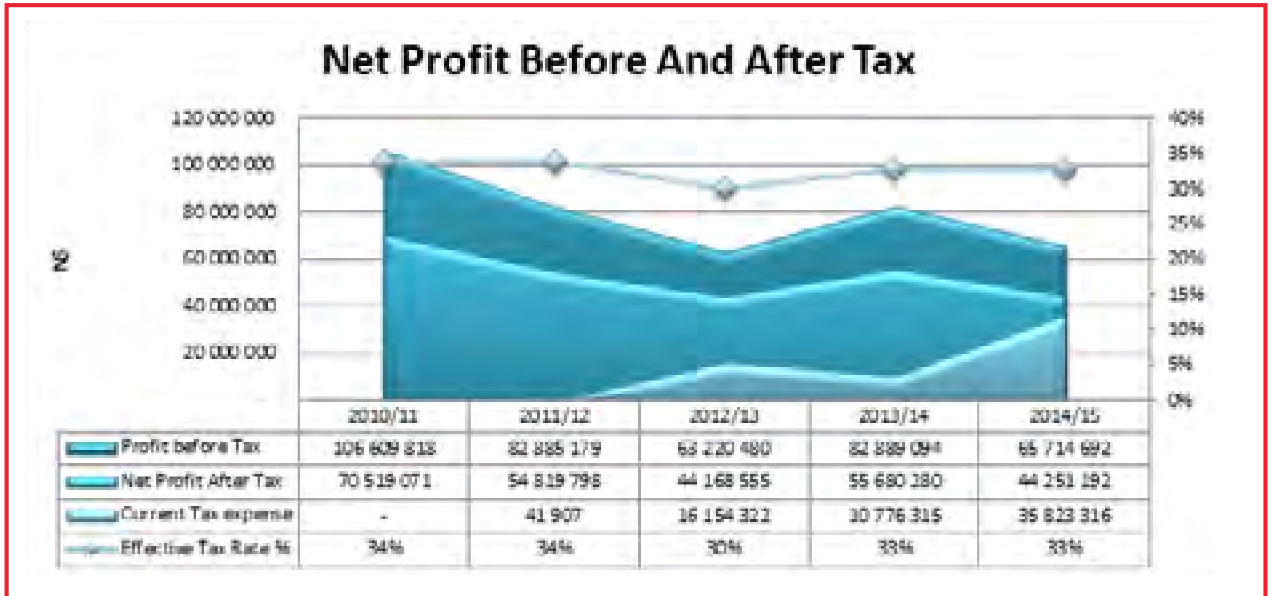
	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
GROSS PROFIT (N$)	187 082	254 604	258 511	267 256	287 240	306 340
GROSS PROFIT (% growth)	28%	36%	2%	3%	7%	7%
GP%	45%	49%	44%	40%	37%	36%

- subsidisation of certain customer groups.
- unanticipated impact of increases in NamPower energy purchases.
- 50% subsidisation of LA Surcharges (i.e. excluded from the ORM submitted to the ECB), linked to complete redesign of tariff structure in 2012.

Net Profit Before and After Tax

Profit before tax improved significantly in 2011, partly due to the catch-up levy, and partly due to the additional N$ 28.1 million added to the company's revenue requirement for the Walvis Bay Bulk Upgrade. Downward pressure on tariffs, and increased operational costs resulted in reduced net profits during 2012 and 2013. The increase in profits during 2014 was attributable to the containment of administrative costs, as well as additional revenue billed for cost-estimates and network contributions paid by customers (compared to prior years). In 2015, fewer developers requested network upgrades, and coupled with increased administrative costs, this resulted in a lower profit before tax.

Figure 13



In the fourth year of operations, the average tax rate increased to the normal company tax rate. At this stage, the assessed loss steadily reduced, placing the company in a tax-paying position from 2013 onwards.

However, in 2015 the company received payments from NamWater in anticipation of the bulk upgrade required to supply electricity to NamWater's bulk water supply points to service various mines within the Erongo Region.

Although not considered as part of revenue until the project is completed, tax law requires that these payments be taxed in the financial year during which they are received. This has resulted in the higher-than-normal tax amount paid by the company during this financial year.

POWER TO THE PEOPLE AND LAND DEVELOPMENT PROJECTS

During the period under review, Erongo RED continued with the Power to the People project. The aim of this project was to electrify existing houses which did not have access to electricity. For the financial period 2014/15 a total of 163 houses with an approximate cost of N$ 3.6 million, as illustrated in table 2, were electrified.

Table 2

TOWNS	NUMBER OF HOUSES	CONNECTED COST
Otjimbingwe	111	N$2 451 533.74
Usakos	52	N$1 148 466.26
Total	**163**	**N$3 600 000.00**

Since the Power to the People project will continue for the foreseeable future, more houses are expected to be electrified during the 2015/16 financial period. During this financial period a total of 317 houses mainly from Okombahe, Okongue and Okamapuku localities with an approximate cost of N$ 12 million are forecasted to be electrified.

PUBLIC LIGHTING COSTS

Erongo RED continues to carry the cost of electricity consumed as well as the cost of insuring and maintaining all streetlights and traffic lights within the Erongo region. Thousands of units are consumed in this way every year, which do not have to be paid for by the various municipalities and councils within the region.

PREPAID SALES COMMISSION

Initially when Erongo RED implemented the Syntell prepaid vending system, a 4% service commission was deducted from the customer's tendered amount when buying prepaid electricity from third-party vendors. However, as from 2011, this commission was absorbed by Erongo RED, effectively restoring the customer's purchasing power and reducing the impact of increases.

CORPORATE SOCIAL RESPONSIBILITY

Erongo RED CSR predominantly focuses its funding on the communities that are directly involved with the company's operations. Underlying all Erongo RED's policies and practices is our accountability towards the communities in which we operate. At Erongo RED we believe in the involvement and commitment towards the upliftment of our people. During the period under review, Erongo RED sponsored community related activities worth over N$500 000. In addition to monetary sponsorships, Erongo RED also sponsored free electricity to various community activities.

Chief amongst the sponsorships done to date is education. Erongo RED is strongly attentive in making a difference to the Namibian youth by rewarding hard-working and dedicated students with bursaries. Since 2012, Erongo RED sponsored six (6) full bursaries to students from various regions studying in the fields of finance, electrical engineering and law.

In addition, Erongo RED granted 10 apprenticeships to students from various vocational training centres, such as the Namibian Institute of Mining and Technology (NIMT), giving them the opportunity to gain practical skills through job attachments programmes.

REGIONAL BULK UPGRADES

Pursuant to a new connection charge policy of NamPower approved by its Board of Directors on 23 October 2012, NamPower is to finance the deep connection of the Walvis Bay bulk supply upgrade and thus relieving Erongo RED from the greater part of this financing obligation.

Although this decision has substantially reduced the total amount required for the upgrade, Erongo RED will still need to pay for the shallow connection using the funds already collected through the increased tariff granted by the ECB.

The total cost of completing the upgrade has been estimated at approximately N$ 500 million, of which the shallow connection Erongo RED is responsible for, amounts to N$ 130 million. During January 2013, upon signing the agreement, an upfront amount of N$ 56 million was paid over to NamPower. Further payments were made amounting to N$ 28 million in 2013, N$ 34 million in 2014, and N$ 11.5 million in 2015. The final downpayment of N$11.5 million was secured by an N$ 11 million guarantee over the amounts set aside in the Unit Trust for the Bulk Upgrade, but since payments for the Swakopmund and Lithops bulk supply upgrades were made during 2015, it was decided to keep the guarantee in place for them.

In 2015, N$ 50,938,146 was paid to NamPower towards the Lithops upgrade, and a further N$ 102,635,280 was paid towards the Swakopmund bulk upgrade.

PROPERTY, PLANT AND EQUIPMENT

Electricity distribution and supply assets to the value of N$ 265 963 582 were acquired from the shareholders by formal transfer agreements. The assets were transferred at fair market value. The assets are in possession and under control of Erongo RED, being employed in pursuance of its economic activities, since December 2005.

Erongo RED has instructed its legal practitioners to attend to the process to transfer ownership of the land and buildings by registration, where applicable. The process is underway.

Certain shareholders have registered concern regarding the ownership of certain properties, especially since the deed registration has not yet taken place. The assets of concern are Land and Buildings which relate to Walvis Bay Municipality and Swakopmund Municipality respectively. The inclusion of these assets as part of Erongo RED's property, plant and equipment was done based on amongst other considerations on the principle of reporting transactions in terms of their substance and not just in terms of their legal form.

The electricity and distribution assets were re-valued by Africon Namibia (Proprietary) Limited, an independent valuator for N$ 265 963 582. The valuation was used to determine the assets deemed cost at 1 July 2005.

There have been no changes in the nature of property, plant and equipment of the Company or in the policy regarding their use.

Directors' Report

DIRECTORS

The directors of the company during the year and to the date of this report are as follows:

Directors	Nationality	Appointed	Resigned
I Tjombonde (Nampower)	Namibian	2008/04/03	
E Wetha (Minority shareholders)	Namibian	2012/06/12	
F Hartzenberg (Swakopmund)	Namibian	2012/10/15	
T Nambala (Walvis Bay)	Namibian	2012/11/08	
M Skini (Henties Bay)	Namibian	2013/01/03	
L Garoeb (Swakopmund)	Namibian	2013/04/01	
R Junias (Walvis Bay)	Namibian	2013/12/04	
R Kaura (Omaruru)	Namibian	2014/02/24	
Alternate Directors	**Nationality**	**Appointed**	**Resigned**
L Joel (Alternate to F Hartzenberg)	Namibian	2012/10/15	
R Kaura (Alternate to V Kahua)	Namibian	2010/07/01	2014/02/24
N Johannes (Alternate to R Junias)	Namibian	2013/11/13	
A Nkosi (Alternate to R Junias)	Namibian	2014/09/18	
F Risuro (Alternate to L Garoeb)*	Namibian	2014/11/17	
Y Nambahu (Alternate to I Tjombonde)*	Namibian	2014/10/16	
R Junias (Alternate to T Nambala)**	Namibian	2012/11/06	2013/12/04

* - Appointment not registered with Registrar of Companies

** - Resignation not registered with Registrar of Companies

DIVIDEND

A dividend of N$8,000,000 has been declared and paid to shareholders during the financial year (2014 N$ Nil).

AUTHORISED & ISSUED SHARE CAPITAL

There were no changes in authorised and issued share capital of the company during the year under review. The signed Shareholders Agreement further states that share certificates will only be issued in accordance with the Shareholders Agreement on full payment of the agreed upon initial capital contributions.

BAD DEBTS

Specific provision was made in the financial statements to write off amounts owing to the company by companies that are experiencing financial difficulties. Efforts to recover these amounts are still ongoing, and therefore any amounts received in future will be recorded as bad debts recovered.

The company implemented a Debt Management initiative to disconnected residential consumers. The initiative is two-fold in that it assists in reducing the debt of disconnected customers with arrear accounts, and also converts them into consuming customers thereby maintaining a long-term sustainable relationship.

During 2015, the company identified debtors accounts against which no payments had been recorded for the preceding 12 months. Although these accounts are still under investigation, it is likely that these amounts will not be recoverable. Therefore, the company has increased its bad debts provision by N$ 7.7 million in the current year to prevent overstatement of its current assets.

EVENTS SUBSEQUENT TO THE YEAR END

No events occurred since year-end which have a significant effect on the financial statements.

GOING CONCERN

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

SECRETARY

The secretary of the company is T P Goases.

Business address:	**Postal address:**
91 Hage Geingob	PO Box 2925
Walvis Bay	Walvis Bay
Namibia	Namibia

AUDITORS

PricewaterhouseCoopers will continue in office in accordance with section 278 (2) of the Companies Act.

Independent Auditor’s Report

“The auditors of the company are PricewaterhouseCoopers Walvis Bay. They have audited the company for the year ended 30 June 2014 and have expressed an unqualified opinion on the annual financial statements of the company, dated 23 October 2015. The audit report is available for inspection at the company’s offices.”

General Information

Country of incorporation and domicile	Namibia
Nature of business and principal activities	Distribution and supply of electricity to commercial and residential customers within the Erongo Region, and other related activities.
Company registration number	2004/074
Directors	As per directors' report
Registered office	91 Hage Geingob Street Walvis Bay Namibia
Postal address	P.O. Box 2925 Walvis Bay Namibia
Bankers	First National Bank of Namibia Limited Bank Windhoek Limited Standard Bank of Namibia Limited
Auditors	PricewaterhouseCoopers Registered Accountants and Auditors Chartered Accountants (Namibia) PwC, a partnership duly organised according to the laws of the Republic of Namibia (hereafter referred to as "PwC", "we", "us", our")
Secretary	TP Gaoses
Tax reference number	3728814-01-1
Lawyers	Masiza Law Chambers

Statement of Financial Position as at 30 June 2015

	Note(s)	2015 N$	2014 N$
Assets			
Non-Current Assets			
Property, plant and equipment	2	**518,874,590**	**458,410,805**
Current Assets			
Loans to related parties	3	-	42
Trade and other receivables	4	201,863,294	178,761,976
Prepayments	5	277,065,436	113,424,759
Cash and cash equivalents	6	104,007,131	1,305,180
Financial assets at fair value through profit and loss	7	25,437,502	34,915,341
Current tax receivable	8	4,136,144	-
		612,509,507	**328,407,298**
Total Assets		**1,131,384,097**	**786,818,103**
Equity and Liabilities			
Equity			
Share capital	9	12,500,000	12,500,000
Other reserves		419,133,603	417,398,860
Retained earnings		104,174,928	96,023,736
		535,808,531	**525,922,596**
Liabilities			
Non-Current Liabilities			
Borrowings	10	107,573,526	14,359,374
Deferred income	11	64,258,957	-
Deferred income tax liability	12	74,274,851	82,556,194
Post employment benefit obligation	13	4,910,320	4,369,000
		251,017,654	**101,284,568**
Current Liabilities			
Loans from related parties	3	-	79,484
Borrowings	10	16,323,902	3,378,695
Trade and other payables	14	328,234,010	149,868,519
Bank overdraft	6	-	205,767
Income tax liability	8	-	6,078,474
		344,557,912	**159,610,939**
Total Liabilities		**595,575,566**	**260,895,507**
Total Equity and Liabilities		**1,131,384,097**	**786,818,103**

Statement of Profit or Loss & Other Comprehensive Income

	Note(s)	2015 N$	2014 N$
Revenue	15	860,998,221	767,906,078
Cost of sales	16	(554,657,908)	(480,657,588)
Gross profit		**306,340,313**	**287,248,490**
Other income		10,538,698	16,787,692
Administrative expenses		(250,501,766)	(228,621,885)
Operating profit	**17**	**66,377,245**	**75,414,297**
Finance income	18	6,053,590	5,149,430
Finance costs	19	(6,716,143)	(2,573,640)
Profit before taxation		**65,714,692**	**77,990,087**
Taxation	20	(21,463,500)	(25,592,144)
Profit for the year		**44,251,192**	**52,397,943**
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Actuarial gain on remeasurement of severance pay provision		-	4,899,000
Income tax relating to items that will not be reclassified		-	(1,616,670)
Total items that will not be reclassified to profit or loss		**-**	**3,282,330**
Other comprehensive income for the year net of taxation		**-**	**3,282,330**
Total comprehensive income for the year		**44,251,192**	**55,680,273**
Total comprehensive income attributable to:			
Non-distributable reserve		28,100,000	28,100,000
Equity holders of the entity		16,151,192	27,580,273
		44,251,192	**55,680,273**

Statement of Changes in Equity

	Share capital	Development reserve	Non-distributable reserve	Total reserves	Retained income	Total equity
	N$	N$	N$	N$	N$	N$
Balance at 01 July 2013	**12,500,000**	**280,725,121**	**96,970,021**	**377,695,142**	**68,443,463**	**458,638,605**
Profit for the year	-	-	-	-	52,397,943	52,397,943
Other comprehensive income	-	-	-	-	3,282,330	3,282,330
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**55,680,273**	**55,680,273**
Transfer between reserves	-	-	28,100,000	28,100,000	(28,100,000)	-
Donated assets capitalised	-	12,569,423	-	12,569,423	-	12,569,423
Donated assets realised	-	(965,705)	-	(965,705)	-	(965,705)
Total contributions by & distributions to owners of company recognised directly in equity	**-**	**11,603,718**	**28,100,000**	**39,703,718**	**(28,100,000)**	**11,603,718**
Balance at 01 July 2014	**12,500,000**	**292,328,839**	**125,070,021**	**417,398,860**	**96,023,736**	**525,922,596**
Profit for the year	-	-	-	-	44,251,192	44,251,192
Transfer to deferred income	-	(26,365,257)	-	(26,365,257)	-	(26,365,257)
Total comprehensive income for the year	**-**	**(26,365,257)**	**-**	**(26,365,257)**	**44,251,192**	**17,885,935**
Transfer between reserves	-	-	28,100,000	28,100,000	(28,100,000)	-
Dividends	-	-	-	-	(8,000,000)	(8,000,000)
Total contributions by and distributions to owners of company recognised directly in equity	**-**	**-**	**28,100,000**	**28,100,000**	**(36,100,000)**	**(8,000,000)**
Balance at 30 June 2015	**12,500,000**	**265,963,582**	**153,170,021**	**419,133,603**	**104,174,928**	**535,808,531**
Note(s)	9					

	Note(s)	2015 N$	2014 N$
Cash flows from operating activities			
Cash generated from operations	22	120,192,236	38,613,142
Interest income		6,053,590	5,149,430
Interest paid		(6,716,143)	(2,573,640)
Tax paid	24	(39,959,460)	(20,894,070)
Net cash from operating activities		**79,570,223**	**20,294,862**
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(84,220,261)	(88,355,458)
Sale of property, plant and equipment	2	-	89,621
Donated assets capitalised		-	12,569,423
Repayment of loans from related parties		(79,442)	(317,080)
Movement of financial assets	7	9,477,839	29,685,046
Net cash to investing activities		**(74,821,864)**	**(46,328,448)**
Cash flows from financing activities			
Repayment of borrowings	10	(12,786,638)	(3,822,435)
Proceeds from borrowings	10	118,945,997	-
Dividends paid	23	(8,000,000)	-
Net cash to financing activities		**98,159,359**	**(3,822,435)**
Total cash movement for the year		**102,907,718**	**(29,856,021)**
Cash at the beginning of the year		1,099,413	30,955,434
Total cash at end of the year	**6**	**104,007,131**	**1,099,413**

1. Basis of preparation

The annual financial statements have been prepared in accordance with International Financial Reporting Standards, and the Namibian Companies Act, No 28 of 2004.The annual financial statements have been prepared on the historical cost basis, except for accounting for financial assets at fair value through profit and loss, and incorporate the principal accounting policies set out below.They are presented in Namibia Dollar.

These accounting policies are consistent with the previous year.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements.

(i) Key sources of estimation uncertainty

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will by definition seldom equal the related actual results.The following estimates and assumptions are made by the company.

Asset lives and residual values

Property, plant and equipment are depreciated over its useful live taking into account residual values, where appropriate.The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In reassessing assets lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments considered issues such as future market conditions, the remaining useful life of the asset and projected disposal values.

Impairment of non-financial assets

Property, plant and equipment are considered for impairment if there is reason to believe that impairment may be necessary. Factors taken into consideration in reaching such a decision include the economic viability of the asset itself and where it is a component of larger economic unit, the viability of the unit itself.

Future cashflow expected to be generated by the assets are projected, taking into account market conditions and the expected useful life of each asset. The present value of these cash flows, determined using an appropriate discount rate, is compared to the current net asset value and if lower the assets are impaired to the present value.

Provision of severance pay

The provision for severance pay from services includes assumptions of expected withdrawal probabilities, average annual increases and market yields.

None of the above estimates and assumptions have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

(ii) Judgements in applying the company's accounting policies

No judgments in applying the company's accounting policies that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year were made during the year.

1.2 Property, plant and equipment

The cost of an item property, plant and equipment is recognised as an asset when:

- It is probable that future economic benefits associated with the item will flow to the company; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

Costs includes costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Land is not depreciated. Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Buildings	25-50 years
Plant and equipment	5-20 years
Motor vehicles	5-10 years
Office & computer equipment	5-30 years
Distribution network assets	5-50 years

Major spare parts and stand by equipment which are expected to be used for more than one period are included in the cost of property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

The residual value, useful life and depreciation method of each asset are reviewed and adjusted if appropriate at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any and the carrying amount of the item. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than estimated recoverable amount.

1.3 Financial instruments

Classification

The company classifies financial assets and financial liabilities into the following categories:

- Financial assets at fair value through profit or loss - designated
- Loans and receivables
- Available-for-sale financial assets
- Financial liabilities at fair value through profit or loss - designated
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through profit or loss, which shall not be classified out of the fair value through profit or loss category.

Initial recognition and measurement

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through profit or loss are recognised in profit or loss.

Subsequent measurement

Financial instruments at fair value through profit or loss are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in profit or loss for the period.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Available-for-sale financial assets are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in profit or loss for the period.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

Impairment of financial assets

At each reporting date the company assesses all financial assets, other than those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

1.3 Financial instruments (continued)

For amounts due to the company, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in profit or loss.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in profit or loss except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in profit or loss within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Loans to shareholders, directors, managers and employees

These financial assets are classified as loans and receivables.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Trade and other payables are classified at amortised cost.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Cash and cash equivalents are classified as loans and receivables.

1.4 Income tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Income tax expenses

Current tax and deferred taxes are recognised in the same component of total comprehensive income (i.e continuing operations, discounted operations, or other comprehensive income) or equity as the transaction or other event that resulted in the tax expense.

1.5 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases – lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

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

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset.This liability is not discounted.

1.6 Share capital and equity

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

Development reserve

The reserve was created in respect of grant funded assets received for infrastructure erected by developers in order to receive supply of electricity. Grant funded assets received are realised to profit and loss over a period of 30 years, which is the deemed useful lives of the assets.

Non-distributable reserve

The non-distributable reserve was created in respect of the additional levy allowed by the Electricity Control Board in order to raise funds for the Walvis Bay bulk upgrade as these funds are specifically for this project.

1.7 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

1.8 Provisions and contingencies

Provisions are recognised when:

- the company has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

The provision for severance pay is raised in terms of the requirements of the Labour Act where there is a duty to pay the equivalent of one week's salary for every year of employment in the case of death, or retirement over the age of 65.The future probable outflow of economic benefits cannot be determined exactly and probabilities are applied based on past employment trends.

1.9 Revenue

Revenue is recognised to the extent that is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and other sales taxes or duty.The following specific recognition criteria must also be met before revenue is recognised:

1.9 Revenue (continued)

Sales of goods

Sale of goods is recognised when the company has delivered products to the customer, the customer has accepted the product and collectability of the related receivable is reasonably assured.

Service Revenue

Electricity revenue is recognised when electricity is consumed by the customer.

Interest income

Revenue is recognised as interest accrues (using the effective interest method, that is, the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

Granted funded assets

Grant funded assets income relates to the fair value of the assets transferred to the company by the developers, net of value added tax and other rebates. Such income is recognised over the useful lives of assets, which is estimated at 30 years, once the risk and rewards of ownership of the individual components installed passes to the company.

1.10 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.11 Dividend distribution

Dividend distributions to the company's shareholders are recognised in the annual financial statements in the period which the dividends are approved by the directors of the company.

1.12 Government grants

Government grants are recognised when there is reasonable assurance that:

- the company will comply with the conditions attaching to them; and
- the grants will be received.

Government grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised as income of the period in which it becomes receivable.

Government grants related to assets, including non-monetary grants at fair value, are presented in the statement of financial position by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset.

Grants related to income are presented as a credit in the profit or loss.

Repayment of a grant related to income is applied first against any un-amortised deferred credit set up in respect of the grant. To the extent that the repayment exceeds any such deferred credit, or where no deferred credit exists, the repayment is recognised immediately as an expense.

Repayment of a grant related to an asset is recorded by increasing the carrying amount of the asset or reducing the deferred income balance by the amount repayable. The cumulative additional depreciation that would have been recognised to date as an expense in the absence of the grant is recognised immediately as an expense.

2. Property, plant and equipment

	2015			2014		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Land	11,835,000	-	11,835,000	11,835,000	-	11,835,000
Buildings	69,591,320	(3,707,293)	65,884,027	54,474,238	(2,731,826)	51,742,412
Plant and machinery	11,372,393	(5,672,014)	5,700,379	11,134,559	(5,175,958)	5,958,601
Motor vehicles	14,416,097	(4,775,980)	9,640,117	13,691,831	(3,845,130)	9,846,701
Office and computer equipment	27,283,045	(17,532,211)	9,750,834	26,018,460	(13,843,199)	12,175,261
Distribution network	739,727,324	(373,019,853)	366,707,471	698,430,031	(355,100,767)	343,329,264
Work in progress	49,356,762	-	49,356,762	23,523,566	-	23,523,566
Total	**923,581,941**	**(404,707,351)**	**518,874,590**	**839,107,685**	**(380,696,880)**	**458,410,805**

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Transfers	Depreciation	Total
Land	11,835,000	-	-	-	11,835,000
Buildings	51,742,412	15,117,082	-	(975,467)	65,884,027
Plant and machinery	5,958,601	237,835	-	(496,057)	5,700,379
Motor vehicles	9,846,701	724,266	-	(930,850)	9,640,117
Office equipment	12,175,261	1,264,585	-	(3,689,012)	9,750,834
Other property, plant and equipment	343,329,264	37,052,264	3,991,033	(17,665,090)	366,707,471
Capital - Work in progress	23,523,566	29,824,229	(3,991,033)	-	49,356,762
	458,410,805	**84,220,261**	**-**	**(23,756,476)**	**518,874,590**

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Disposals	Depreciation	Total
Land	11,835,000	-	-	-	11,835,000
Buildings	43,096,991	9,463,364	-	(817,943)	51,742,412
Plant and machinery	6,084,659	339,334	-	(465,392)	5,958,601
Motor vehicles	10,845,480	-	-	(998,779)	9,846,701
Office equipment	10,570,672	4,609,040	-	(3,004,451)	12,175,261
Other property, plant and equipment	285,621,195	74,497,227	(151,403)	(16,637,755)	343,329,264
Capital - Work in progress	24,077,073	-	(553,507)	-	23,523,566
	392,131,070	**88,908,965**	**(704,910)**	**(21,924,320)**	**458,410,805**

Pledged as security

The company's obligations under the finance leases are secured over certain motor vehicles and equipment with a net book value of N$25 298 270 (2014 : N$ 28 187 502). Not all items in motor vehicles and equipment serve as security, only the amounts disclosed.

Included in Land and Buildings above is Portion 205 Rem of Erf 23B Walvis Bay Industrial Property, which serves as security for overdraft facilities as disclosed in note 6. Erf 657 Walvis Bay serves as security for the loan from the Development Bank of Namibia as disclosed in note 10.

A register containing the information required by paragraph 22(3) of schedule 4 of the Companies Act is available for inspection at the registered office of the company.

Included in Land and Buildings are substations of which the deed registration on the name of the company has not been completed. The inclusion of these assets are based on the principle of reporting the transactions based on substance and not legal form only.

	2015 N$	2014 N$
3. Loans to (from) shareholders		
Municipality of Swakopmund	-	17
Municipality of Usakos	-	(75,560)
Municipality of Omaruru	-	2
Municipality of Henties Bay	-	1
Municipality of Karibib	-	20
Municipality of Arandis	-	2
Uis Town Council	-	(3,924)
	-	**(79,442)**
These loans were interest free, unsecured and were payable on demand.		
Current assets	-	42
Current liabilities	-	(79,484)
	-	**(79,442)**
4. Trade and other receivables		
Trade receivables	154,532,902	142,918,814
Provision for doubtful debts	(22,070,155)	(14,300,000)
VAT	69,400,547	49,458,871
Other receivables	-	684,291
	201,863,294	**178,761,976**

Trade and other receivables pledged as security

Trade and other receivables were pledged as security for overdraft facilities of N$ 56,061,049 (2014 : N$ 56, 294,739) of the company.

Fair value of trade and other receivables

At 30 June 2015, the carrying amounts of trade and other receivables approximate their fair values due to the short term maturities of these assets.

Trade and other receivables past due but not impaired

Trade receivables which are more than 30 days due are considered to be past due. At 30 June 2015 N$ 36,371,560 (2014 : N$ 24,392,254) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

Between 30 and 60 days	25,618,339	6,084,400
Between 60 and 90 days	2,126,452	2,399,149
More than 90 days	8,626,769	15,908,705

Trade and other receivables impaired

During the year ended 30 June 2015, no trade and other receivables previously impaired were recovered from trade debtors already provided for. (2014: N$ 4,469,822)

As at 30 June 2015, trade and other receivables of N$ 22,070,155 (2014: NS 14,300,000) were past due and provided for.

	2015 N$	2014 N$

5. Prepayments

Prepayments were made for the upgrade of the Swakopmund and Walvis Bay Electricity Grids.

	2015 N$	2014 N$
Namibia Power Corporation Limited - Swakopmund	158,942,218	5,368,792
Namibia Power Corporation Limited - Walvis Bay	118,123,217	108,055,967
	277,065,435	**113,424,759**

6. Cash and cash equivalents

Cash and cash equivalents consist of:

	2015 N$	2014 N$
Cash on hand	1,052,635	1,305,180
Bank balances	102,954,496	-
Bank overdraft	-	(205,767)
	104,007,131	**1,099,413**
Current assets	104,007,131	1,305,180
Current liabilities	-	(205,767)
	104,007,131	**1,099,413**

Interest at the prime overdraft rate less 2% is charged on the company banking facility and interest of 5.6% is received on positive bank balances.

The company has access to an overdraft facility of N$ 55,000,000 and an autocard facility of N$ 200,000. The date of review of the facilities was 30 June 2015. At year-end the company has not utilised the overdraft facility and long term facilities.

The bank overdraft facility is secured as follows :

- 1st Bond N$1,9 million over Portion 205 Rem of Erf 23B Walvis Bay Industrial Property.
- Cession of book debts
- Deed and cession of pledge for N$ 46,009,350 covering down FNB Unit Trust Money Market Investments

Guarantees provided by First National Bank to Namibia Power Corporation Limited amounted to N$ 31,000,000 at year end, which are in effect until cancelled.

	2015 N$	2014 N$
7. Financial assets at fair value through profit and loss		
At fair value through profit or loss - designated		
FNB Namibian Unit Trusts Money Market Fund	25,437,502	34,915,341
Current assets		
Designated as at fair value through profit or loss (fair value through income)	25,437,502	34,915,341

Fair value information

Fair values are determined annually at statement of financial position date.
The unit trusts serve as security for the overdraft facilities as per note 6.

Restriction on unit trust bulk upgrade payable to Namibia Power Corporation Limited		
First National Bank Unit Trusts	11,000,000	11,000,000
8. Current tax receivable (payable)		
The current tax balance is made up as follows :		
Current tax receivable	4,136,144	-
Current tax payable	-	(6,078,474)
	4,136,144	**(6,078,474)**
9. Share capital		
Authorised		
30,000,000 Ordinary shares of N$ 1 each	30,000,000	30,000,000
Issued		
12,500,000 Ordinary shares of N$1 each	12,500,000	12,500,000
10. Borrowings		
Minimum lease payments due		
- within one year	16,323,902	3,378,695
- in second to fifth year inclusive	107,573,526	14,359,374
Present value of minimum lease payments	123,897,428	17,738,069
Non-current liabilities	107,573,526	14,359,374
Current liabilities	16,323,902	3,378,695
	123,897,428	**17,738,069**

The company has entered into finance leases for certain motor vehicles and equipment.

Interest rates are linked to prime less 1% at the contract date. All leases have fixed repayments and with an effective interest rate of 8.75% (2014 : 8.25%).

The company's obligations under finance leases are secured over certain motor vehicles and equipment with a net book value of N$ 25,298,270 (2014: N$ 28,187,502).

The loan with the Development Bank of Namibia (N$ 119,357,423) carries interest at a variable rate linked to the Prime Rate per annum plus 1% and is repayable over a period of 10 years, including a 12 month grace period on the capital balance.

The loan is secured by:

- Negative pledge over asset
- Cession of Escrow Account accruing to a balance of N$ 50 million over a period of 5 years;
- First continuing covering mortgage bond of N$ 50 million of Erf 657 Walvis Bay;
- Cession of Fire Cover Policy over Erf 657 Walvis Bay; and
- DBN's interest to be noted on assets financed under the Suspensive Sale Agreement Facility.

	2015 N$	2014 N$
11. Deferred income		
Grant received from Ministry of Mines and Energy	38,859,405	-
Donated assets received from customers	25,399,552	-
	64,258,957	**-**

Government grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate. Grants received are realised to profit and loss over a period of 30 years, which is the deemed useful lives of the assets acquired with the grants.

Donated assets are recognised in respect of grant funded assets received for infrastructure erected by developers in order to receive supply of electricity. Grant funded assets received are realised to profit and loss over a period of 30 years, which is the deemed useful lives of the assets.

12. Deferred income tax liability

Deferred tax liability		
Accelerated capital allowances for income tax purposes	(85,361,323)	(67,709,618)
Post employment benefit obligation	1,620,407	1,441,770
Consumables	(14,145,614)	(12,191,470)
Customer deposits	23,611,679	(4,096,876)
Total deferred tax liability	**(74,274,851)**	**(82,556,194)**
Reconciliation of deferred tax asset / (liability)		
At beginning of year	(82,556,194)	(66,123,695)
Temporary differences	8,281,343	(16,432,499)
	(74,274,851)	**(82,556,194)**

13. Post employment benefit obligation

Reconciliation of provision for severance pay		
Opening Balance	4,369,000	7,580,484
Current service cost	418,000	1,097,516
Benefit payments	(317,680)	(88,000)
Interest charge	441,000	678,000
Actuarial gains	-	(4,899,000)
	4,910,320	**4,369,000**

An actuarial gain of N$ 4,899,000 arose during the previous year to 30 June 2014. This gain is broken down as follows:

i) The retirement age for current and subsequent employees changed during the current financial year from 65 years to 60 years. The use of an early retirement assumption resulted in an actuarial gain of N$ 4,422,000. .

ii) Allowing for withdrawals and deaths resulted in an actuarial gain of N$ 4,706,000.

iii) The previous valuation was based on basic salaries and not total cost to company. The change from basic salary (increased by 8.36%) to total cost to company salaries resulted in an actuarial loss of N$ 2,793,000.

iv) Allowing for a promotional salary scale in our model resulted in an actuarial loss of N$ 3,635,000.

v) The change in the "gap" between the discount rate and the salary inflation rate from 0.04% to 1.4% resulted in an actuarial gain of N$ 1,790,000.

vi) A residual actuarial gain of N$409 000.

Key assumptions :
- A discount rate of 9.9%
- A salary inflation rate of 8.5% per annum.

No actuarial gains were recognised during during the year.

	2015 N$	2014 N$

14. Trade and other payables

	2015 N$	2014 N$
Trade payables	17,120,079	38,287,149
Accrued leave pay	13,826,594	13,236,342
Accrued bonus	2,827,849	2,055,500
Deposits received from customers	213,346,129	22,562,472
Uncashed cheques	81,113,359	73,727,056
	328,234,010	**149,868,519**

Fair value of trade and other payables

At 30 June 2015, the carrying amounts of trade and other receivables approximate their fair values due to the short-term maturities of these liabilities.

The carrying amounts to trade and other payables are denominated in Namibia Dollar.

15. Revenue

	2015 N$	2014 N$
Sale of electricity	**860,998,221**	**767,906,078**

The revenue generated during the year under review was charged in line with the approved rates of the Electricity Control Board of Namibia.

16. Cost of sales

	2015 N$	2014 N$
Purchase of goods	**554,657,908**	**480,657,588**

The purchase of electricity included under cost of sales were procured from Namibia Power Corporation Limited in line with the approved rates of the Electricity Control Board of Namibia.

	2015 N$	2014 N$

17. Operating profit

Operating profit for the year is stated after accounting for the following:

Operating lease charges

	2015 N$	2014 N$
Contractual amounts	2,912,761	5,775,380

	2015 N$	2014 N$
Employee costs	121,506,965	113,302,464
Depreciation on property, plant and equipment	23,756,476	21,914,320
Loss on disposal of property, plant and equipment	-	61,782
Amount expensed in respect of past service liability:		
- Service cost	418,000	1,098,000
- Net interest on the net defined benefit liability	441,000	678,000

Expenses by nature

	2015 N$	2014 N$
Cost of sales	554,657,908	480,657,588

	2015 N$	2014 N$
Employee costs	121,506,965	118,302,464
Depreciation, amortisation and impairments	23,756,476	21,924,320
Advertising	3,378,079	3,903,071
Lease rentals on operating lease	2,912,761	5,775,380
Transport and freight	168,717	84,926
L.A. Surcharges	46,929,797	47,059,365
Repairs and maintenance	8,026,569	8,737,280
Bad debts written off	9,503,127	-
Other expenses	34,319,275	22,835,079
Total administrative expenses	**250,501,766**	**228,621,885**
Total cost of sales and administrative expenses	**805,159,674**	**709,279,473**

	2015 N$	2014 N$
18. Finance income		
Bank	3,869,667	2,793,449
Interest charged on trade and other receivables	2,183,923	2,355,981
	6,053,590	**5,149,430**
19. Finance costs		
Bank	385,366	358,272
Trade and other payables	43,850	3,224
Severance pay interest	441,000	678,000
Interest-bearing borrowings	5,845,927	1,534,144
	6,716,143	**2,573,640**
20. Taxation		
Major components of the tax expense		
Current		
Local income tax - current period	35,823,316	10,776,315
Deferred		
Originating and reversing temporary differences	(14,359,816)	14,815,829
	21,463,500	**25,592,144**
Reconciliation of the tax expense		
Reconciliation between accounting profit and tax expense.		
Accounting profit	65,714,692	77,990,087
Tax at the applicable tax rate of 33% (2014: 33%)	21,685,848	25,736,729
Tax effect of adjustments on taxable income		
Disallowable expenses	(222,348)	(144,585)
	21,463,500	**25,592,144**

	2015 N$	2014 N$
21. Auditors remuneration		
Fees	479,990	660,665
Tax and secretarial services	59,029	2,308
Other services	17,100	-
	556,119	**662,973**
22. Cash generated from operations		
Profit before taxation	65,714,692	77,990,087
Adjustments for:		
Depreciation and amortisation	23,756,476	21,924,320
Loss on sale of plant and equipment	-	61,782
Interest received	(6,053,590)	(5,149,430)
Interest paid	6,716,143	2,573,640
Actuarial gain on remeasurement of severance pay provision	-	4,899,000
Movements in provisions	541,320	(3,211,484)
Donated assets realised	(965,705)	(965,705)
Changes in working capital:		
Trade and other receivables	(23,101,318)	(14,114,724)
Prepayments	(163,640,677)	(30,006,099)
Trade and other payables	178,365,490	(15,388,245)
Deferred income	38,859,405	-
	120,192,236	**38,613,142**

23. Dividends paid

Dividends	(8,000,000)	-

Dividends of 64 cents per share were declared and paid by the Company during the year under review (2014: Nil)

24. Tax paid

Balance at beginning of the year	(6,078,474)	(16,196,229)
Current tax for the year recognised in profit or loss	(35,823,316)	(10,776,315)
Remeasurement of deferred tax	6,078,474	-
Balance at end of the year	(4,136,144)	6,078,474
	(39,959,460)	**(20,894,070)**

25. Commitments

Authorised capital expenditure

On 14 May 2014, the directors approved capital commitments of N$ 149,244,383 (inclusive of VAT) relating to the bulk upgrade of the electricity infrastructure in the Walvis Bay and Swakopmund areas. At 30 June 2015, N$ 25,045,167 of the capital commitments have been paid.

	2015 N$	2014 N$
26. Related parties		

The municipalities and councils below are all shareholders of the company.

The related party transactions were carried out at terms and conditions agreed upon between the parties.

	2015 N$	2014 N$
Related party balances		
Related party amounts included in trade receivables		
Arandis Town Council	214,176	254,448
Erongo Regional Council	165,945	220,003
Municipality of Henties Bay	50,708	114,735
Municipality of Karibib	154,409	160,943
Municipality of Omaruru	142,367	117,918
Municipality of Swakopmund	1,285,072	453,804
Uis Village Council	23,287	24,462
Municipality of Usakos	751,474	372,959
Municipality of Walvis Bay	2,162,541	1,787,481
Related party amounts included in trade payables		
Arandis Town Council	6,137	-
Municipality of Henties Bay	197,144	-
Municipality of Karibib	30,310	5,994
Municipality of Omaruru	81,920	2,206
Municipality of Swakopmund	1,161,094	1,567
Uis Village Council	6,931	34,467
Municipality of Usakos	519	942
Municipality of Walvis Bay	2,347,813	-
Namibia Power Corporation Limited	74,879,167	66,469,193
Prepayments made to related parties		
Namibia Power Corporation Limited	163,640,676	34,507,014
Loans to (from) related parties		

	2015 N$	2014 N$

26. Related parties (continued)

Municipality of Swakopmund	-	17
Municipality of Usakos	-	(75,560)
Municipality of Omaruru	-	2
Municipality of Henties Bay	-	1
Municipality of Karibib	-	20
Municipality of Arandis	-	2
Uis Town Council	-	(3,924)
Related party transactions		
Purchases from related parties		
Namibia Power Corporation Limited	553,556,269	480,657,588
LA Surcharges paid to related parties		
Arandis Town Council	174,891	289,998
Municipality of Henties Bay	2,365,724	2,365,724
Municipality of Karibib	335,177	319,282
Municipality of Omaruru	941,302	941,302
Municipality of Swakopmund	13,873,702	13,873,702
Uis Village Council	85,652	79,958
Municipality of Usakos	1,249,299	1,249,299
Municipality of Walvis Bay	27,904,050	27,940,100
Revenue and other income from related parties		
Arandis Town Council	553,011	523,526
Erongo Regional Council	410,947	365,267
Municipality of Henties Bay	631,562	691,195
Municipality of Karibib	205,144	168,469
Municipality of Omaruru	1,318,941	991,082
Municipality of Swakopmund	11,775,954	8,861,955
Uis Village Council	56,000	41,432

	2015 N$	2014 N$
26. Related parties (continued)		
Municipality of Usakos	667,397	372,959
Municipality of Walvis Bay	12,036,047	9,717,679
Compensation to directors and other key management		
Directors' Remuneration	1,830,277	2,119,812
Key management	15,429,318	15,258,504
	17,259,595	**17,378,316**
Revenue and other income from related parties		
	17,259,595	17,378,316
The directors' remuneration for the current year is made up as follows:		
Retainer fee	750,397	730,087
Sitting fee	672,101	971,885
Subsistence and travelling allowance	407,779	417,840
	1,830,277	**2,119,812**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.

Key management of the company include:

SU Hambira
M Maartens
JV Bisset
R Kahimise
F Mbango
JF Iyambo
DM Hoabeb
B Nangolo
N Niemand
FK Vries
C Tjizo
R Ouseb
TP Gaoses
KN Andima
H Muisoor
M Tjongarero

27. Risk management

Capital risk management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Financial risk management

The company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance.

The financial risk management function is carried out by local management.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, company treasury maintains flexibility in funding by maintaining availability under committed credit lines.

Table 3 analyses the company's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Table 3

At 30 June 2015	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Interest bearing borrowings	16,323,902	3,467,707	33,231,864	70,873,956
Trade and other payables	328,234,009	-	-	-

At 30 June 2014	Less than 1 year	Between 1 and 2 years
Loans from related parties	79,484	-
Interest bearing borrowings	3,378,695	14,359,374
Trade and other payables	149,868,519	-

Interest rate risk

As the company has no significant interest-bearing assets, the company's income and operating cash flows are substantially independent of changes in market interest rates.

The company has no significant assets or liabilities presented at fair value that exposes the company to fair value interest rate risk.

The company is not exposed to material cash flow interest rate risk.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The company only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Credit quality of financial assets:

(i) Cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

	2015 N$	2014 N$
Credit rating		
First National Bank Namibia Limited - A1+	58,924,110	(1,597,848)
Bank Windhoek Limited - A1+	5,172,390	2,709,180
Standard Bank of Namibia Limited	38,857,996	-

The company only deposits cash with major banks with high quality credit standing and limits exposure to any one counterparty.

(ii) Financial assets at fair value

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Credit rating		
FNB Namibia Unit Trusts Money Market Fund	25,437,502	34,915,341

(iii) Trade receivables

Credit rating		
Trade receivables	140,232,902	128,618,814

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used.

The Company 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 customer telephonically or in person, negotiations of mutually acceptable payment arrangements and the issue of a notice of disconnection of supply and letters of demand. Non-payment will result in disconnection of supply and the customer's account being closed. The legal collection process is pursued thereafter.

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

Progress on the collection process is reviewed on a regular basis and if it is evident that the amount will not be recovered, it is recommended for write-off in terms of the company's delegation of authority. The process of recovery or the costs of such action will exceed the benefits to be derived.
In addition the following strategies are currently in operation and are successful of non-paying customers.

27. Risk management (continued)

These include:
- disconnections
- conversion to prepayment
- use of debt collectors
- payment arrangements
- focus on early identification and letters of demand

With respect to trade and other receivables that are neither past due no impaired, there are no indications as of the reporting date that the debtors will not meet their payment obligations.

Interest charged on all arrear debts of N$ 2,183,923 (2014: N$ 2,355,981) was credited to profit or loss within finance income.

Foreign exchange risk

The company does not operate in foreign currencies and is not exposed to foreign currency risk.

Commodity price risk

The company is exposed to commodity price risk where commodities are used indirectly as a component of plant, equipment or inventory (e.g. copper). The exposure where commodities formed a part of plant, equipment or inventory was relatively small at year end, but may increase as the capital expansion programme progresses.

The company needs to manage exposure to commodity price risk as a result of fluctuation in the price at which power is procured from the Namibia Power Corporation Limited.

The company is allowed by law to re-evaluate the tariffs charged to customers once a year. Any increases in the price charged by Namibia Power Corporation Limited for electricity purchased, can therefore be compensated by increases in the tariffs charged. The company is thus not significantly exposed to commodity price risk in this regard.

28. Financial assets by category

The accounting policies for financial instruments have been applied to the line below:

2015	Loans and receivables	Fair value through profit or loss - designated	Total
Financial assets at fair value through profit and loss	-	25,437,502	25,437,502
Trade and other receivables	132,462,747	-	132,462,747
Cash and cash equivalents	104,007,131	-	104,007,131
	236,469,878	**25,437,502**	**261,907,380**

2014	Loans and receivables	Fair value through profit or loss - designated	Total
Loans to related parties	42	-	42
Financial assets at fair value through profit and loss	-	34,915,341	34,915,341
Trade and other receivables	129,303,105	-	129,303,105
Cash and cash equivalents	1,099,413	-	1,099,413
	130,402,560	**34,915,341**	**165,317,901**

29. Financial liabilities by category

The accounting policies for financial instruments have been applied to the line below:

2015	Financial liabilities at amortised cost	Total
Other financial liabilities	123,897,428	123,897,428
Trade and other payables	328,234,010	328,234,010
	452,131,438	**452,131,438**

2014	Financial liabilities at amortised cost	Total
Loans from related parties	79,484	79,484
Other financial liabilities	17,738,069	17,738,069
Trade and other payables	149,868,519	149,868,519
	167,686,072	**167,686,072**

30. Fair value information

Fair value hierarchy

The table below analyses assets and liabilities carried at fair value. The different levels are defined as follows:
Level 1: Quoted unadjusted prices in active markets for identical assets or liabilities that the company can access at measurement date.
Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly.
Level 3: Unobservable inputs for the asset or liability.

Levels of fair value measurements

Level 1

Recurring fair value measurements

Assets	Note(s)		
Financial assets designated at fair value through profit or loss	7		
FNB Namibia Unit Trust Money Market Fund		25,437,502	34,915,341
Total		**25,437,502**	**34,915,341**

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date.

31. New Standards and Interpretations

31.1 Standards and interpretations effective and adopted in the current year

In the current year, the company has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
Amendment to IAS 36: Recoverable Amount Disclosures for Non-Financial Assets	01 January 2014	The impact of the amendment is not material.
IFRIC 21 Levies	01 January 2014	The impact of the amendment is not material.
Amendment to IAS 39: Novation of Derivatives and Continuation of Hedge Accounting	01 January 2014	The impact of the amendment is not material.
Amendments to IFRS 10, IFRS 12 and IAS 27: Investment Entities	01 January 2014	The impact of the amendment is not material.
Amendment to IAS 19: Defined Benefit Plans: Employee Contributions	01 July 2014	The impact of the amendment is not material.
Amendment to IFRS 2: Share-based Payment: Annual improvements project	01 July 2014	The impact of the amendment is not material.
Amendment to IFRS 3: Business Combinations: Annual improvements project	01 July 2014	The impact of the amendment is not material.
Amendment to IFRS 8: Operating Segments: Annual improvements project	01 July 2014	The impact of the amendment is not material.
Amendment to IAS 16: Property, Plant and Equipment: Annual improvements project	01 July 2014	The impact of the amendment is not material.
Amendment to IAS 24: Related Party Disclosures: Annual improvements project	01 July 2014	The impact of the amendment is not material.
Amendment to IAS 38: Intangible Assets: Annual improvements project	01 July 2014	The impact of the amendment is not material.
Amendment to IFRS 3: Business Combinations: Annual improvements project	01 July 2014	The impact of the amendment is not material.
Amendment to IFRS 13: Fair Value Measurement: Annual improvements project	01 July 2014	The impact of the amendment is not material.
Amendment to IAS 40: Investment Property: Annual improvements project	01 July 2014	The impact of the amendment is not material.

31.2 Standards and interpretations not yet effective

The company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the company's accounting periods beginning on or after 01 July 2015 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after
IFRS 9 Financial Instruments	01 January 2018
IFRS 14 Regulatory Deferral Accounts	01 January 2016
Amendment to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations	01 January 2016
Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation	01 January 2016
IFRS 15 Revenue from Contracts with Customers	01 January 2017
Amendments to IAS 16 and IAS 41: Agriculture: Bearer Plants	01 January 2016
Amendment to IAS 27: Equity Method in Separate Financial Statements	01 January 2016
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	01 January 2016
Amendment to IFRS 5: Non-current Assets Held for Sale and Discontinued Operations: Annual Improvements project	01 January 2016
Amendment to IFRS 7: Financial Instruments: Disclosures: Annual Improvements project	01 January 2016
Amendment to IAS 19: Employee Benefits: Annual Improvements project	01 January 2016
Amendment to IAS 34: Interim Financial Reporting. Annual Improvements project	01 January 2016
Disclosure Initiative: Amendment to IAS 1: Presentation of Financial Statements	01 January 2016
Disclosure Initiative: Amendment to IAS 1: Presentation of Financial Statements	01 January 2016
Amendments to IFRS 10, 12 and IAS 28: Investment Entities. Applying the consolidation exemption	01 January 2016



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