ANNUAL REPORT 2015 / 2016

ERONGO red

power to the people

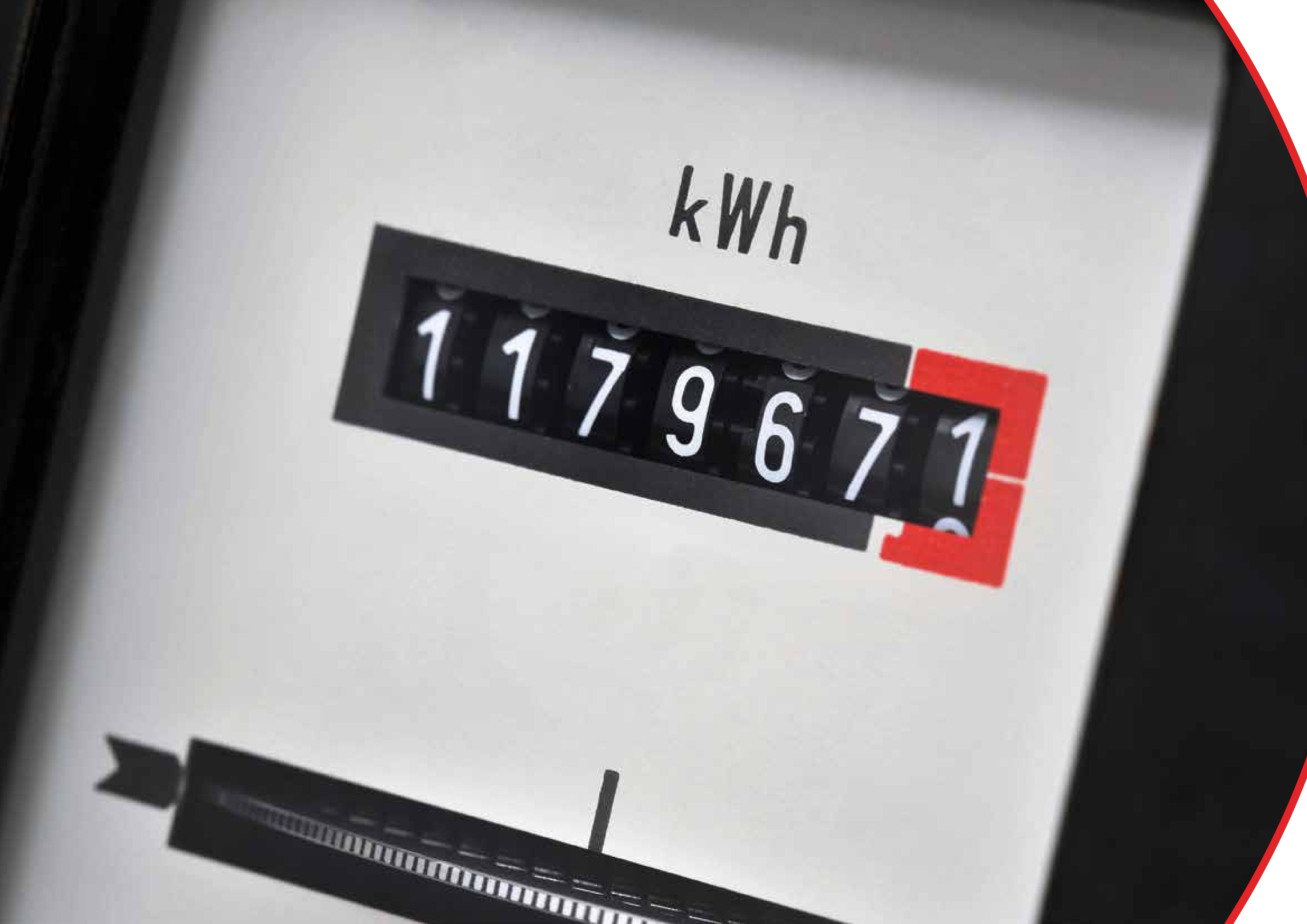

kWh
1179671

Table of Contents

Vision, Mission & Values

VISION

Electricity for all by 2020.

MISSION

To distribute and supply affordable, reliable and accessible electricity to all in the Erongo region.

VALUES

Integrity	|	Accountability
Commitment	|	Customer Focus
Empowerment	|	Teamwork

Corporate Profile

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, began trading on 1 July 2005 within the context of the Namibian Government's National Development Plan.

Erongo RED was formed through the merging of the electricity distribution services of various municipalities and town councils in the Erongo region, namely the Municipalities of Walvis Bay, Swakopmund, Henties Bay and Omaruru, the Town Councils of Karibib, Usakos and Arandis, the Erongo Regional Council, and NamPower. Each of these institutions remains shareholders of Erongo RED. The creation of RED's was an initiative of the Electricity Supply Industry (ESI) and Electricity Distribution Industry (EDI) restructuring policy and serves to stabilise electricity prices and ensure reasonable, affordable and cost reflective tariffs to electricity consumers by distributing and supplying electricity through economies of scale and the pooling of human and operational capital resources.

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

The core business of Erongo RED is the distribution and supply of electricity within the vast region of Erongo. To facilitate this, Erongo RED has successfully acquired distribution and supply licences which remain valid until 2030. The company was also granted a generation licence in 2006 for an embedded power generation in the form of a 220 kW wind generator near Walvis Bay, which will be the first known network-connected wind generator in Namibia.

Chairperson's Report 2016

TN Nambala
Chairperson:
Board of Directors
Erongo RED

Our strength as a company is deeply rooted in our desire to serve our region and the country as a whole.

On behalf of my fellow board members, I would like to share with you the milestones which we have attained, and the challenges we have overcome during the period under review. This report also highlights the strategy we have developed to fulfil our mission "to distribute and supply affordable, reliable and accessible electricity to all in our region". I am pleased to report that Erongo RED has once again showed its commitment to bringing much needed service to the people of the Erongo region. The year under review has marked an important milestone for Erongo RED as the company celebrated its 10 year anniversary in July 2015. This demonstrates that the company has matured and established itself as a force to be reckoned with in the electricity supply industry.

Despite industry related challenges, we have exceeded many of our own expectations. During the current financial year ended 30 June 2016, the company's revenue has increased by 12% from N$ 860,998,221 in 2015 to N$ 966,880,767. The company has recorded a net profit after tax of N$ 45,115,941 for the same year. This represents an increase of 2% of net profit after tax from the prior year's figure of N$ 44,251,192. This increase is driven by a growth in revenue of 12% and operating expenditures remaining constant compared to the previous year.

Net cash flows remained virtually unchanged during the year, as extensive investing activities were financed by the loans advanced by the Development Bank of Namibia, as well as by the National Energy Fund administered by the Ministry of Mines and Energy.

After careful consideration of the company's results and financial position of 2015, a dividend of N$ 9,690,715 was paid during the year.

Achievements

During the period under review, Erongo RED has hosted representatives from various shareholding institutions at the Shareholders Summit in May 2016. The purpose of the event was to discuss and seek solutions to issues that affect the organisation, as well as to give shareholders a snapshot of the performance and progress on strategic projects of the organisation.

As part of our drive to bring electricity to every household in the Erongo region, I am happy to report that the Erongo RED management has succeeded in securing a loan from the National Energy Fund to bankroll ongoing electrification projects in the Erongo region.

The Board Charter of Erongo was also successfully aligned to the NamCode. The Board places great importance on the corporate governance, and this

Charter reflects the Board's position. Our desire is to ensure that the company adopts and complies with the best practice principles and all applicable laws in order to address corporate governance issues. The alignment was successfully completed and all Board members have since attended training on corporate governance.

As part of Erongo RED's drive to build and nurture relationships with its stakeholders, the Board's Sub-committee the Stakeholder Engagement Committee has approved the stakeholder engagement strategy and plan. This plan will assist the company in building mutually beneficial relationships with its stakeholders. During the period under review, the committee has convened engagements with media, various ministries, business and bulk customers. The company also convened meetings with all shareholders and the general public in various towns across the region in order to brief them on the tariffs and operations of the company.

Furthermore, Erongo RED has embarked on various Information Communication Technology (ICT) related projects. At the Board level, we are conscious of the importance of technology. It is for this reason that we are progressively embracing digital technology by expanding our pre-payment-vending footprint through cellphone vending. We have also introduced the Automated Meter Reading technology (AMR), Call Centre, SCADA and many other technological applications in Erongo RED.

Challenges

One of the biggest challenges being addressed is to systematically provide electricity to our citizens in remote parts of the Erongo region where there is currently no access to electricity. Hence, the challenges faced by Erongo RED are directly linked to the society it serves as the company is continuously expected to bring electricity to our consumer at the lowest cost, while the cost of bringing this commodity is increasing steeply.

Another challenge for Erongo RED is the ongoing theft of copper, resulting in significant damage to the electrical infrastructure and network. However, despite this challenge, Erongo RED has maintained an uninterrupted supply of electricity by investing in and upgrading our existing electrical infrastructure. At Erongo RED we continue to do our utmost best to carry out our mandate of supplying and distributing electricity efficiently to all our customers, hence the measures to mitigate the impact of these unscrupulous activities.

We are aware of the importance of electricity usage not only for household purposes but also for industrial usage. As we have learned throughout the history of our company, the key to success is getting the big things right, innovating and investing smartly and challenging ourselves to come up with smart solutions. For three consecutive years Erongo RED has been able to pass tariff increases which were lower than those of the national utility (NamPower) in order to reduce the impact of high electricity costs on our customers.

Going Forward

Demand for electricity has grown significantly in the last ten years and has consequently been gradually outstripping supply as there has been no major investment made in electrical infrastructure besides maintenance. The Walvis Bay upgrade is near completion

Chairperson’s Report 2016

and a similar upgrade in Swakopmund, with international standards, is also planned.

Continuity of supply to the towns and villages in the Erongo region is of utmost importance to Erongo RED. An interim upgrade has already been completed in Swakopmund. However, due to the escalating demand for electricity, Swakopmund requires further upgrading.

It is thus crucial that everyone understands the importance of these investments. At Erongo RED, our priority has always been to make sure that the electricity network is robust to meet increasing demand as economic conditions improve. This investment is necessary if we are to ensure not only foreign direct investment but also regional economic and social development. Our vision is “to bring electricity to all by 2020” and upgrading our network will be crucial for us to live up to it.

Once completed, an upgrade of this nature ensures reliability, enables critical upgrades to be undertaken, reduces network constraints and minimises unplanned interruptions. Getting our grid robust will give investors the confidence to capitalise on the Erongo region and sustains our economic growth. The development of these essential infrastructures is a collective responsibility and requires all role players including shareholders, local communities and businesses to support this initiative as we create infrastructures for tomorrow.

We furthermore seek to intensify our involvement in alternative energy by diversifying our energy mix. In the past we have focused on roof-top generation. However, our renewed focus is to aggressively enter the renewable energy field beginning with the Arandis Solar Plant and going forward, Erongo RED should become an equity partner in such projects.

As part of our vision to bring electricity to all by the year 2020, Erongo RED has focused on providing electricity to people who were not yet connected to the grid. Erongo RED will continue its drive to bring this vital commodity to the unconnected. Settlements such as Okombahe, Omatjette, Anixab, Otjohorongo and Tubusis have been earmarked for electrification in this financial year.

The progress we are making on these strategic projects is highly encouraging. We are confident in our vision, our mission and our corporate values and we will continue to push ourselves to the limit in order to meet the expectations of our shareholders and our customers. Each successful household connection is a step in the right direction. We are continually striving to create not only a successful business, but also a company that is an essential catalyst for regional and national socio-economic development.

I am deeply proud of the entire Erongo RED family, including all of our shareholders, for their unwavering support. Together we share in the excitement of our bright future and opportunity to build our company, our brand, our Erongo RED.

“As part of our vision to bring electricity to all by the year 2020, Erongo RED has focused on providing electricity to people who were not yet connected to the grid.”

Chairperson BOD
Mr. TN Nambala

Chief Executive Officer's Report 2016

"Our strong performance is due to the successful implementation of our strategies by a dynamic team of committed individuals".

The year 2016 has proven to be another successful year for Erongo RED due to strong financial and operational performance during the period under review. This performance has enabled us to improve our competitiveness and create value for shareholders.

In line with our long-term vision "to bring electricity to all by 2020", we have continued to implement strategies aimed at ensuring that each household in our region has access to electricity. Over the last three years we have already made significant strides towards achieving this goal. Our clear focus on this strategy coupled with the dedication of all of our employees has proven critical to delivering a strong performance, despite a highly volatile and challenging business environment.

Prevailing supply deficit is among many of the challenges faced by the electricity industry, not only in Namibia but throughout most of the SADC region. Despite this challenge, NamPower has done very well in allowing us to ensure an uninterrupted supply of electricity in order to attract private sector investment and further promote the Erongo region as an industrial hub for commerce and trade. One way we are accomplishing this is by diversifying our energy supply mix with embedded solar generation.

The growth in emerging markets has continued to slow to around 4% for the period under review. This is attributed primarily to lower growth rates in China and recessions in a number of other emerging markets such as Brazil. This volatility in the global market has thus affected the electricity supply industry as well since most energy trading transactions take place using foreign currencies, which naturally places tremendous pressure on distributors since they are required to supply electricity at a reasonable price while at the same time bringing this commodity at an ever increasing price.

During the period under review, Erongo RED's kWh unit sales have declined to 435 790 934 units, which is a 1.17% decrease compared to 440 986 330 units sold in the previous year. Our losses were 9% which remains within the percentage of allowable losses. The decrease in units sold is primarily driven by an industrial strike in the fishing industry, coupled with an increase in solar in-feeds.

Despite our efforts to hit the billion Namibian dollar (N$) mark, our profits before tax have decreased from N$ 65.7 million in 2015 to N$ 62 million for the period under review. This represents a 6% decrease over the last financial year, and was driven mainly by the ongoing investment in strategic projects. Erongo RED's gross

Robert Kahimise
Chief Executive
Officer:
Erongo RED

profit increased from N$ 306.3 million in 2015 to N$ 340.5 million during the period under review. This is as a result of continuous improvement in our spending patterns and a strict adherence to the Procurement Policy and Procedures, as well as prudent cost containment measures that the company has put in place.

Moreover, I am happy to report that the company's total assets have grown by 28.6%, to a value of N$ 1.4 billion (2015: N$ 1 billion), which was driven mainly by investment in property, plant and equipment, pre-payments to NamPower for bulk upgrades and other financial assets.

In summary, we have delivered yet another excellent performance for Erongo RED in 2016. The growth in unit sales, profit and return on investment shows that the company's financial outlook remains positive. However, continuous and strict control is required in order to maintain and improve its financial position and shareholder value.

Over N$ 15.3 million has been spent on maintenance of electrical infrastructure across the region during the review period. This includes maintenance and replacement of broken kiosks, replacing stolen earth wire in substations, repair of network faults (cable and reticulation), street lights, traffic lights and high mast lights and medium voltage infrastructure. As a result of the economic growth in the region triggering demand for this vital commodity, we have spent significant amounts on network extensions and connecting residential, business and bulk customers.

The Electricity Control Board (ECB) has granted Erongo RED an effective average tariff increase of 7.7 percent during the period of review. As a result, Erongo RED has passed the approved average tariff increase on to all customers effective 1 July 2015. For the third time since its inception, Erongo RED has passed average tariffs which are effectively lower than NamPower tariffs on to consumers. The approved tariffs mean a low increase, which forms a part of our strategy to cushion the impact of electricity increases on our customers, particularly pensioners and low income group members of our community. All registered pensioners and low income customers enjoy one of the lowest tariffs in Namibia at N$1.26 per kw per hour for the first 250 units.

Our commitment to continuous training and development of employees is reflected in service excellence and efficiency across all of our business units. In 2016 approximately 85% of our workforce attended various skills upgrading courses, both technical and non-technical. Furthermore 25% of our staff are busy with undergraduate and post-graduate qualifications at various universities through distance education. In addition, we continue to supplement government efforts in employment creation by having increased our workforce from a staff complement of 289 in 2015 to 301 in 2016.

Our strong performance is due to the successful implementation of our strategies by a dynamic team of committed individuals. The electricity supply industry is dynamic, hence the need for capable leaders in strategic positions. During the review period, our executives and managers have been exposed to numerous leadership seminars, workshops and training opportunities in order to harness and foster a unique performance culture.

Through our Public Relations and Marketing section, we have convened engagement sessions with our stakeholders to build new relations and strengthen existing ones. At Erongo RED, we believe that fostering strong relationships with all of our stakeholders is a critical success factor and has helped us to grow our share of sales in 2015.

We aim to continuously streamline our strategies in order to improve our operational service excellence and efficiency. We made significant progress with our flagship "power to the people" project in 2015. We have successfully connected 110 houses with electricity in Otjimbingwe. This brings the total number of houses connected through the "power to the people" project to 400, and this project will continue to operate until we have achieved our objectives. In early 2016 we successfully launched yet another phase of various electrification projects in five localities of which by June 2016, 411 dwellings were connected.

A diverse workforce that blends different cultural backgrounds and work experiences is an important factor for success. We actively manage diversity and have made significant progress over the past number of years. In 2016, our entropy level was 15%, a double digit decrease from 30% in 2014.

Erongo RED has developed both a five year Strategic Plan (2015 to 2019) and a Strategy Map which will guide the company towards delivering key objectives. The Strategy Map is based on the balanced scorecard methodology. During the period under review we have endeavoured to deliver on these key objectives so as to ensure a sustainable company, which in turn provides widespread access to electricity, good customer service and quality of supply undertaken in an effective and efficient manner.

The Board has selected a number of Key Performance Indicators (KPIs) to be measured and monitored on a monthly basis, and these KPIs form the Erongo RED monthly dashboard, as follows:

- Percent increase in sales [N$]
- Liquidity ratio : current ratio
- Percent of audit improvement notices closed-out
- Percent connected customers on customer friendly tariff structures & new technology
- Number of new service connections to rural residents p/yr.
- Energy losses
- Percent staff turnover (voluntary)

The period under review has proven to be an excellent period for Erongo RED. Not only did we achieve a strong financial and technical performance, but we have also continued to implement our strategies successfully, and have laid a strong foundation that supports regional economic growth.

Chief Executive Officer's Report 2016

N$1.26

per kilo watt per hour for the first 250 units.

I would like to thank all Erongo RED employees for their dedication and contribution to our excellent business performance. I would also like to thank our Board of Directors for their valuable advice and directives. A word of gratitude also goes to our shareholders, for their continued trust and support. And finally, I would like to thank our customers around the region and beyond for their confidence in our company and for entrusting us to manage this vital commodity on their behalf. Everyone at Erongo RED is fully committed to our strategy and targets, and we will continue to devise and implement strategies that will boost our efforts in delivering excellent service.

Chief Executive Officer
Mr. Robert Kahimise

Corporate Social Responsibility

Erongo RED was formed through the merging of the electricity distribution services of various municipalities and town councils in the Erongo region, namely the Municipalities of Walvis Bay, Swakopmund, Henties Bay and Omaruru, the Town Councils of Karibib, Usakos and Arandis,the Erongo Regional Council, and NamPower.

In addition to the given mandate to distribute and supply electricity, Erongo RED also supports community initiatives through its Corporate Social Responsibility Committee. The Committee is responsible for the implementation and facilitation of all corporate social responsibility related activities and projects. During the period under review, Erongo RED injected over N$ 600,000 on various social responsibility projects.

Erongo RED undertakes a broad range of activities across a wide spectrum of community development areas. These activities are concentrated in the Erongo Region, although the company also supports such activities in other regions.

Community Development

N$ 600,000+

spend on CSR activities

At Erongo RED we believe in contributing to the uplifting of communities within the area of our jurisdiction by focusing on the development of small, medium and micro enterprises within these communities. The objective is to improve the livelihoods of the people and to bring their communities into the mainstream economy. Erongo RED also actively supports community projects such as orphanages, old age homes and community centres. Furthermore, the company actively donates to people affected by fire related accidents, drought or other disasters. Another key initiative undertaken by Erongo RED is providing subsidised electricity in line with approved social tariffs and to supplement the local and national government by participating in disaster relief programmes, e.g. community assistance during floods, drought relief etc.

Education

Education is a key focus area of our Corporate Social Responsibility drive. It focuses primarily on the sponsorship of scholarships to gifted Namibians who seek to further pursue their studies. Erongo RED grants sponsorships in the form of academic prizes to high performers, assists in the renovation of dilapidated public school buildings, conducts career talks, offers bursaries and job attachments. Erongo RED also offers skills development training to communities that endeavour to build schools, school halls and other educational infrastructure needs.

Sports

Erongo RED is committed to the development of sports in Namibia.,and sponsors a number of sporting events including athletics, soccer, gymnastics, karate and Para sports. We believe that these events contribute to promoting unity, celebrating diversity and stimulating a healthy life style. Erongo RED sponsors promising sports persons and sporting events. Our sponsorship has helped to create an environment conducive for participation and hosting of various sporting activities.

Corporate Social Responsibility

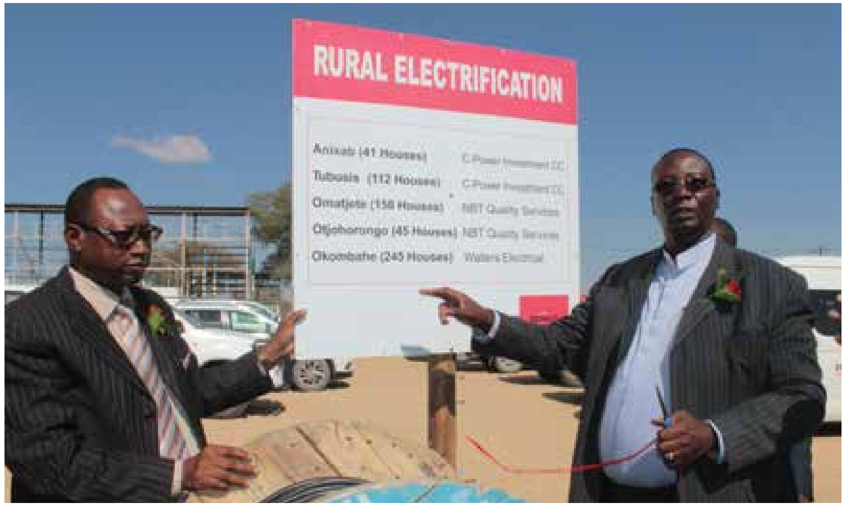
Environmental

Environment remains another primary focus of Erongo RED's corporate social responsibility. Businesses, regardless of size, have large carbon footprints. Any steps that a business may take to reduce its footprint is a move in the right direction for the company and society as a whole. Erongo RED recognizes the importance of preserving the natural environment as nature sustains all life on Earth for future generations, and a safe and healthy environment consequently ensures that humanity can enjoy a healthy and enriched life. We participate in and sponsor environmental awareness campaigns (e.g. the cleaning up of streets, parks and beaches, and the support of conservation initiatives and programmes such as the Green Initiative).
Erongo RED commits to continually take into consideration the environmental impact of any project during planning, design and implementation thereof.

Community Events & Functions

Erongo RED sponsors national and local charities as part of the company's social responsibility initiative. This is facilitated by making contributions in the form of financial assistance or usage of free electricity at community events such as sporting events, exhibitions, fund raising gala dinners and mayoral relief funds. Erongo RED furthermore supports family fun days for employees and their families.

The graph above shows % sponsorship per Erongo RED sponsorship focus area.


RURAL ELECTRIFICATION


FNB
NOT TRANSFERABLE
11/07/15
ETUNDA FARM PRIMARY SCHOOL AND CLINIC
TEN THOUSAND
NAMIBIAN DOLLARS
N$ 10 000.00


ERONGO

The Financial Administration Business Unit 2015 - 2016

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

Freddie Vries
Executive Manager: Finance and Administration

During the past year, the Business Unit implemented new strategies to balance the responsibilities of cost control, working capital management and the generation of acceptable returns on funds employed. Particular attention is paid to the long-term capital projects' progress in order 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.

Real growth has been observed in terms of units sold amounting to a 4% contribution to the total growth in regulated Revenues of 12.3%, which translates to N$ 966,9 million (2015: N$ 860,9 million) increase over the 2014/2015 financial year. Cost of sales increased by 12.9% to N$ 626.4 million (2015: N$ 554.7 million) given the annual tariff increase of 13.9% by NamPower over the 2014/15 financial year. However, the impact of ever increasing NamPower tariffs has resulted in a further decline in the GP%, from 35.5% (in 2015) to 35.2%. The main contributing factors include:

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

Whilst the company is committed to providing access to electricity through subsidisation of certain customer groups and by absorbing the impact of NamPower increases, this places additional downward pressure on our profit margins and as such annual tariff concessions must be treated with prudence.

In spite of the reduction in gross profit margins, the company recorded an increase in profits of 1.95% amounting to N$ 45.1 million (2015: N$ 44.3 million).

The Financial Administration Business Unit 2015 - 2016

This is attributed to continuous improvement of our spending patterns and subjecting all purchases to the Procurement Policy and Procedures, as well as returns earned from land development investments.

The cost of electricity purchases forms the biggest portion of total costs, and has increased from 64.4% in 2015 to 64.7% of total regulated revenues for the year under review. In spite of bad debt adjustments the total operating cash increased by 25%.

Operating profit has increased by 10.86% to N$ 73.6 million (2015: N$ 66.4 million) due to an increase of 12.3% in regulated sales revenue and growth of other income by 94.6%, mainly consisting of returns earned from land development investments in the Swakopmund business area. The cash injection provided by the DBN loan has improved the cash position of the company, coupled with continuous monitoring of policies aimed at cost containment and optimal working capital management.

The company's total assets have grown by 28.6% to N$ 1.4 billion (2015: N$ 1.1 billion) which was driven mainly by property, plants and equipment, pre-payments to NamPower for bulk upgrades and other financial assets. In order to finance the approved capital expenditure budget, the company raised over N$ 162 million (2015: N$ 121 million) in loans from Development Bank of Namibia (DBN) and the National Energy Fund.

The company's financial outlook remains positive, nonetheless continuous strict control is required in order to maintain and improve its financial position and stakeholder value.

11%
operating profit

12.3%
regulated sales revenue

CREDIT CONTROL

The credit control and risk management division is tasked with maximising cash flow and minimising financial risk for Erongo RED.

Debtors Book

The total debtors outstanding closed at N$ 100 million accompanying figure which is approximately 8% lower than the closing balance as at 30 June 2015.

The company's average debtors' has improved to 48 days, compared to balance of 53 days as at 30 June 2015. Debt outstanding for 90 days or longer has been effectively reduced from 28% to approximately 17% of total debt. The company has maintained a collection rate of around 90 percent for the past year.

In an attempt to assist defaulting domestic customers, the company has embarked on a debt management strategy. This approach enables disconnected customers to be provided pre-paid electricity and for the outstanding debt to be systematically repaid by first allowing a portion of the amount tendered to purchase prepaid to the outstanding debts.

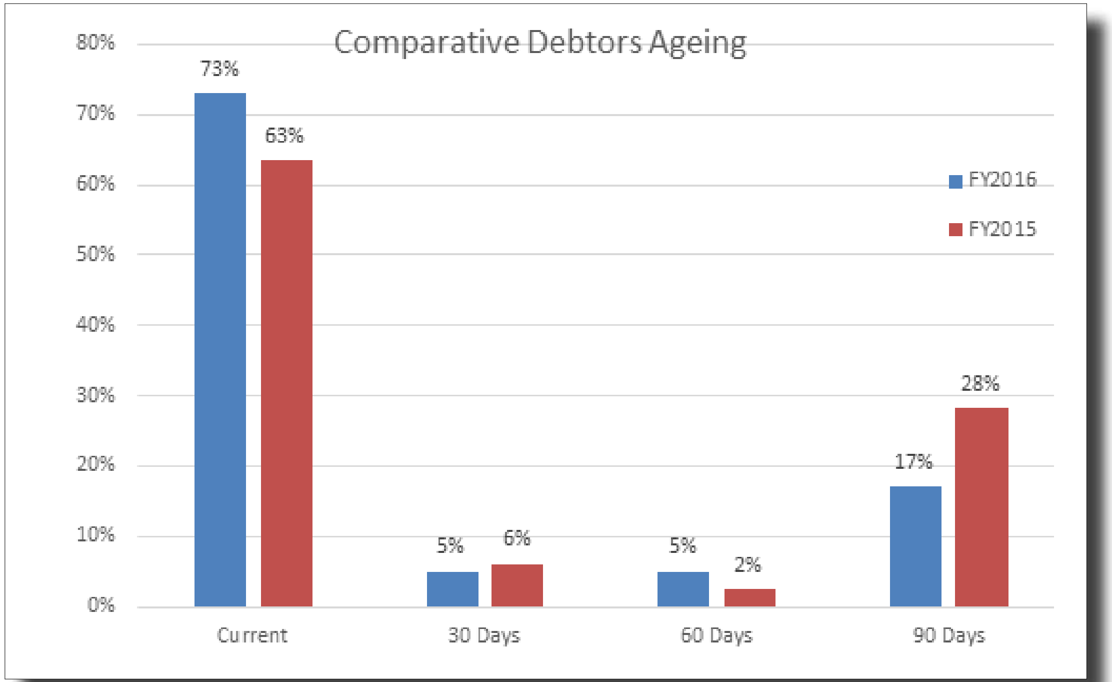
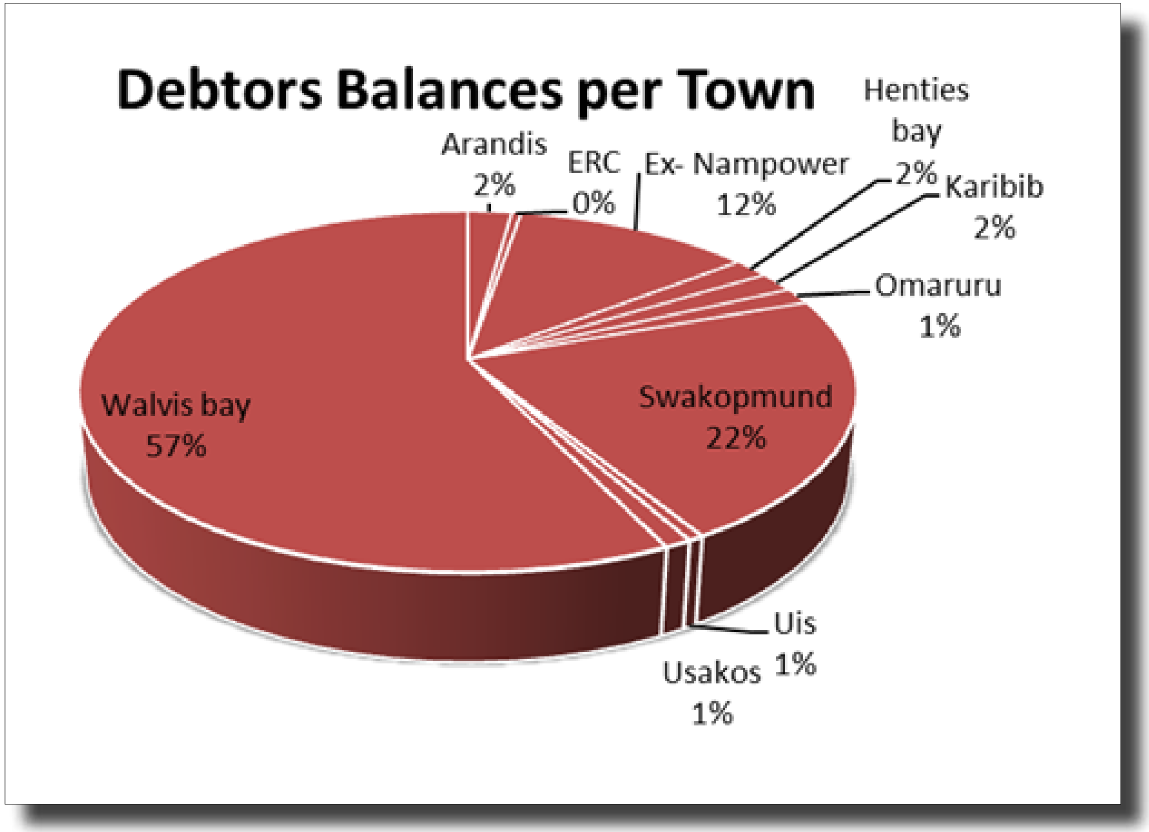


Figure above illustrates the spread of the debtors' balances according to ageing (excluding VAT).

Debt Management

This debt management process continues to be a viable alternative debt collection tool, and a total of N$ 1,665,524 of the outstanding debt has been ring fenced under debt management since its inception three years ago. For the past year 41 accounts amounting to N$ 317,993 have been allocated under debt management. A total of N$ 310,899 has been collected for the period 1 July 2015 to 30 June 2016.

The total debtors' balances per town are depicted in the chart on the right.



N$ 310,899

Total debt collected through prepaid debt management

Suspension Process

The suspension process for all defaulting customers is applied strictly according to the credit control policy. The payment due date for accounts is on the 7th of each month or on the next working day should the 7th fall on a public holiday or over a weekend. Repayment arrangements are allowed during this period and no arrangements after the payment due date can be accepted as the cut-off list is drawn immediately after the payment due date.

Monthly statements are issued, but if a customer has not received a statement of account they will not be relieved of their obligation to settle the account by the payment due date. The company has introduced a “SMS” notification service to all domestic customers on the cut-off list.

During 2015 financial year, the DSO ranged between 46 and 80 days, a relatively smooth graph is however recorded during the 2016 financial year, with a slight spike during November 2015 and January 2016.

Debtors Days of Sales Outstanding

The average days of sales outstanding (DSO) is shown in the graph above

The DSO is influenced by the operations of significant customers such as government ministries that have poor payment records between November and January.

The poor performance is largely attributed to key personnel being on study and annual leave at the time. Closer working relationships are being fostered with these customers as key stakeholders.

RISK MANAGEMENT

Erongo RED has an enterprise risk management framework in place which is in-line with industry best practices and is stakeholder value-based, organisationally embedded, supported, assured and reviewed on a continuous basis. Our major risk categories are Financial, Operational, Strategic and Governance risks. During the annual review process the company has identified the top 15 strategically important risks in terms of the company's 2015 – 2019 strategic plan.

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, implementing of reasonable and cost reflective tariffs, customer service and revenue protection services. Providing customer service excellence ensures that our customers and shareholders remain satisfied. Customer service excellence therefore grants Erongo RED the advantage it needs in order to survive in a competitive and increasingly uncertain business climate.

Citizens of Erongo Region are our priority and demands more from Erongo RED. We are excited and pleased to deliver on our mandate and thus the Business unit is continuously looking at ways to deliver Customer Service excellence in order to improve customer relationships, operational performance as well as the overall image of Erongo RED.

The Supply Business Unit thus creates more effective and strategic relations with its stakeholders by having established Committees, such as the Consumer Liaison Committee and meeting platforms with various other customer groups as well as holding public meetings annually. Communication efforts have also been streamlined among business units to share customer experiences and employees understand much better how their individual roles impact our valued customers.

Nico Niemand
Executive Manager: Supply Business Unit

Due to industrial activities taking place in the fishing and mining industries, there has been a significant increase in demand for electricity in the region. Erongo RED is vigorously upgrading its network and capacity in various towns to accommodate this sharp increase in demand. During the review period, Erongo RED has sold 435,790,934 units compared to 440,986,330 units during 2015, which is a 1.17% decrease in units sold. Our average losses are 9% which is within the acceptable regulated standards of a 10% benchmark.

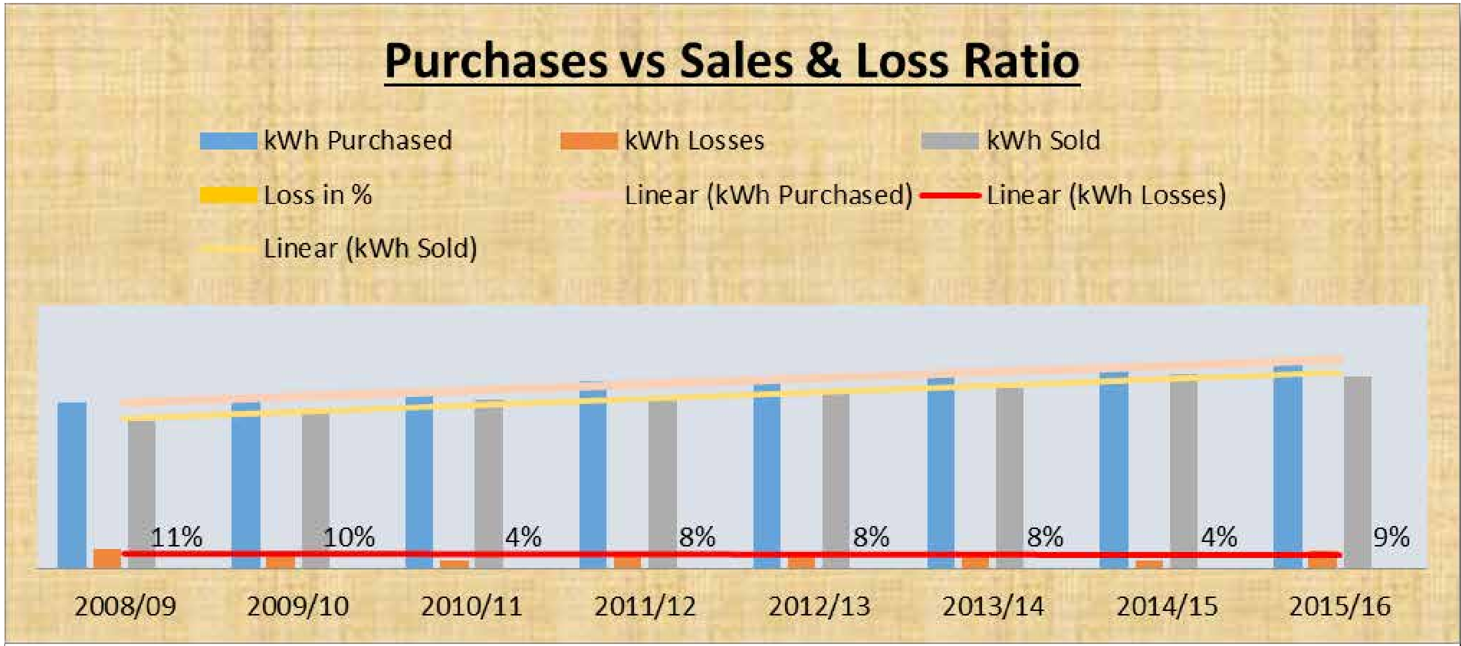
Underneath is summary of projects undertaken for the year under review in an effort to deliver on our Vision:

- Rolling out Pre-paid meter installations - 2416 meters installed for the year under review of which 69% (1 661) where free pre-paid meter installations for pensioners / people living with disability and single phase customers with below 30 Amp connections
- Conversion to Automatic Meter Reading (AMR) - Bulk customers, Ex-NamPower customers which is mostly the farmers and Three Phase customers has been converted to AMR, in total 746 customers are on AMR
- Conversion of Three Phase customers to Time of Use (TOU) – 53 customers were converted to TOU for the year under review, the aim is to have all three phase customers on TOU
- Introduction of Net Metering – due to billing system challenges the project was only partly introduced to the new customers The old Solar in-feed customers remained on Solar in-feed tariff; we are aiming to fully implement the Net Metering project in the upcoming financial year. The total number of in-feed customers for the year under review was 137 and the kWh imported is approximately 1 241 999 units, which constitutes less than 1% of the total units consumed for the year under review
- Replacement of 3 phase Disc-meters to Programmable (1140 and 1700) meters, Area 1 – 80% complete, Area 2 – 70% complete
- Replacement of all Plessey meters – Usakos and Ozondje completed and the company is busy with similar project in other towns
- Auditing of all metering points and Circuit Breaker verification and adjustment as per the Billing System (E-Venus), Usakos completed the company is busy with similar project in other towns as well

Supply Business Unit

Our average losses for the year under review are at an acceptable standard of 9%, below the industry benchmark of 10%.

Year	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
kWh Purchased	376,200,499	391,164,972	399,886,601	424,673,817	432,122,942	444,391,684	458,163,824	476,499,156
kWh Losses	42,385,168	37,267,688	15,526,489	35,975,177	32,949,965	34,785,169	17,177,494	40,708,222
kWh Sold	333,815,331	353,897,284	384,360,112	388,698,640	399,172,977	409,785,515	440,986,330	435,790,934
Loss in %	11%	10%	4%	8%	8%	8%	4%	9%



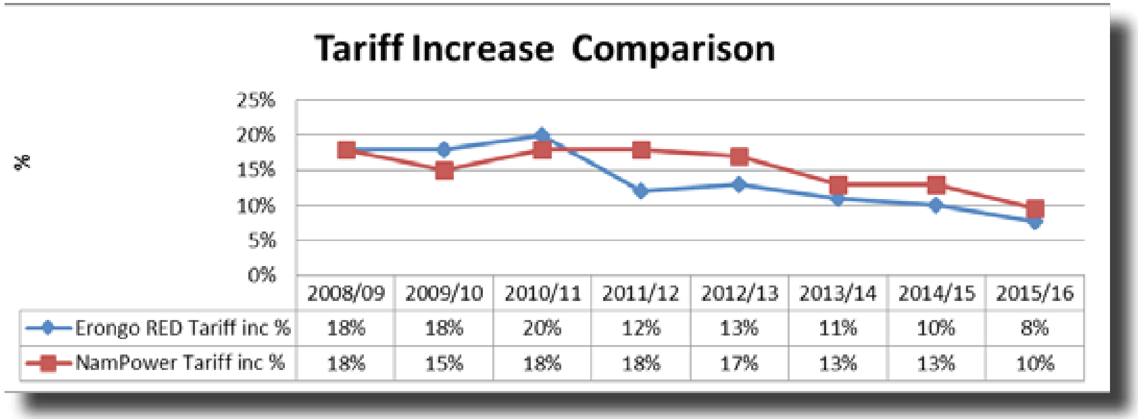
The table and the graph depicts the units purchased from NamPower, annual units sold and the annual units lost. Energy losses are within the allowed benchmark rate of 10%.

Tariffs

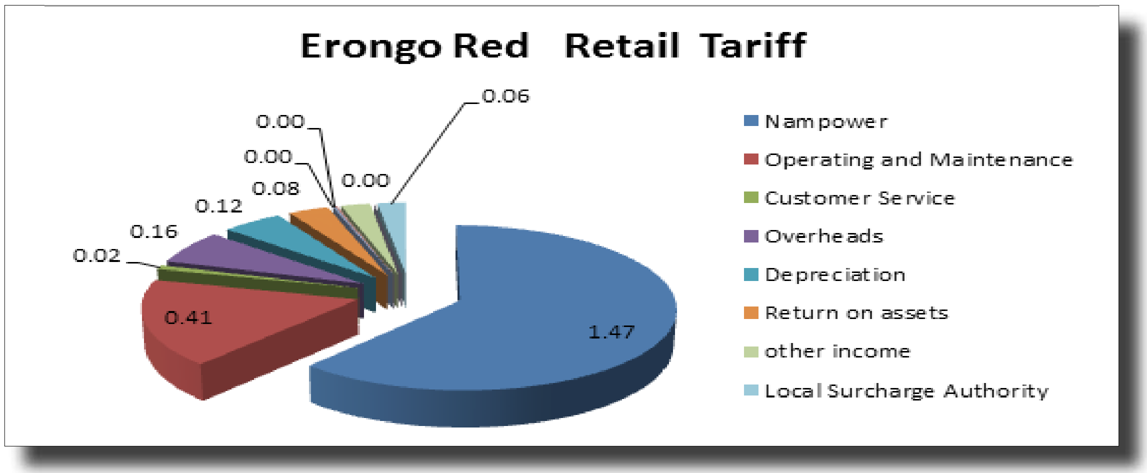
Erongo RED's approved average tariff increase for 2015/2016 Financial year was 8%, 2% below the NamPower approved average tariff increase for the 2015/2016 financial year which was 10%. Erongo RED has implemented measures to cushion the impact of electricity increases to the end consumers, by introducing inclining block tariff system and passing increases below NamPower.

Tariff Harmonization:
Erongo RED has managed to harmonize 95% of the Tariffs with the exception of Uis, Erongo Regional Council and Ex-NamPower Three Phase tariffs. Erongo Red annually benchmarks its tariffs with other Electricity Distribution utilities for the purposes of alignment.

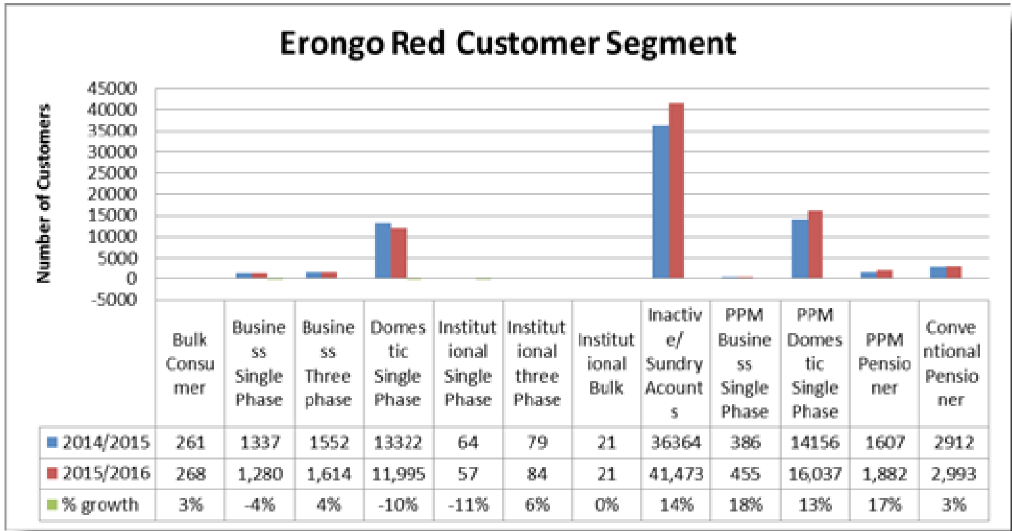
Cost Reflectivity:
Erongo RED ensures that tariffs are cost reflective, while at the same time trying to cushion the impact to the end consumers. Meaning the tariffs reflect the true cost of supplying electricity and remove the reliance on State Government subsidies to cover the variance between the current tariff and the true cost of supply of electricity. The average retail tariff for Erongo RED is N$ 2.26 for the 2015/2016 financial year, 65% of the revenue generated is spend on Electricity purchases from NamPower.



The below graph depicts the NamPower tariff increases over the last 8 years.



The graph above depicts a breakdown of the Erongo RED retail tariff in c/kWh for 2015/2016.



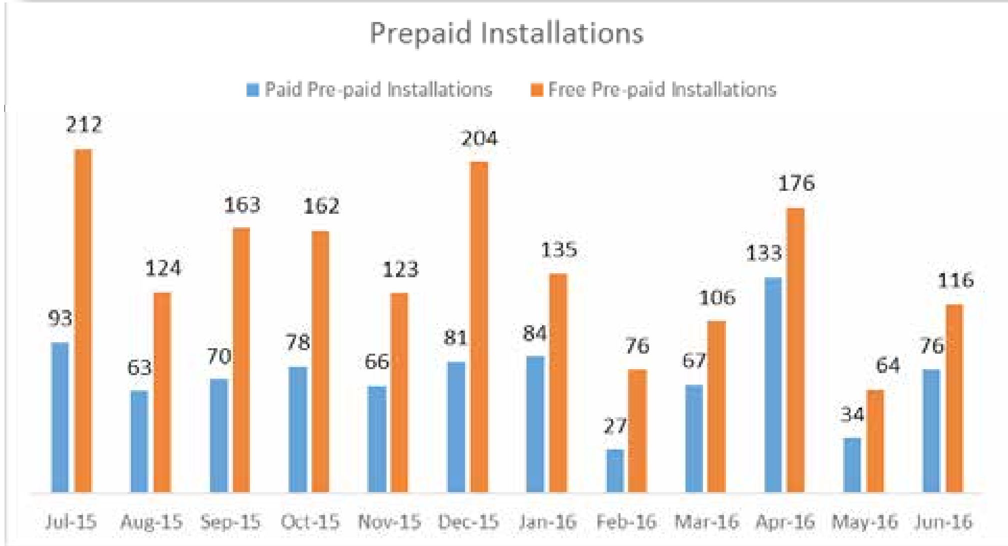
	Bulk Consumer	Business Single Phase	Business Three phase	Domestic Single Phase	Institutional Single Phase	Institutional three Phase	Institutional Bulk	Inactive/ Sundry Acounts	PPM Business Single Phase	PPM Domestic Single Phase	PPM Pensioner	Conventional Pensioner
2014/2015	261	1337	1552	13322	64	79	21	36364	386	14156	1607	2912
2015/2016	268	1,280	1,614	11,995	57	84	21	41,473	455	16,037	1,882	2,993
% growth	3%	-4%	4%	-10%	-11%	6%	0%	14%	18%	13%	17%	3%

The graph illustrates the Erongo RED Customer Segment

Subsidies

Erongo RED subsidises the pensioner tariffs by approximately N$ 14.5 million. The number of pensioners registered on this tariff increased by 17% during the period under review.

Furthermore, Erongo RED introduced free pre-paid meter installation project three years ago aiming 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. Since the introduction of free Pre-paid installations, the number of customers converting to pre-paid electricity has increased significantly over the years. This shows that 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.



The graph, illustrates the number of free Pre-paid installations versus the paid Pre-paid installations.

Call Centre

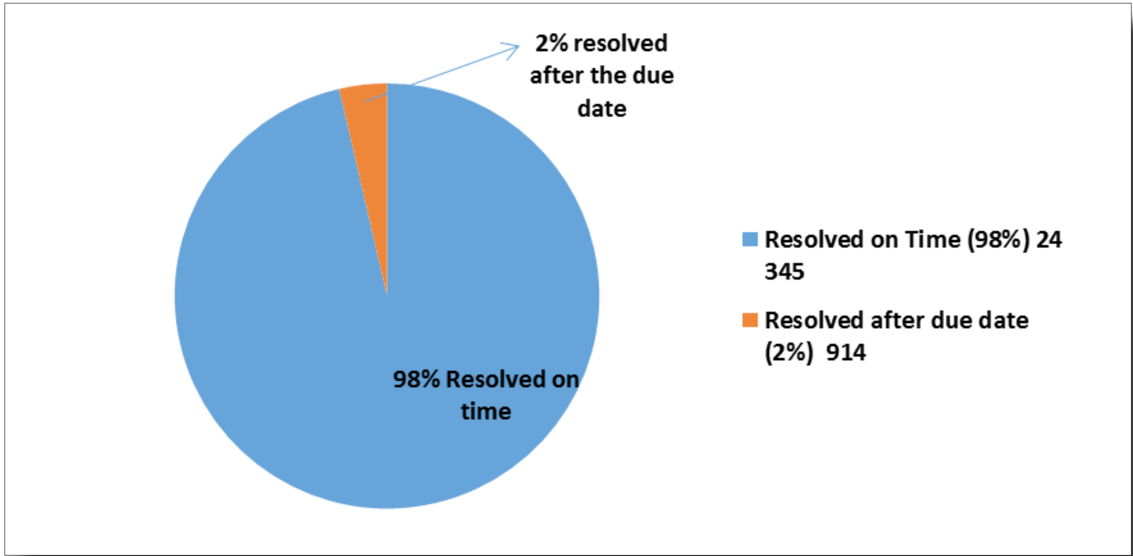
Communication with our clients is crucial and a large portion of this communication stems from the public through demands for service, complaints and enquiries. The process has thus been made simpler through the introduction of a Call Centre.

A one-stop Call Centre is now fully operational, with the addition of shifts being a consideration for the future. Lengthy waiting times during telephonic enquiries, long queues and a lack of clear answers regarding faults are only some of the issues that can lead to stress, frustration and annoyance for both parties, and these issues, we are confident, are now something of the past. Erongo RED has made it possible for clients to register, process and save enquiries in one place, meaning that the process of fault reporting is made easier for customers, and tracking thereof more efficient for the organisation.

The Call Centre system allows one to store information in one database, making internal communication more efficient. With everything 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, 98% of the calls logged were resolved immediately while only 2% were not resolved on time. The Call Centre has a toll free number (0819600) that has been in operation since March 2014 and a standby number (0811665058) that has been operational since July 2015.

DESCRIPTION OF CALLS	NUMBER OF CALLS
Number of Calsl Logged	25260
Resolved on Time (98%)	24345
Resolved after due time (2%)	914



The table and graph above depicts number of calls logged during the period under review.

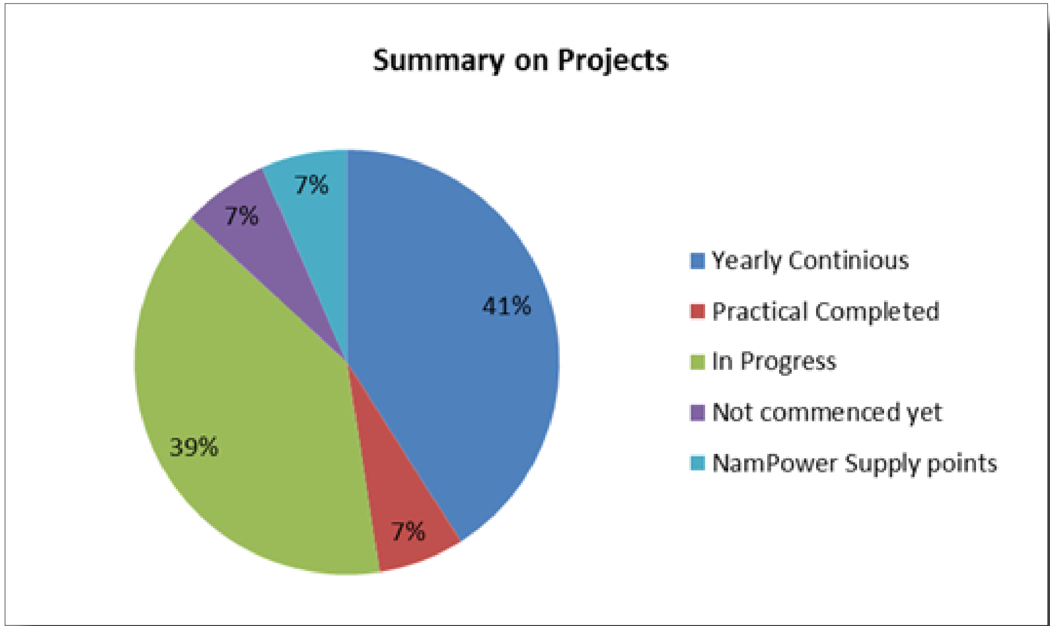
Network Engineering Business Unit

The Network Engineering Business Unit is responsible for Network Planning and Design, Organisational Information and Communications Technology (ICT), Project Engineering and Project Management.

Fessor Mbango
Executive Manager:
Network Engineering
Business Unit

The network Engineering Business Unit (BU) ensures optimum compliance with technical standards and specifications and allows Professional Project Engineering Services to meet the electricity needs of present and future customers by timeous stakeholder engagement, implementation of all approved planned projects, anticipation of 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 utilization of assets is fully optimized and remains so. Overall, the BU ensures systematic network expansion and rehabilitation.

For the period 1 July 2015 to 30 June 2016, a total budget amount of over N$ 175.6 million (N$ 125.7 million in mandatory projects and N$ 49.8 million in possible projects) was approved for new capital projects in addition to the amount carried over from the 2014/15 financial year. Possible projects are considered important projects; however their implementation depends on the availability of funds. The project portfolio is comprised of a total of 61 projects of which a number span multiple years. For the 2015/16 financial year, four projects were practically completed while 25 projects relate to annual continuous improvement projects.



The chart on the left depicts a summary of the aforementioned projects

Project Breakdown	# of Projects	Approved Budget	YTD Movement
Yearly - Continuous	25	120,869,233	50,229,474
Completed	4	135,338,591	118,265,301
In Progress	24	159,213,573	71,807,324
Not Yet Commenced	4	22,570,000	-
NamPower Supply points	4	139,500,000	127,880,761
Total	**61**	**577,491,397**	**368,182,862**

Network Engineering Business Unit

During the period under review, the Business Unit was involved in the following Erongo RED funded capital projects:

- **Rural Electrification Projects** Erongo RED has continued work on the Power to The People Projects. The aim of this project is to electrify existing dwellings that do not have access to electricity in Anichab, Tubusis, Okombahe, Omatjete and Otjohorongo localities, respectively. A total of over 600 houses/dwellings were identified for electrification at a cost of approximately N$ 12 million. Funds for the electrification of all five localities were committed during 2015/16 financial year and the projects are expected to be completed in November 2016.

- **Peri-Urban Electrification Projects** Over 200 houses/dwellings were identified for electrification. Electrification of 58 houses at Hakhaseb shack dwellers in Usakos and 20 Houses in Usab residential area in Karibib were completed at a cost of approximately N$ 2.2 million and approximately 168 houses in Sonskyn, and five Rand in Omaruru are expected to be completed within the second quarter of the 2016/17 financial year at an expected cost of N$ 3.3 million.

- **Erongo RED** has also successfully executed projects that include the supply and installation of street lighting in Usakos, Karibib, Omaruru and Arandis towns respectively, at a total project cost of approximately N$ 1.61 million.

- **The Mandume Intake Station's** construction and upgrade project in Swakopmund (from 20 to 30 MVA) is practically completed. The first phase, which entails the construction of the Intake station building, was completed to an amount of N$ 5.3 million. Phase 2 of the project (the supply, installation and commissioning of all the associated electrical and control infrastructure) was practically completed by December 2015 at a cost of approximately N$ 38 million. This is a fully automated switching station and the town of Swakopmund is currently being fed via this station with the performance being stable and reliable.

- **Walvis Bay Bulk Upgrade** is practically completed. The first phase, which included the new Paratus Intake Substation building construction, was completed to an amount of N$ 5 million. The engineering solution comprises a double bus-bar, three section 11kV switchboard arrangement. It is believed to be the largest 11kV solution in the world and is necessary for the transmission of 120 MW for current and future requirements. The substation is technologically advanced and utilizes full automation and SCADA functionality. The communication solution is based on the latest IEC61850 standards for substation automation, which will be the first deployment for Erongo RED. Phase 2 of the project was practically completed at a cost of approximately N$ 76 million. The NamPower portion of the project is expected to be completed by January 2017.

- **The Second Phase** of the construction and renovation of Walvis Bay's Erongo RED Head Office building has commenced. The project completion is expected by August 2017 at an expected cost of N$ 26 million.

- **The First Phase** of Ext 10 Henties Bay project, which includes the construction of the two substation buildings has been completed at a cost of N$ 700,000. The second phase, which includes the supply, installation and commissioning of the electrical infrastructure, is expected to be completed by September 2016 at a cost of approximately N$ 1.05 million.

- **The replacement of switchgear at two Primary Switching** stations namely Welwitschia in Swakopmund and 18th Road in Walvis Bay has commenced. The projects are expected to be completed during the 2016/17 financial year at estimated costs of N$ 900,000 and N$ 7 million respectively.

- **The first phase** of the new intake substations for **Karibib and Usakos** including the construction of the substation buildings was successfully completed at amounts of N$ 900,000 and N$ 1.2 million respectively. Phase 2 of the projects, which include the electrical infrastructure supply, installation, commissioning and change-over, were completed in June 2016 at costs of N$ 1.6 million and N$ 1.2 million respectively.

- **The second phase of the SCADA extension** programme has commenced and is expected to be completed during the 2016/17 financial year at an expected cost of approximately N$ 18 million.

- **The project to upgrade the supply of Arandis** from 2.5 MVA to 5 MVA has commenced and is expected to be completed during the 2016/17 financial year at an estimated cost of approximately N$ 8.2 million.

- **Erongo RED** has commenced with the Asset Verifications and Valuation Project during the 2015/16 financial period. The project will be completed during the 2016/17 financial year at an expected cost of N$ 2.6 million.

- **The Master Plan Compilation** project has also commenced during the 2015/16 financial year and is expected to be completed during the 2016/17 financial year at an expected cost of N$ 2.4 million.

- **Fibre Optic link installations project** commenced in the year 2015/16. Phase 1 of the project is to create a fibre link between Paratus and Erongo RED Head Quarters in Walvis Bay at a cost of approximately N$ 600,000. Phase 2 of the project will cover the installation of the fibre link between the Mandume and Erongo RED Technical buildings in Swakopmund and is expected to be completed during the 2016/17 financial period.

- **Erongo RED** has further embarked on various projects to increase reliability and availability through the upgrading of ICT infrastructure for the future growth of Erongo RED.

- **During the 2015/16** financial year, Erongo RED embarked on an ICT Audit Corrective Action (ICTACA) Project inclusive of the Disaster Recovery (DR). Erongo RED successfully implemented Voice over Internet Protocol (VoIP) telephony at its Headquarters (HQ) using the Telecom Namibia Openscape X5R product at a cost of almost N$ 300,000 The ICTACA project will be completed during the 2016/17 financial year at an expected cost of N$ 12.1 million.

- **The Enterprise Resources Planning (ERP)** system project is aimed to provide an integrated information system. This project will be finalised during the 2017/18 financial year.

Network Operations and Maintenance Business Unit

The Network Operations and Maintenance Business Unit is responsible for the reliability and availability of the electricity network through efficient and effective operation thereof, including compliance to quality of supply and the execution of network maintenance.

Claude Tjizo
Executive Manager: Network Operations and Maintenance Business Unit

The Business Unit was involved in continuous operations, maintenance and upgrading of the electrical network during the period under review and has achieved the following:

Maintaining the Electrical Network

The maintenance sections, of which there are three in total, are represented in all three areas and towns thereof, and are responsible for regular inspection, maintenance, repair and replacement of low, medium and high voltage faults on the electrical network within the Erongo region.

During the review period, the Business Unit spent 88 percent of the approved budget on activities related to core maintenance, repairs and replacement of equipment. This figure includes material, cost of equipment, service cost, but does not include the labour component of Erongo RED's internal resources.

Item	2013/14 Expenditure N$ (million)	2014/15 Expenditure N$ (million)	2015/16 Budget N$ (million)	2015/16 Expenditure N$ (million)	% Expenditure
Total maintenance; repairs & replacement	8.7 million	12.4 million	17.4 million	15.3 million	88%

The increase of expenditure was mainly as a result of the implementation and execution of a well-structured maintenance plan for all related infrastructure.

The following focus areas were identified and corresponding activities have been executed in various towns, areas and settlements:

- Maintenance and replacement of broken kiosks – considerable efforts have been made to repair all the broken kiosks across the region
- Replacing stolen earth wire in substations – during the period under review numerous substations were broken, vandalized and earthing wire removed by thieves. The stolen earth wires in the substations have been replaced.
- Network faults (cable and reticulations) – Erongo RED responded within reasonably accepted times in order to restore electricity to affected customers
- Street lights, traffic lights and high mast lights – Routine inspections and maintenance have been carried out on the street lights, traffic lights and high mast lights. A significant effort was made to improve the overall condition of high mast lights
- Medium voltage infrastructure – Various switchgear and transformers have been replaced and repaired as part of a continuous improvement approach. Various medium voltage cables were tested, repaired or replaced and this has been identified as one of the largest contributors to achieving more reliable networks.

Extension of the Electrical Network through Construction

The period under review proved to be a demanding year for the construction sections due to an increase in demand for electricity by residential and business customers. Electricity is a cornerstone of our economic growth and social development. The construction sections worked tirelessly to ensure that many of the planned capital and operational projects were completed.

The focus areas were:

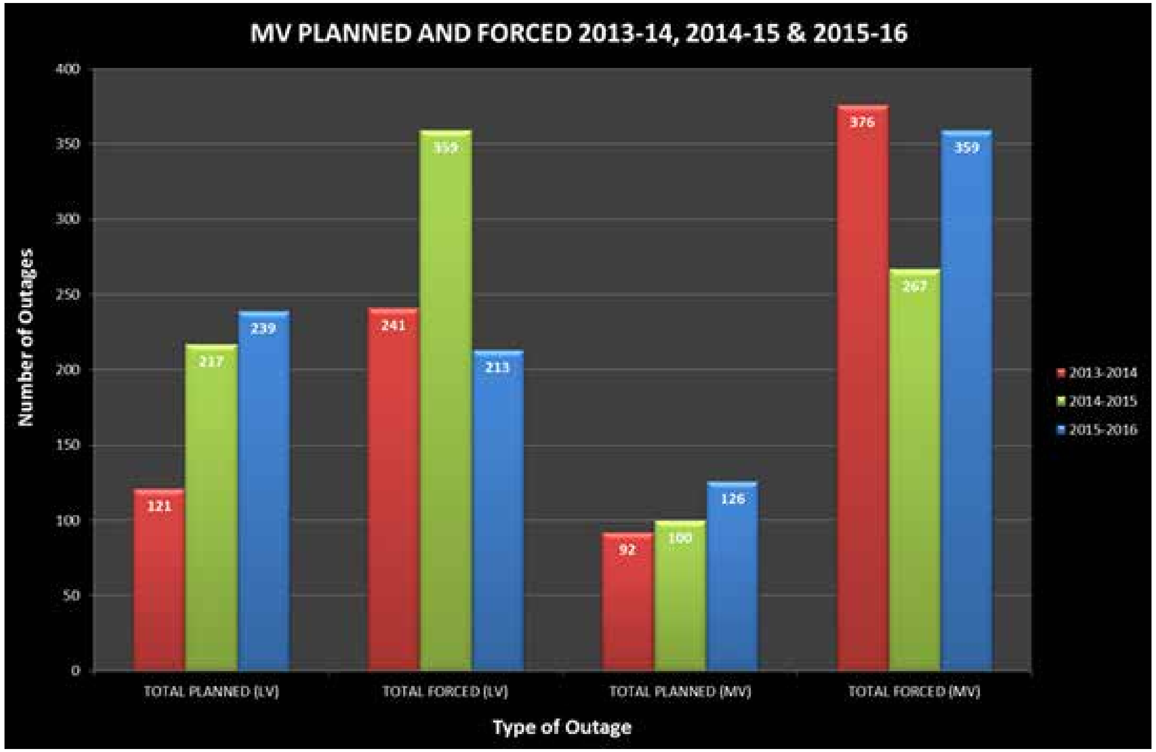
- Providing single phase electricity connections to residential and business customers;
- Providing three phase electricity connections to business and large power users;
- Providing bulk supply connections to Large Power Users at 11kV.

Efficient and Effective Operation of the Network

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

During the period under review, the section has been able to respond timely and restore electricity outages swiftly. The Control Centre continues to optimize the SCADA system to other towns by connecting new substations to the system.

The table on the left shows the total number of planned and forced outages and faults reported during the period:



88%
Expenditure


kWh

Human Capital and Corporate Services 2015 - 2016

The Human Capital and Corporate Services Division (HC) is responsible for the provision of an all-encompassing Human Resource function including the Corporate Support, Building and Security, Health and Safety and Occupational Health and Wellness functions.

Monia Tjongarero
Senior Manager:
Human Capital and
Corporate Services

At the end of the reporting period Erongo RED had a total compliment of 301 employees of which 289 were permanent staff and 35 management.

Erongo RED has driven its strategy towards realizing real returns to its shareholders while simultaneously keeping a strategic focus on the development and growth of its staff members and securing sustainability of the business for the benefit of its key resources, its employees. Therefore the delivery of business consulting capability and Professional Human Capital services is designed to positively impact business. During the period under review, the Human Capital division has continued to focus on major strategic priorities summarised as:

- Assert and work in partnership with the rest of the business units to create an environment where employees can thrive and deliver sustainable performance
- Enable and support other business units and infrastructure functions in order to deliver
- Strengthen Human Capital control functions to minimise Human Capital related risk
- Create an environment where we build capacity of our leadership and staff members

The division has a clear business plan focused on adding value and ensuring a continuing sequence of addressing and adapting to change initiatives.

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

- **Safety, Health, Environmental and Occupational Health (SHEW)** - Our SHEW division must ensure the provision of high quality support through prompt and proactive SHEW implementation, assessment, monitoring and compliance. A clear plan has been set up to this end, for implementation of the approved SHE, Wellness / HIV AIDS and Drug and Alcohol policies.

- **Building and Security –** The Building and Security Superintendent Division is responsible for the effective coordination of various security aspects and the maintenance and upkeep of Erongo RED buildings and properties including substations. The chief enterprise for this function is the placement of the CCTV infrastructure and oversight of security, guarding and cleaning tenders. These ensure a conducive working environment and security for our employees as well as our buildings and properties and contribute toward curbing unfortunate attacks on our network such as the recent spate of copper theft. The effective transfer (from Shareholders) and maintenance of the Erongo RED buildings continues to stand as another focus area for the division.

THE FOLLOWING INTERVENTIONS IS SUMMARIZED FOR THE OSHEW SECTION		
AUDITS & COMPLIANCE	**Training**	**OPERATIONAL**
An external audit was conducted by the Electricity Control Board and focus was on ensuring statutory compliance and improving OSHEW standards and electrical infrastructure and working process. A further audit on lighting was conducted. Reports were produced in this regard, actions to improve were identified and about 75% of audit findings were closed out.	Training sessions not only raise competences but also provide an ideal opportunity for staff members to raise safety, health and environmental issues from within their own work areas, which can then be addressed in consultation with the OSHEW section. First Aid training was conducted to staff members including Fire Fighting.	First Aid Boxes provision was made for all the builidngs and vehicles. OSHEW policies was approved, implementation and awareness have been scheduled to continue in the next financial year. Current OSHEW representatives re-election to be conducted. OSHEW incident reporting continues to be an awareness area for effective control and reporting. Employee Wellness remains a strategic focus point for the OSHEW division and Alcohol & Drug abuse sessions were conducted in conjuction with the Ministry of Health for Erongo RED Staff members. The session were positively received as voluntary counselling request were received from staff members dealing with drug abuse.
INCIDENT REPORTS FOR 2015 - 2016 FINANCIAL YEAR - TWO (2) LOST TIME INJURIES REPORTED		

Human Capital and Corporate Services 2015 - 2016

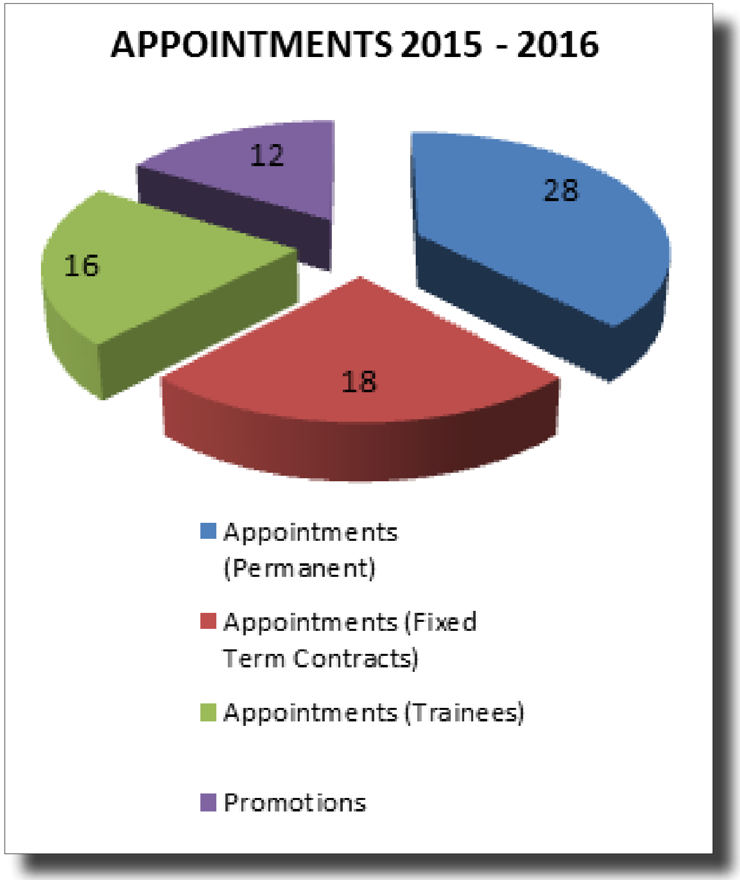
- **Corporate Support** – The records management is vital for any organisation and the section is in the process of implementing a record management policy that will govern the management of Erongo RED's information and document management.

- **Organisational Development** – Effective management of employee growth, environment, employee motivation, employee safety and perhaps most importantly, employee productivity, depends on the preparation and responsiveness of the Human capital process and how well it is designed and implemented.

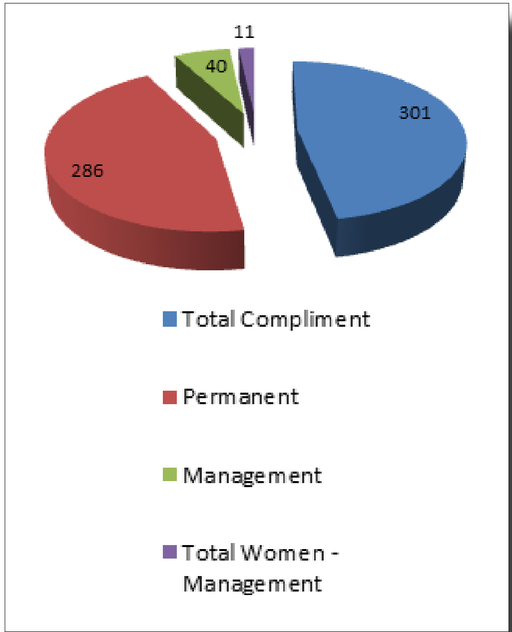
  The transition which Erongo RED continuously faces on all fronts of the business, including leadership and operational effectiveness, results in continuous investment in key management and supervisory staff that consequently drive key internal projects and engage change.

  For the 2015/2016 financial year Erongo have registered 24 staff members for the New Management Development program (NMDP) and 3 staff members for the Executive Development programme (EDP).

- **Recruitment and Promotions** – The drive for efficiencies and financial stability creates a need for a cross functional, specialized and critical skills base. Therefore, for the period of reporting, the drive was to fill and structure manpower in key critical positions, resulting in the following appointments made:



Erongo RED continues to place focus on the empowerment of women at the workplace, this is evident in the below compliment spread of which a total of 11 women are part of the Management team. In order to meet its objective Erongo RED is dependent on its ability to attract and retain high calibre employees. Therefore it's important to acknowledge that in certain situations it may be necessary to supplement (without undermining integrity)



the normal recruitment framework in order to attract, place and retain employees in key roles. The HC division is currently looking at drafting a retention and succession policy.

- **Labour Turnover** - Over the years Erongo RED has managed to retain its employee base and has achieved a proud record of retaining employees with long service, specifically the 5 to 10 years' service. We continue to play a vital role in benefits improvement and the development of our employees. During the period under review the following cases of labour turnover were recorded:

  (i) Resignations : 5
  (ii) Normal Retirement : 2
  (iii) Death : 1

  It's important to note that out of the 5 resignations; only one position was a specialised skill resignation. An important focus area for the next period will be the development of a succession plan and retention policy to ensure retention of key and critical skills.

- **Labour Relations Erongo RED** Erongo RED continues to enjoy sound labour relations with the Mine Workers Union of Namibia (MUN). The negotiation process was another testimony to a mature relationship as both parties succeeded in signing a two year substantive wage agreement covering the period from 1 July 2015 to 30 June 2017. The parties continue to engage using the Company Union meeting platform for any 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 : 4
  (ii) Dismissal : 1

  The company has a zero tolerance policy regarding misconduct, and continuous disciplinary training interventions are conducted to create awareness and handling of discipline issues effectively.

- **Policy Formulation and Review** – Our Human Capital policies are under constant review and may be changed from time to time based on the needs of the business. During the period under review the Recruitment Policy and the Disciplinary Policy were reviewed and approved by the board of directors and subsequently implemented.

Business Strategy and Performance Management System

"Business Strategy is the direction and scope of an organisation over the long-term: which achieves advantage for the organisation through its arrangement of resources within a challenging environment, to meet the needs of its customers and to fulfil stakeholder expectations".

Bennie Nangolo
Senior Manager: Business Strategy and Performance Management System

The Business Strategy and Performance Management System (PMS) Division is in charge of coordinating, evaluating and reviewing the company's annual strategic plan and corporate scorecard. This function includes gathering all data necessary for the basis of the plan such as the projected growth of the electricity industry and the impact thereof on the economy of the Erongo region. It is worth noting that strategic planning is the highest level of managerial activity, hence strategies are typically planned, crafted or guided by the Chief Executive Officer, approved by the Board of Directors, and then implemented under the supervision of the organisation's top management team.

The PMS Division is obliged to partner with business units to develop metrics and monitor progress toward achieving Erongo RED's long-term objectives by implementing and maintaining the PMS and directing organisational culture transformation. The Division is additionally responsible for evaluating, designing, executing, measuring, monitoring and controlling business processes and implementing the PMS. Business strategy is the direction and scope of an organisation over the long-term, resulting in competitive advantage for the company through its arrangement of resources within a challenging environment so as to meet the needs of customers and fulfil stakeholder expectations.

The Reward and Recognition Policies were approved on 11 November 2014 by the Board of Directors. The approval of said policies has paved the way for the reward and recognition aspect of the implementation of the PMS. Therefore the company recognises the importance of the PMS, and was developed taking due consideration of the need to reward Erongo RED staff for good performance and long service.

Business Strategy and Performance Management System

As per PMS policy, employees who meet their targets at the end of the performance cycle will qualify for incentive payments from 2017/2018 financial year.

Erongo RED's PMS is based on the Balance Scorecard methodology, hence a variety of Key Performance Areas (KPIs) were developed as outlined by the PMS policy in order to asses and measure the company on the following outputs and goals:

- Ensure Financial Sustainability – percentage increase in sales
- Secure Funds - Liquidity ratio : current ratio
- Customer/Stakeholder – percentage stakeholder satisfaction
- Improve Quality of Supply and Service - percentage compliance to quality of supply standards (various categories)
- Develop and implement electrification Master Plan – number of connections in Peri-Urban and Rural areas
- Maintain and Operate Network infrastructure - progress against Master Maintenance Plan
- Transform the organisational Culture – percentage achievement on annual culture survey: Entropy level and percentage of staff achieving performance targets

Employee engagement and culture are now business issues rather than merely topics for Human Capital to deliberate. Organisations can no longer suppress this, and Erongo RED has taken the initiative in August 2015 to participate in the Deloitte "Best Company to work for in Namibia" survey. Erongo RED was grouped in the medium size category (less than 500 employees), and achieved third place and was hence awarded the "Reward of Excellence", which was a huge achievement for the company.

Erongo RED moreover participated in the Culture Value Assessment Survey (CVT) in the 2012/2013 and 2015/2016 financial years. The objective of the CVA was to provide Erongo RED with a detailed understanding of the personal motivations of employees, their experience within the organisation, and the direction in which the organisation should be heading. The CVA provides a road map for achieving high performance, full-spectrum resilience and sustainability. Erongo RED is proud to announce that Erongo RED's Cultural Entropy level has decreased to 15% from 35%.

OBJECTIVES	STRATEGIC AREA OF PRIORITY	TARGET 2014/2015	ACHIEVED	TARGET 2015/2016	ACHIEVED 2015/2016
Ensure Financial Sustainability	% Increase in Sales (N$)	15%	11%	11%	13%
Secure Funds	Liquidity Ration - Current ratio	2:1	2:1	2:1	1.9:9
	Debt - Equity Ratio	40%	20%	45%	45%
Enhance Customer/ Stakeholder Relations	% Stakeholder Satisfaction	60%	81%	70%	81%
Improve Quality of Supply and Service	% Compliance to Quality of Supply Standards (Nam QOSS & NRS048) Various categories	75%	88%	78%	100%
Develop and Implement Electrification Master Plan	Peri-Urban: Number of New Services Connected to Residents (Connections installed by ErongoRED) per year	250	150	250	75
	Rural: Number of New Services Connected to Residents (Connections installed by ErongoRED) per year	150	200	150	411
Maintain and Operate Network Infrastructure	Progress against Master Maintenance Plan	>75%	78%	75%	65%
Transform the Organisational Culture	% Achievement on Annual Culture Survey - Entropy Level	30%	15%	15%	15%
	% Staff Achieving Performance Targets	60%	72%	60%	83.5%

Corporate Governance Report

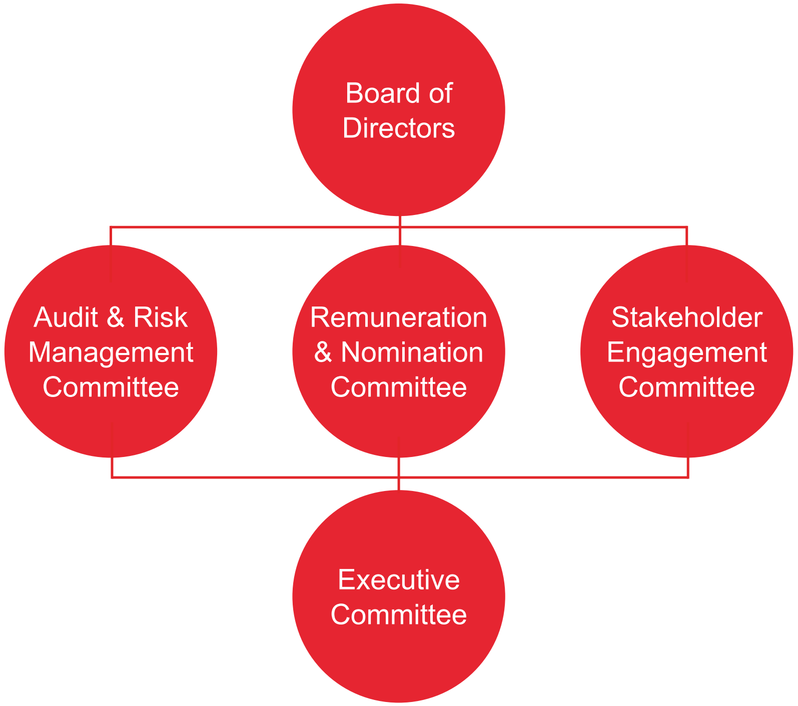
Commitment to the Principles Good Corporate Governance

Erongo RED has not adopted the approach of integrated reporting at this juncture as recommended in the NamCode. It does, however, endorse and accept the implementation of the principles of good corporate governance as far as it is currently applicable to Erongo RED.

As such the board and through its committees strives to ensure that it acts as a focal point for and custodian of corporate governance among others ensuring the company is seen to be a responsible corporate citizen.

Governance Structure

Mrs.T !Gaoses
Company Secretary/
Legal Advisor



Composition of the Board

The Shareholders Agreement makes provision for the appointment of eight non-executive directors and alternative directors by each shareholder or group of shareholders. The Chief Executive Officer serves as the ninth member of the board, as a non-voting *ex officio* director.

The Shareholders Agreement does not stipulate the period of office for Directors. Not-withstanding this fact, in terms of good governance principles, the board charter does make provision for a three year term of office. Directors are further eligible for reappointment at the expiration of that term, but a member may not hold office for more than two consecutive terms.

DIRECTORS AS AT 30 JUNE 2016	ROLE
Mr TN Nambala	Chairperson, non-executive director
Mr L //Garoeb	Vice-Chairperson, non-executive director
Mr R Kahimise	Chief Executive Officer, ex officio director
Mr M Skini	Non-executive director
Mr EM Wetha	Non-executive director
Mr FA Hartzenberg	Non-executive director
Ms HM Gebhardt	Non-executive director
Mr R Junias	Non-executive director
Ms YZN Nambahu	Non-executive director
Ms A Nkosi	Alternate to Mr R Junias, non-executive director
Ms LM Joel	Alternate to Mr FA Hartzenberg, non-executive director
Ms NA Johannes	Alternate to Mr TN Nambala, non-executive director
Mr F Risuro	Alternate to Mr L //Garoeb, non-executive director
Mr J Haipinge	Alternate to Ms HM Gebhardt, non-executive director
Mr RS Ochs	Alternate to Mr M Skini, non-executive director

Composition of Board Committees as at 30 June 2016

The board delegates certain functions to its committees. Three commitees are currently established at Erongo RED. Membership of these committees is limited to directors. The composition, purpose and duties of each committee is contained in the commitee's respective Terms of Reference. These Terms of Reference are annually reviewed and aligned to the Board Charter and principles of good corporate governance, if applicable.

Audit & Risk Management Committee	Remuneration and Nomination Committe	Stakeholder Engagement Committee
Mr F Hartzenberg (Chairperson)	Mr L //Garoeb (Chairperson)	Mr R Junias (Chairperson)
Mr R Junias	Ms HM Gebhardt	Mr L //Garoeb
Ms YZN Nambahu	Mr EM Wetha	Ms HM Gebhardt
Mr M Skini		Mr EM Wetha

Corporate Governance Report

Attendance of Board and Board Committee meetings

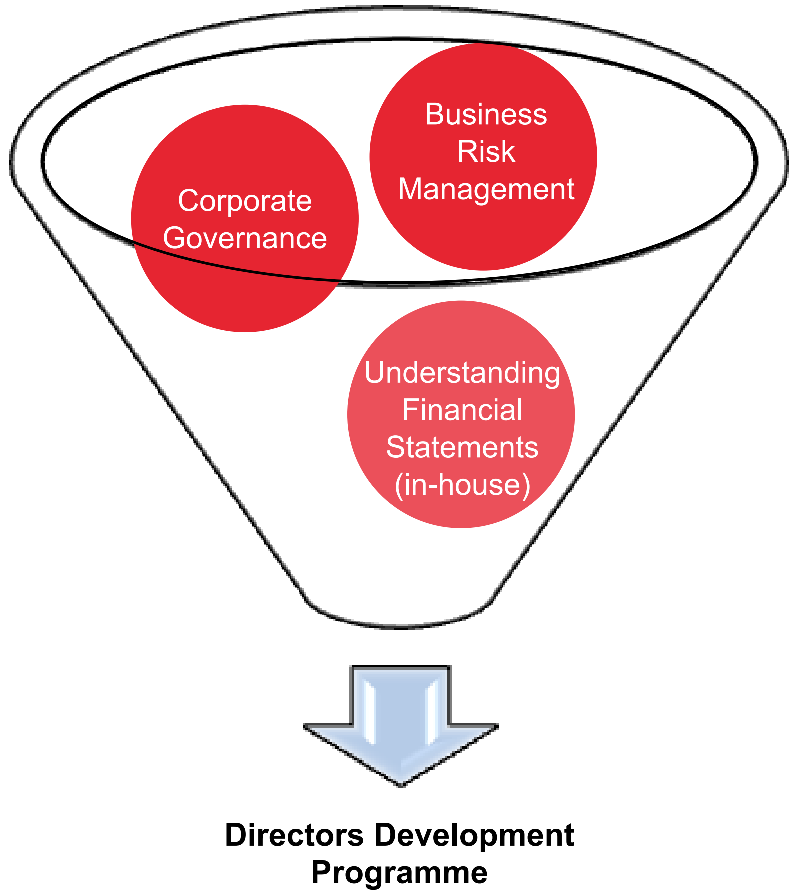
ATTENDANCE REGISTER OF BOARD AND COMMITTEE MEETINGS FOR THE YEAR ENDED 30 JUNE 2016												
Meetings	Board			Project Board			Audit & Risk Mgmt		Rem. & Nom.		Stakeholder Eng.	
Director	Capacity	Attendance at Scheduled Meetings	Attendance at Extra-ordinary Meetings	Capacity	Attendance at Scheduled Meetings	Attendance at Extra-ordinary Meetings	Capacity	Attendance at Scheduled Meetings	Capacity	Attendance at Scheduled Meetings	Capacity	Attendance at Scheduled Meetings
IAH Tjombonde	Chairperson	3 / 4	1 / 1	Chairperson	2 / 3	3 / 3	*	*	*	*	*	*
TN Nambala	Director	4 / 4	1 / 1	Director	2 / 3	3 / 3	*	*	Chairperson	4 / 4	Chairperson	2 / 2
FA Hartzenberg	Director	4 / 4	0 / 1	Director	3 / 3	3 / 3	Chairperson	4 / 4	*	*	*	*
L //Garoeb	Director	4 / 4	1 / 1	Director	3 / 3	3 / 3	*	*	Member	4 / 4	Member	2 / 2
R Junias	Director	4 / 4	1 / 1	Director	3 / 3	3 / 3	Member	4 / 4	*	*	Member	2 / 2
EM Wetha	Director	4 / 4	1 / 1	Director	3 / 3	3 / 3	*	*	Member	3 / 4	Member	2 / 2
M Skini	Director	4 / 4	1 / 1	Director	3 / 3	3 / 3	Member	4 / 4	*	*	*	*
R Kaura	Director	2 / 4	1 / 1	Director	1 / 3	3 / 3	Member	2 / 4	*	*	*	*
H Gebhardt	Director	2 / 4	0 / 1	Director	2 / 3	0 / 3	*	*	Member	0 / 4	Member	0 / 2
YZN Nambahu (Alternate to Tjombonde)	Alternate Director	1 / 4	0 / 1	Alternate Director	1 / 3	0 / 3	Member	0 / 4	*	*	*	*
A Nkosi (Alternate to Junias)	Alternate Director	*	*	Alternate Director	*	*	*	*	*	*	*	*
LN Joel (Alternate to Hartzenberg)	Alternate Director	1 / 4	1 / 1	Alternate Director	*	*	*	*	*	*	*	*
NA Johannes (Alternate to Nambala)	Alternate Director	*	*	Alternate Director	*	*	*	*	*	*	*	*
F Risuro (Alternae //Garoeb)	Alternate Director	*	*	Alternate Director	*	*	*	*	*	*	*	*
J Haipinge (Alternate to Gebhardt)	Alternate Director	*	*	Alternate Director	*	*	*	*	*	*	*	*
RS Ochs (Alternate to Skini)	Alternate Director	*	*	Alternate Director	*	*	*	*	*	*	*	*
R Kahimise	Non-Executive Director	4 / 4	1 / 1	Non-Executive Director	2 / 3	3 / 3	*	4 / 4	*	4 / 4	*	2 / 2

** The individual is not a member of the board or committee meetings and / or alternate director was not invited to the meeting.*

Directors Development

The board reviewed and improved it's formal induction programme for new directors serving on the board. The induction programme enables new directors to adequately familiarise themselves with the operations of Erongo RED. During the period of review, Mesdames Nambahu and Gebhardt underwent an induction session facilitated by the Company Secretary/Legal Advisor.

In addition, the board approved the Directors Development Programme for the year in review. Directors attended training sessions hosted either in-house and by external service providers. This programme identifies ongoing training and development needs that are required by the board to improve its effectiveness.



Board Evaluation

The board, through its Remuneration and Nomination Committee conducted the first ever board evaluation during the period of review. This evaluation extended to the full board, all the Board committees, the individual Directors, Chief Executive Officer and the Company Secretary. Subsequently the results thereof were presented to the Shareholders at the Annual General Meeting for noting.

The evaluation focused on the following areas:

- The overall effectiveness of the board relating to its composition, mixed skills, meetings and administration, adequacy of management information, quality of decision making
- The board committees leadership, teamwork and management relations, committee meetings, committee's roles and responsibly
- Individual assessments looking at the individuals leadership ability, commitment, participation, knowledge, skills, ethics and integrity.

Conflict of Interest

The board approved the Conflict of Interest Policy in 2014 which provides for the declaration requirements both for the board and employees.

Directors and employees are required to avoid situations wherein their personal interests will, may or are perceived to be conflicted with Erongo RED's interests. Directors and staff are required to disclose such interests on a regular basis and/or when it is necessary to do so to the Company Secretary.

Directors do not vote on matters wherein their personal interests or perceived interests are deliberated upon and are recused from any meeting where these agenda items are discussed.

Company Secretary

Ms Thandi Paulette !Gaoses is the Company Secretary/Legal Advisor. As such she plays a vital role in the corporate governance of the company. She provides support and guidance to the board in governance matters.

She is suitably qualified and has access to the company's resources to effectively execute her duties. She is not a director of the company and maintains an arms length relationship with the board. All directors have unrestricted access to her office.

The Committee met four times during the year under review. The meetings were attended by the Chief Executive Officer, the Executive Manager: Finance and Administration, the Executive Manager: Supply Business, the Internal Auditor, and the Company Secretary/Legal Advisor. Other members of Management attended on request as required, while the external auditors attended only those meetings that were pertinent to their activities.

FA Hartzenberg
Chairperson:
Audit & Risk
Management
Committee

Audit and Risk Management Commitee

The Audit and Risk Management Committee consist of four non-executive directors and is chaired by Mr Florian Hartzenberg, a qualified Chartered Management Accountant with over 15 years of financial management experience. The Committee reports on its activities and makes recommendations to the Board.

During the year under review, the Committee discharged its responsibilities as defined in its Charter. The Committee also engaged in ensuring that appropriate standards of governance, reporting and compliance were being met, advised the Board on matters relating to the application of accounting standards in respect to company's activities and assisted the board with discharging its duties relating to the safeguarding of assets.

The Committee's activities during the year included considerations of:

- The Company's Annual Financial Statements and the preliminary results, before their submission to the Board for approval, including consideration of the Company as a going concern with particular reference to Statement of Financial Position, Statement of Profit or Loss and Other Comprehensive Income and Statement of Cash Flow;
- Report from the external auditors on the Annual Financial Statements:
- The effectiveness of governance within, and control of the Company's activities;
- Compliance with legal requirements:
- The progress of the year's internal audit programme and matters arising from it;
- The internal control environment, risk management systems, and the Company's statement on internal control systems.

The Committee was satisfied that, for the period under review, the independence of the external auditors had not been affected by the provision of other services (Secretarial Audit and Salary Survey Review).

Ms. K Andima
Internal Auditor

Internal Audit

The internal audit function performs an independent appraisal activity with the full cooperation of the board and management.

Its objective is to help executive management with the effective discharge of their responsibilities by examining and evaluating the company's activities, resultant business risks and systems of internal controls.

The internal audit activity governs itself by adhering to The Institute of Internal Auditors' mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit activity's performance.

Internal Control objectives considered by Internal Audit include:

- Consistency of operations or programs with established objectives and goals and effective performance;
- Effectiveness and efficiency of operations and employment of resources;
- Compliance with significant policies, plans, procedures, laws, and regulations;
- Reliability and integrity of management and financial information processes, including the means to identify, measure, classify, and report such information;
- Safeguarding of assets.

Independence of External Auditors

The Annual Financial Statements for the year ended 30 June 2016 were audited by PricewaterhouseCoopers. Erongo RED opines that the auditors have observed the highest level of professional ethics and have no reason to suspect that they have not acted independent of the company.

Financial Statements

The directors are responsible for monitoring and approving of the annual financial statements to ensure that it is a fair representation of Erongo RED's affairs and profits and losses as at the end of each financial year. Independent auditors, PricewaterhouseCoopers, are responsible for expressing an opinion on the fairness with which these financial statements represent the company's financial position.

The company basis its statements on appropriate accounting policies that are applied consistently and are supported by reasonable and prudent judgments and estimates.

Erongo RED Board of Directors

Mr. TN Nambala
Chairperson

Mr. L //Garoeb
Member

Mr. R Junias
Member

Mr. EM Wetha
Member

Mr. FA Hartzenberg
Member

Mr. M Skini
Member

Mrs. YZN Nambahu
Member

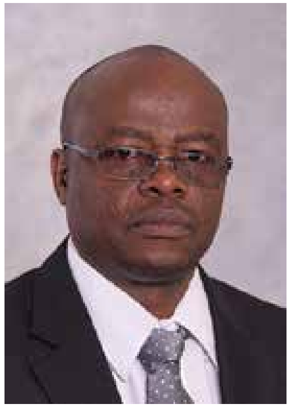
Ms. HM Gebhardt
Member

Mr. R Kahimise
Ex-Officio

Erongo RED Management

Mr. F Vries
Executive Manager: Finance and Administration

Mr. N Niemand
Executive Manager: Supply Business



Mr. C Tjizo
Executive Manager: Network Operations and Maintenance

Mr. F Mbango
Executive Manager: Network Engineering

Mr. R Kahimise
Chief Executive Officer

Ms. M Tjongarero
Senior Manager: Human Capital

Mr. B Nangolo
Senior Manager: Performance Management & Business Strategy

Mrs. T !Gaoses
Company Secretary/Legal Advisor

Ms. K Andima
Internal Auditor

Mr. B Nangombe
Public Relations & Marketing Officer

Directors' Responsibilities and Approval

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 7 November 2016 and were signed on their behalf by:

Director

Director

Walvis Bay
7 November 2016

Independent Auditor's Report

To the members of Erongo Regional Electricity Distributor Company (Proprietary) Limited

We have audited the annual financial statements of Erongo Regional Electricity Distributor Company (Proprietary) Limited, which comprise the statement of financial position as at 30 June 2016, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and the directors' report, as set out on pages 5 to 38.

Directors' Responsibility for the Financial Statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of Namibia, 2004, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Erongo Regional Electricity Distributor Company (Proprietary) Limited as at 30 June 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of Namibia, 2004.

PricewaterhouseCoopers

PricewaterhouseCoopers
Registered Accountants and Auditors
Chartered Accountants (Namibia)
Per: Ansie EJ Rossouw
Partner
Walvis Bay 7/11/2016

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 operates 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 25 years, 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 an amount of N$ 45,115,941 total comprehensive income for the year ended 30 June 2016. This represents an increase of 1.95% from the total comprehensive income of the prior year (2015: N$ 44,251,192).

Company revenue increased by 12.3% from N$ 860,998,221 in the prior year to N$ 966,880,767 for the year ended 30 June 2016.

Net cash flows remained virtually unchanged during the year, as extensive investing activities were financed by the loans advanced by the Development Bank of Namibia, as well as by the National Energy Fund administered by the Ministry of Mines and Energy.

Background

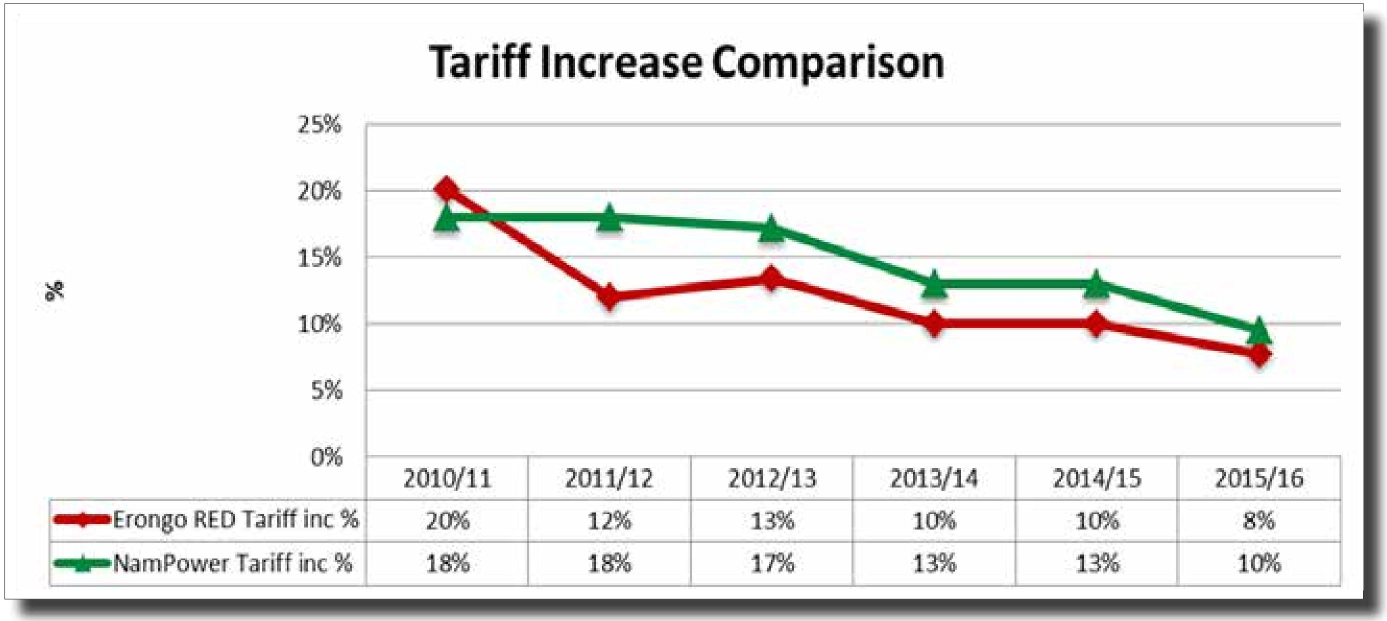
The Erongo Regional Electricity Distributor Company (Pty) Ltd (Erongo RED) was established to distribute electricity in the Erongo Region. The company was formed by merging a number of electricity suppliers and distributors including the distribution and supply operations of the Arandis Town Council, Erongo Regional Council, Henties Bay Municipality, Karibib Municipality, Municipality of Walvis Bay, Omaruru Municipality, Swakopmund Municipality, Usakos Municipality and NamPower (distribution business) in the Erongo Region. All of these individual distributors are the shareholders of Erongo RED. '

The drive to consolidate the Namibian electricity distribution industry is a Government initiative motivated by the policy drivers embodied in the 1998 White Paper on energy policy. One key motivating factor behind this drive was the deteriorating electricity distribution assets in the small towns and rural areas which did not get properly maintained due to rising economic pressures on the local authorities. Along with this, revenue generation in most of the small towns and rural areas was not managed on sound commercial principles.

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.

The graphs on the right illustrate this.

The **Tariff Comparison** % graph portrays the average tariff increase granted to NamPower compared to the average tariff increase granted to Erongo RED by the ECB. 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.

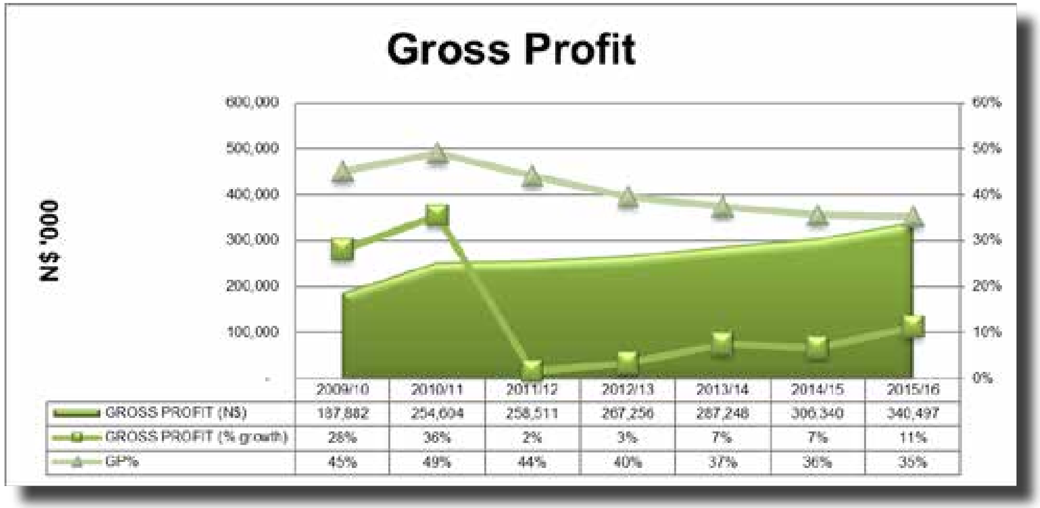


An annual submission justifying the tariff request for the following year is made to the ECB using the template they've developed for all distributors (known as the Operating and Reporting Manual). In completing this document, the company takes into account the impact of tariff increases on customers,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

Directors Report

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 %

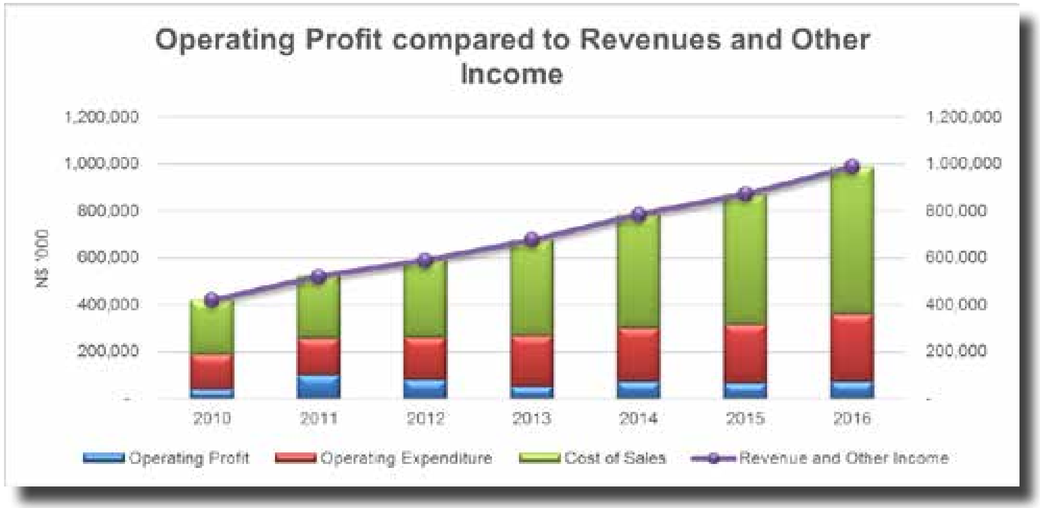


Prior to 2012 the Gross Profit percentage (GP %) was consistently above 40%, particularly influenced by the Walvis Bay catch-up levy charged during 2011. However there has been a steady decline in the GP% to below 40% in subsequent years as a result of the following factors:

- Subsidisation of vulnerable customer groups
- Unanticipated impact of increases in NamPower energy purchases
- 50% subsidisation of Local Authority Surcharges / Royalties, by their exclusion from the ORM (tariff structure submission) to grant relief to customers, thus absorbing this impact from the allowed profit granted by the ECB.

Following the complete tariff redesign in 2012, Erongo RED has since taken a conscience decision to subsidise certain disadvantaged consumer groups, thereby experiencing a decline in GP%. This decision has, however, been balanced not to comprise the long-term sustainability of the organisation.

Operating Profit



Operating profit 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 operating profit.

During the year under review, operating profits remained relatively constant, despite the steep increases in Cost of Sales, adjustments for irrecoverable debts and increases in other operating costs. In addition, the share of profits from the land development project between Swakopmund Municipality and Erongo RED provided additional income which had not been anticipated.

POWER TO THE PEOPLE AND LAND DEVELOPMENT PROJECTS

During the period under review, Erongo RED reached yet another milestone with the Power to the People project. The aim of this project is to electrify existing houses in rural areas which did not have access to electricity. For the financial period 2015/16 a total of 739 houses were identified to be electrified at an estimated cost of N$ 11.9 million. Up to June 2016, 411 houses were electrified as illustrated in the table below and the remainder of the houses are expected to be completed by November 2016.

Area	Dwellings Connected	Payments N$	Commitments N$	Total (N$)
Otjimbingwe		417,554.39	-	417,554.39
Tubusis	171	267,047.50	-	267,047.50
Anichab	50	663,566.00	-	663,566.00
Otjohorongo			2,543,546.25	2,543,546.25
Omatjete			2,946,936.25	2,946,936.25
Okombahe	190		2,461,173.75	2,461,173.75
Total	**411**	**1,348,167.89**	**7,951,656.25**	**9,299,824.14**

In executing Erongo RED's vision, "Electricity for all by 2020", this program will continue for the foreseeable future. We anticipate a further 418 houses to be electrified at an additional cost of N$ 15.9 million in the 2017 financial year.

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.

BAD DEBTS

During the year under review, Erongo RED completed a project to extensively test the validity and collectability of long outstanding debt; this detailed exercise revealed that balances were outstanding due to duplicate financial data originating from system migration challenges since the inception of Erongo RED. Additional balances relating to insolvent deceased estates were also identified and as part of the data cleansing exercise a total amount of N$ 14.7 million were set-off against the provision for doubtful debts, which was raised in prior years in anticipation of the completion of this exercise.

The company has been managing 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 through a pre-payment system thereby maintaining a long-term sustainable relationship.

Directors Report

CORPORATE SOCIAL RESPONSIBILITY

In addition to the given mandate to distribute and supply electricity, Erongo RED also supports community initiatives through its Corporate Social Responsibility Committee. The Committee is responsible for the implementation and facilitation of all corporate social responsibility related activities and projects. During the period under review, Erongo RED injected over N$ 600 000 on various social responsibility projects.

Erongo RED undertakes a broad range of activities across a wide spectrum of community development areas. These activities are concentrated in the Erongo Region, however the company also supports similar activities in other regions.

REGIONAL BULK UPGRADES

In accordance with the National Connection Charge Policy, NamPower has financed the deep connection of the Walvis Bay bulk supply upgrade to the tune of N$ 300 million while Erongo RED was responsible for shallow connection of N$ 210 million and thus relieving Erongo RED from the greater part of this financing obligation. The Walvis Bay bulk upgrade is virtually complete from Erongo RED's side and only awaits NamPower for their final closure of the project.

In addition to the Walvis Bay bulk supply upgrade, the company started and completed payments for the following bulk upgrades for the year under review:

NamPower Addendums	Total Prepayments 30 June 2016 N$
Swakop – 30 MVA	5,364,800
Sekel Duin – 20 MVA	142,549,000
Lithops – 20 MVA	70,747,425
Okombahe – 2.5 MVA	12,370,000
Walvis Bay – 80 MVA	118,058,000
Ruby – 5-10 MVA	14,737,250
Pending Applications	65,217
	363,891,692

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's legal practitioners are continuing with the process to transfer ownership of the land and buildings by registration, where applicable.

The board initiated a new re-evaluation of electricity and distribution assets through an independent valuator, Shashi Consulting Engineers, during the year under review. This process is expected to be completed during 2016/17 financial year.

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

DIRECTORS

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

Director	Nationality	Appointment	Resignation
IAH Tjombonde	Namibian	03/04/2008	01/05/2016
TN Nambala	Namibian	08/11/2012	*
FA Hartzenberg	Namibian	15/10/2012	*
L //Garoeb	Namibian	01/04/2013	*
R Junias	Namibian	06/11/2012	*
EM Wetha	Namibian	12/06/2012	*
M Skini	Namibian	03/01/2013	*
R Kaura	Namibian	24/02/2014	01/02/2016
H Gebhardt	Namibian	02/02/2016	*
YZN Nambahu	Namibian	02/05/2016	*
YZN Nambahu (Alternate to IAH Tjombonde)	Namibian	16/10/2014	01/05/2016
A Nkosi (Alternate to R Junias)	Namibian	18/09/2014	*
LN Joel (Alternate to FA Hartzenberg)	Namibian	08/11/2012	*
NA Johannes (Alternate to TN Nambala)	Namibian	13/11/2013	*
F Risuro (Alternate L //Garoeb)	Namibian	17/11/2014	*
J Haipinge (Alternate to H Gebhardt)	Namibian	16/11/2015	*
RS Ochs (Alternate to M Skini)	Namibian	07/12/2015	*

Directors Report

DIVIDEND

A dividend of N$ 9,690,715 (2015: N$ 8,000,000) has been declared and paid to shareholders during the financial year.

AUTHORISED AND ISSUED SHARE CAPITAL

There were no changes in authorised and issued share capital of the company during the year under review.

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 Mrs T P !Gaoses.

Business address:	Postal address:
91 Hage Geingob Street	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.

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	Mrs T P !Gaoses
Tax reference number	3728814-01-1
Lawyers	Masiza Law Chambers

Statement of Financial Position as at 30 June 2016

	Notes	2016 N$	2015 N$
Assets			
Non-Current Assets			
Property, plant and equipment	2	701,624,579	518,874,590
Current Assets			
Trade and other receivables	3	170,252,698	201,863,294
Prepayments	4	363,891,692	277,065,436
Cash and cash equivalents	5	104,380,194	104,007,131
Financial assets at fair value through profit and loss	6	98,100,374	25,437,502
Current tax receivable	7	17,153,712	4,136,144
		753,778,670	**612,509,507**
Total Assets		**1,455,403,249**	**1,131,384,097**
Equity and Liabilities			
Equity			
Share capital	8	12,500,000	12,500,000
Other reserves	1.7 - 1.9	452,323,552	419,133,603
Retained earnings		106,410,205	104,174,928
		571,233,757	**535,808,531**
Liabilities			
Non-Current Liabilities			
Non-Current Liabilities / Other financial liabilities	9	254,148,565	105,150,502
Finance lease liabilities	10	1,651,337	2,423,024
Deferred income	11	124,429,958	62,116,992
Deferred income tax liability	12	90,338,885	74,274,851
Post employment benefit obligation	13	6,500,000	4,910,320
		477,068,745	**248,875,689**
Current Liabilities			
Other financial liabilities	9	16,254,258	14,206,920
Finance lease liabilities	10	1,455,822	2,116,982
Deferred income	11	4,364,549	2,141,965
Trade and other payables	14	385,026,118	328,234,010
		407,100,747	**346,699,877**
Total Liabilities		**884,169,492**	**595,575,566**
Total Equity and Liabilities		**1,455,403,249**	**1,131,384,097**

Statement of Profit or Loss and Other Comprehensive Income:

	Notes	2016 N$	2015 N$
Revenue	15	966,880,767	860,998,221
Cost of sales	16	(626,374,321)	(554,657,908)
Gross profit		**340,506,446**	**306,340,313**
Other income	15	20,509,953	10,538,698
Administrative expenses		(287,433,423)	(250,501,766)
Operating profit	**17**	**73,582,976**	**66,377,245**
Finance income	18	11,927,099	6,053,590
Finance costs	19	(23,423,928)	(6,716,143)
Profit before taxation		**62,086,147**	**65,714,692**
Taxation	20	(16,354,009)	(21,463,500)
Profit for the year		**45,732,138**	**44,251,192**
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			-
Actuarial loss on re-measurement of severance pay provision		(616,197)	
Other comprehensive income for the year net of taxation		(616,197)	-
Total comprehensive income for the year		**45,115,941**	**44,251,192**

Statement of Changes of Equity

	Share capital	Development reserve	Land development reserve	Non-distributable reserve	Total reserves	Retained income	Total equity
	N$	N$	N$		N$	N$	N$
Balance at 1 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 between reserves	-		-	28,100,000	28,100,000	(28,100,000)	-
Total comprehensive income for the year	**-**		**-**	**28,100,000**	**28,100,000**	**16,151,192**	**44,251,192**
Transfer to deferred income	-	(26,365,257)	-		(26,365,257)	-	(26,365,257)
Dividends	-		-		-	(8,000,000)	(8,000,000)
Balance at 1 July 2015	**12,500,000**	**265,963,582**	**-**	**153,170,021**	**419,133,603**	**104,174,928**	**535,808,531**
Profit for the year	-		-		-	45,732,138	45,732,138
Other comprehensive income	-		-		-	(616,197)	(616,197)
Transfer between reserves	-		5,089,949	28,100,000	33,189,949	(33,189,949)	-
Total comprehensive income for the year	**-**		**5,089,949**	**28,100,000**	**33,189,949**	**11,925,992**	**45,115,941**
Dividends	-		-		-	(9,690,715)	(9,690,715)
Balance at 30 June 2016	**12,500,000**	**265,963,582**	**5,089,949**	**181,270,021**	**452,323,552**	**106,410,205**	**571,233,757**
Note(s) 8							

Statement of Cash Flows

	Note(s)	2016 N$	2015 N$
Cash flows from operating activities			
Cash generated from operations	22	101,105,944	120,192,236
Interest income		11,927,099	6,053,590
Interest paid		(567,257)	(6,716,143)
Tax paid	24	(13,017,568)	(39,959,460)
Net cash from operating activities		**99,448,218.00**	**79,570,223**
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(166,909,492)	(84,220,261)
Sale of property, plant and equipment	2	660,663	-
Repayment of loans from related parties		-	(79,442)
Movement of financial assets	6	(72,662,872)	9,477,839
Proceeds from land development		22,771,378	-
Net cash to investing activities		**(216,140,323)**	**(74,821,864)**
Cash flows from financing activities			
Proceeds from other financial liabilities		162,119,435	121,257,423
Repayment of other financial liabilities		(33,971,447)	(1,899,114)
Repayment of borrowings	10	(2,194,908)	(13,198,950)
Proceeds from borrowings	10	802,803	-
Dividends paid	23	(9,690,715)	(8,000,000)
Net cash from financing activities		**117,065,168**	**98,159,359**
Total cash movement for the year		**373,063**	**102,907,718**
Cash at the beginning of the year		104,007,131	1,099,413
Total cash at end of the year	**5**	**104,380,194**	**104,007,131**

Accounting Policies

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 life 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 cash flow 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 the items: 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.

Accounting Policies

1.2 Property, plant and equipment (continued)

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 and 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.

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.

1.7 Development reserve

At inception, the company’s shareholders provided start-up cash, infrastructure and other assets in return for a share of the N$ 12.5 million issued share capital. The excess of the assets transferred over the share capital provided created the development reserve.

1.8 Non-distributable reserve

The non-distributable reserve was created in respect of the additional amount included in the revenue requirement submitted for tariff approval by the Electricity Control Board in order to raise funds for the Walvis Bay bulk upgrade. Annually a fixed amount of N$ 28,100,000 is transferred to the reserve. The reserve will realise in future once the Walvis Bay bulk upgrade is completed and will be realised over the term that the associated intangible asset will be amortised.

1.9 Land development reserve

In terms of the approved Electricity Infrastructure Development Policy, all profits realised on sale of land developments are transferred to the land development reserve for further infrastructure development in the region.

1.10 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.

1.11 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.

1.12 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:

Sales of goods

Sale of goods is recognised when the company has supplied the products to the customer, the customer has accepted the product and collectability of the related receivable is reasonably assured. Sale of goods is included in other income.

Service Revenue

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

Other services billed to customers including, late payment fees, reconnection fees, connection fees, meter testing, temporary connections, cable connections and special readings is recognised by reference to the stage of completion of the transaction at the end of the reporting period and is recognised in other income.

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).

Grant 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.

1.13 Borrowing costs

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

1.14 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.

1.15 Government grants (deferred income)

Government grants are recognised when there is reasonable assurance that:

- the company will comply with the conditions attached 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 in 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.

Notes to the Annual Financial Statements

2. Property, plant and equipment

	2016			2015		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Land	11,835,000	-	11,835,000	11,835,000	-	11,835,000
Buildings	79,508,460	(5,061,394)	74,447,066	69,591,320	(3,707,293)	65,884,027
Plant and machinery	13,202,193	(6,259,818)	6,942,375	11,372,393	(5,672,014)	5,700,379
Motor vehicles	15,127,991	(5,895,235)	9,232,756	14,416,097	(4,775,980)	9,640,117
Office and computer equipment	36,349,735	(21,336,918)	15,012,817	27,283,045	(17,532,211)	9,750,834
Distribution network	928,964,546	(394,219,625)	534,744,921	739,727,324	(373,019,853)	366,707,471
Work in progress	49,409,644	-	49,409,644	49,356,762	-	49,356,762
Total	**1,134,397,569**	**(432,772,990)**	**701,624,579**	**923,581,941**	**(404,707,351)**	**518,874,590**

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Transfers	Depreciation	Total
Land	11,835,000			-	11,835,000
Buildings	65,884,027	9,917,140		(1,354,101)	74,447,066
Plant and machinery	5,700,379	1,829,800		(587,804)	6,942,375
Motor vehicles	9,640,117	711,894		(1,119,255)	9,232,756
Office equipment	9,750,834	9,066,690		(3,804,707)	15,012,817
Distribution network	366,707,471	189,290,106	(52,882)	(21,199,774)	534,744,921
Capital - Work in progress	49,356,762		52,882	-	49,409,644
	518,874,590	**210,815,630**	**-**	**(28,065,641)**	**701,624,579**

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
Distribution network	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**

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$ 31,187,947
(2015: N$ 25,298,270).

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 negative pledge over all assets has also been registered as security to the Development Bank of Namibia. The Development Bank of Namibia's interest has been noted on assets financed under the loan agreement.

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.

	2016 N$	2015 N$
3. Trade and other receivables		
Trade receivables	145,754,735	154,532,902
Provision for doubtful debts	(13,405,543)	-22,070,155
VAT	37,903,506	69,400,547
	170,252,698	**201,863,294**

Trade and other receivables pledged as security

Trade receivables were pledged as security for banking facilities of N$ 56,061,049 (2015: N$ 56,061,049) of the company.

Fair value of trade and other receivables

The company charges interest of the prime lending rate plus 2% on overdue accounts. The carrying amounts of trade receivables approximates their fair value due to this interest charge.

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 2016 N$ 15,270,236 (2015: N$ 36,371,560) were past due but not impaired.

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

Between 30 and 60 days	4,822,564	25,618,339
Between 60 and 90 days	5,265,047	2,126,452
More than 90 days	5,182,625	8,626,769
	15,270,236	**36,371,560**

Trade and other receivables impaired

During the year ended 30 June 2016, no trade receivables previously impaired were recovered from trade debtors already provided for. (2015: N$ Nil)

As at 30 June 2016, trade receivables of N$ 13,405,543 (2015: N$ 22,070,155) were passed due and provided for.

4. Pre-payments

Pre-payments were made for the upgrade of the Swakopmund and Walvis Bay Electricity Grids.

Namibia Power Corporation Limited - Swakopmund, Sekel Duin, Lithops & Okombahe	231,031,225	158,942,218
Namibia Power Corporation Limited - Walvis Bay & Ruby	132,860,467	118,123,217
	363,891,692	**277,065,435**

5. Cash and cash equivalents consist of:

Cash on hand	713,479	1,052,635
Bank balances	103,666,715	102,954,496
	104,380,194	**104,007,131**

5. Cash and cash equivalents consist of: (continued)

Interest at the prime overdraft rate less 2% is charged on the company banking facility and interest of 4.25% - 4.5% is received on positive bank balances.

The company has access to an overdraft facility of N$ 55,000,000, an auto card facility of N$ 200,000 and a long term facility of $ 861,049, totalling to N$ 56,061,049. The date of review of the facilities was 30 June 2016. At year-end the company has not utilised the overdraft facility. The overdraft facility is secured together with the finance lease over the building in note 10.

The bank overdraft facility is secured as follows:

- 1st Bond N$1,9 million over Portion 205 Rem of Erf 23B Walvis Bay Industrial Property;
- Cession of book debts;
- N$ 23,004,675 of FNB Unit Trust Money Market Investments serve as security should the company require a guarantee to be issued to third parties.

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.

The company has pledged the call account included in the bank balance above as security for the Development Bank of Namibia loan as disclosed in note 9.

6. Other financial assets

	2016 N$	2015 N$
At fair value through profit or loss - designated		
FNB Namibia Unit Trust Money Market Fund	98,100,374	25,437,502
Current assets		
Designated as at fair value through profit or loss (fair value through income)	98,100,374	25,437,502

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 5.

Securities provided

N$ 23,004,675 of FNB Unit Trust Money Market Investments serve as security should the company require a guarantee to be issued to third parties.

7. Current tax receivable

The current tax balance is made up as follows:

Opening balance	4,136,144	-
Current tax charge	-	(35,823,316)
Provisional tax payments	13,017,568	39,959,460
	17,153,712	**4,136,144**

8. 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

	2016 N$	2015 N$

9. Other financial liabilities

Held at amortised cost

Development Bank of Namibia	240,402,823	119,357,422

The loan carries interest at a variable rate linked to the prime lending rate plus 1% per annum and is repayable over a period of 10 years, including a 12 month grace period on the payment of the capital balance. Monthly instalments amount to N$ 3,790,919. Repayment commenced on 1 September 2015 with a final instalment payable on 1 November 2024.

The loan is secured by:
- Negative pledge over assets (note 2)
- Cession of Escrow Account accruing to a balance of N$ 50 million over a period of 5 years; (note 5)
- First continuing covering mortgage bond of N$ 50 million of Erf 657 Walvis Bay; (note 2)
- 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.

National Energy Fund	30,000,000.00	

The loan carries interest at a fixed rate of 2.5% per annum and is repayable over a period of 10 years, including a 24 month grace period on the payment of the capital balance. Monthly instalments amount to N$ 62,500 for 24 months and N$ 345,115 for the remaining period. Repayment commenced on 31 March 2016 with a final instalment payable on 28 February 2026.

The fair value of the loan at market related interest rates is considered to be:
N$ 19,679,440.

	270,402,823	119,357,422
Non-current liabilities		
At amortised cost	254,148,565	105,150,502
Current liabilities		
At amortised cost	16,254,258	14,206,920
	270,402,823	119,357,422

	2016 N$	2015 N$
10. Finance lease liabilities		
Minimum lease payments due		
- within one year	2,007,618	2,278,034
- in second to fifth year inclusive	1,450,017	2,999,103
	3,457,635	5,277,137
Less: future finance charges	(350,476)	(737,131)
Present value of minimum lease payments	3,107,159	4,540,006
Present value of minimum lease payments due		
- within one year	1,455,822	2,116,982
- in second to fifth year inclusive	1,651,337	2,423,024
	3,107,159	4,540,006
Non-current liabilities	1,651,337	2,423,024
Current liabilities	1,455,822	2,116,982
	3,107,159	4,540,006

The company has entered into finance leases for certain motor vehicles, equipment and an office building.

Interest rates are linked to prime less 1% - 2% at the contract date. All leases have fixed repayments and with an effective interest rate of between 8.75% and 9.75% (2015: 7.75% - 8.75%).

The company's obligations under finance leases are secured over certain motor vehicles and equipment with a net book value of N$ 31,187,947 (2015: N$ 25,298,270).

The finance lease over the building is secured together with the overdraft facility as disclosed in note 5.

	2016	2015
	N$	N$

11. Deferred income

Grant received from Ministry of Mines and Energy	37,564,091	38,859,405
Donated assets received from customers	91,230,416	25,399,552
	128,794,507	**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.

Non-current liabilities	124,429,958	62,116,992
Current liabilities	4,364,549	2,141,965
	128,794,507	**64,258,957**

	2016 N$	2015 N$
12. Deferred income tax liability		
Deferred tax liability		
Accelerated capital allowances for income tax purposes	(113,990,595)	(91,899,772)
Post employment benefit obligation	2,080,000	1,620,406
Consumables	(12,212,731)	(14,145,614)
Customer deposits	83,439,933	70,403,563
Supplier deposits	(58,222,671)	(45,715,797)
Provision for bad debts	3,217,330	5,462,363
Tax loss carried forward	5,349,849	-
Total deferred tax liability	**(90,338,885)**	**(74,274,851)**
Reconciliation of deferred tax asset / (liability)		
At beginning of year	(74,274,851)	(82,556,194)
Reduction due to rate change	2,250,754	-
Temporary differences	(18,314,788)	8,281,343
	(90,338,885)	**(74,274,851)**

13. Post employment benefit obligation

Reconciliation of provision for severance pay

	2016 N$	2015 N$
Opening Balance	4,910,320	4,369,000
Current service cost	499,000	418,000
Benefit payments	(310,492)	(317,680)
Interest charge	495,000	441,000
Actuarial gains	906,172	-
	6,500,000	**4,910,320**

	2016	2015
	N$	N$

13. Post employment benefit obligation (continued)

An actuarial loss of N$ 906,172 arose during the year to 30 June 2016. This loss is broken down as follows :

i) The change in the "gap" between the discount rate and the salary inflation rate from 1.4% to 1.3% resulted in an actuarial loss of N$ 51,000;
ii) The salary used for the 2016 valuation included the increase as at 1 July 2016. This together with the actual increases granted during the valuation period resulted in an actuarial loss of approximately N$ 196,000;
iii) The actual mortality, withdrawal and retirement experience during the valuation period was financially less favourable than expected. This resulted in a loss of around N$ 533,000;
iv) The actual severance benefits paid were higher than expected resulting in a loss of around N$ 59 000;
v) The liability of N$ 4,910,320 reflected in the 30 June 2015 financial statements is lower than the N$ 4,977 000 that we projected in the 30 June 2015 valuation. This resulted in a loss of N$ 66,680.

Key assumptions :

- A discount rate of 9.2% per annum (2015: 9.9%)
- A salary inflation rate of 7.9% per annum (2015: 8.5%)

Should the salary inflation rate increase to 8.9%, the expected liability would amount to N$ 7,112,000.

A decrease in the salary inflation rate to 6.9% would decrease the liability to N$ 5,971,000.

The average salary weighted duration of the liability to be about 10 years.

The expected movement in the liability to 30 June 2017 is N$ 876,000, consisting of current service costs of N$ 580,000, interest costs of N$ 610,000 and expected benefit payments of N$ 314,000.

14. Trade and other payables

	2016 N$	2015 N$
Trade payables	18,126,496	17,120,079
Payroll accruals	18,947,800	16,654,443
Deposits received from customers	260,755,790	213,346,129
Uncashed payments	87,196,032	81,113,359
	385,026,118	**328,234,010**

Fair value of trade and other payables

At 30 June 2016, 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.

	2016 N$	2015 N$

15. Revenue and other income

Revenue

Sale of electricity	**966,880,767**	**860,998,221**

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

Other income

Sundry income	19,849,290	10,538,698
Gains on disposal of assets	660,663	-
	20,509,953	**10,538,698**

16. Cost of sales

Purchase of electricity	625,191,894	553,556,269
Solar infeed purchases	1,182,427	1,101,639
	626,374,321	**554,657,908**

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.

	2016 N$	2015 N$

17. Operating profit

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

Operating lease charges

	2016 N$	2015 N$
Contractual amounts	5,498,072	4,060,375
Employee costs	141,804,087	121,506,965
Depreciation on property, plant and equipment	28,065,641	23,756,476
Amount expensed in respect of past service liability:		
- Service cost	499,000	418,000
- Net interest on net defined benefit liability	495,000	441,000
Number of employees	289	289
Expenses by nature		
Cost of sales	626,374,321	554,657,908
Advertising	2,822,730	3,378,079
Auditors remuneration	530,282	556,119
Bad debts written off	14,975,824	1,732,972
Movement on provision for bad debts	(8,664,612)	7,770,155
Commission paid	4,814,697	3,328,193
Depreciation, amortisation and impairments	28,065,641	23,756,476
Employee costs	141,804,086	121,506,965
IT expenses	2,696,807	2,230,513
Lease rentals on operating lease	5,498,072	4,060,375
Local authority surcharges	49,177,828	46,929,797
Motor vehicle expenses	2,023,441	2,114,620
Repairs and maintenance	15,539,722	8,026,569
Training	5,589,614	5,112,877
Transport and freight	133,867	168,717
Travel	2,967,944	2,891,000
Other expenses	19,457,480	16,938,339
Total administrative expenses	**287,433,423**	**250,501,766**
Total cost of sales and administrative expenses	**913,807,744**	**805,159,674**

18. Finance income

Bank	9,762,314	3,869,667
Interest charged on trade and other receivables	2,164,785	2,183,923
	11,927,099	**6,053,590**

19. Finance costs

Bank	19,144	385,366
Trade and other payables	53,113	43,850
Severance pay interest	495,000	441,000
Interest-bearing borrowings	22,856,671	5,845,927
	23,423,928	**6,716,143**

20. Taxation

Major components of the tax expense		
Current		
Local income tax - current period	-	35,823,316
Deferred		
Originating and reversing temporary differences	16,354,009	(14,359,816)
	16,354,009	**21,463,500**
Reconciliation of the tax expense		
Reconciliation between accounting profit and tax expense.		
Accounting profit	62,086,147	65,714,692
Tax at the applicable tax rate of 32% (2015: 33%)	19,867,567	21,685,848
Tax effect of adjustments on taxable income		
Disallowable expenses	197,787	(222,348)
Grant funded assets	(1,460,591)	-
Rate change adjustment	(2,250,754)	-
	16,354,009	**21,463,500**

The income tax rate of 33% in 2015 was reduced to 32% in 2016. No provision has been made for 2016 ordinary tax as the company has no taxable income. The estimated tax loss available for set-off against future taxable income is N$ 16,718,275.

	2016 N$	2015 N$

21. Auditors remuneration

	2016 N$	2015 N$
Fees	465,482	479,990
Tax and secretarial services	12,700	59,029
Other services	52,100	17,100
	530,282	**556,119**

22. Cash (used in) generated from operations

	2016 N$	2015 N$
Profit before taxation	62,086,147	65,714,692
Adjustments for:		
Depreciation and amortisation	28,065,641	23,756,476
Loss on sale of plant and equipment	(660,663)	-
Interest received	(11,927,099)	(6,053,590)
Interest paid	23,423,928	6,716,143
Actuarial gain on remeasurement of severance pay provision	(906,172)	-
Movements in provisions	1,589,680	541,320
Donated assets amortisation	-	(965,705)
Changes in working capital:		
Trade and other receivables	31,610,596	(23,101,318)
Prepayments	(86,826,256)	(163,640,677)
Trade and other payables	56,792,108	178,365,490
Deferred income	(2,141,966)	38,859,405
	101,105,944	**120,192,236**

23. Dividends paid

Dividends	(9,690,715)	(8,000,000)

Dividends of 78 cents per share were declared and paid by the Company during the year under review (2015: 64 cents)

24. Tax paid

Balance at beginning of the year	4,136,144	(6,078,474)
Current tax for the year recognised in profit or loss	-	(35,823,316)
Remeasurement of deferred tax	-	6,078,474
Balance at end of the year	(17,153,712)	(4,136,144)
	(13,017,568)	(39,959,460)

25. Commitments

Authorised capital expenditure

On 14 May 2014, the directors approved capital commitments of N$ 363,891,692 (exclusive of VAT) relating to the bulk upgrade of the electricity infrastructure in the Walvis Bay and Swakopmund areas. At 30 June 2016, N$ 363,891,692 of the capital commitments have been paid.

	2016 N$	2015 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.

	2016 N$	2015 N$
Related party balances		
Amounts included in trade receivables regarding related parties		
Arandis Town Council	98,169	214,176
Erongo Regional Council	187,467	165,945
Municipality of Henties Bay	4,133,369	50,708
Municipality of Karibib	29,487	154,409
Municipality of Omaruru	205,992	142,367
Municipality of Swakopmund	1,073,344	1,285,072
Uis Village Council	3,359	23,287
Municipality of Usakos	84,448	751,474
Municipality of Walvis Bay	586,958	2,162,541
Amounts included in trade payables regarding related parties		
Arandis Town Council	-	6,137
Municipality of Henties Bay	197,144	197,144
Municipality of Karibib	75,123	30,310
Municipality of Omaruru	97,655	81,920
Municipality of Swakopmund	1,205,434	1,161,094
Uis Village Council	-	6,931
Municipality of Usakos	1,263	519
Municipality of Walvis Bay	2,340,338	2,347,813
Namibia Power Corporation Limited	75,131,559	74,879,167
Prepayments made to related parties		
Namibia Power Corporation Limited	86,826,257	163,640,676

	2016 N$	2015 N$

26. Related parties (continued)

	2016 N$	2015 N$
Related party transactions		
Purchases from related parties		
Namibia Power Corporation Limited	625,191,894	553,556,269
Local authority surcharges paid to related parties		
Arandis Town Council	921,066	174,891
Municipality of Henties Bay	2,365,724	2,365,724
Municipality of Karibib	888,139	335,177
Municipality of Omaruru	1,071,524	941,302
Municipality of Swakopmund	14,555,638	13,873,702
Uis Village Council	222,388	85,652
Municipality of Usakos	1,249,299	1,249,299
Municipality of Walvis Bay	27,904,050	27,904,050
Revenue and other income from related parties		
Arandis Town Council	557,121	553,011
Erongo Regional Council	659,092	410,947
Municipality of Henties Bay	3,761,737	631,562
Municipality of Karibib	165,205	205,144
Municipality of Omaruru	1,379,438	1,318,941
Municipality of Swakopmund	10,840,438	11,775,954
Uis Village Council	63,349	56,000
Municipality of Usakos	469,298	667,397
Municipality of Walvis Bay	10,573,359	12,036,047
Compensation to directors and other key management		
Directors' Remuneration	1,977,259	1,830,277
Key management	18,295,999	15,429,318
	20,273,258	17,259,595

	2016 N$	2015 N$
26. Related parties (continued)		
The directors' remuneration for the current year is made up as follows:		
Retainer fee	743,359	750,397
Sitting fee	988,595	672,101
Subsistence and travelling allowance	245,305	407,779
	1,977,259	1,830,277

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 Bissett	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
JT Hambata	DL Kawana

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.

The table below 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.

At 30 June 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	46,241,033	45,491,034	136,473,102	154,308,942
Trade and other payables	385,026,118	-	-	-

At 30 June 2015	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	14,324,825	1,077,004	33,231,864	70,873,956
Trade and other payables	328,234,009	-	-	-

Interest rate risk

The company has determined that a change in market interest rates will have no significant effect on assets (note 6) state at fair value and the company is not significantly exposed to fair value interest rate risk.

The company has determined that a change in market interest rates will have no significant effect on income and operating cash flow. A change will influence the interest earned on bank and trade receivables and interest payable on interest bearing liabilities. The company is not significantly exposed to 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:

	2016 N$	2015 N$
Credit rating		
First National Bank Namibia Limited - A1+	57,425,614	58,924,110
Bank Windhoek Limited - A1+	5,667,553	5,172,390
Standard Bank of Namibia Limited - A1+	40,573,549	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	98,100,374	25,437,502

(iii) Trade receivables

Credit rating		
Trade and Other Receivables	132,349,192	140,232,902

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an on-going 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. 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$ 2,164,785 (2015: N$ 2,183,923) 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 not exposed to commodity price risk as the company has no financial assets linked to commodity prices.

28. Financial assets by category

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

2016	Loans and receivables	Fair value through profit or loss - designated	Total
Financial assets at fair value through profit and loss	-	98,100,374	98,100,374
Trade and other receivables	132,349,192	-	132,349,192
Cash and cash equivalents	104,380,194	-	104,380,194
	236,729,386	**98,100,374**	**334,829,760**

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**

29. Financial liabilities by category

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

2016	Financial liabilities at amortised cost	Total
Other financial liabilities	270,992,459	270,992,459
Trade and other payables	385,026,118	385,026,118
	656,018,577	**656,018,577**

2015	Financial liabilities at amortised cost	Total
Other financial liabilities	120,183,631	120,183,631
Trade and other payables	328,234,010	328,234,010
	448,417,641	**448,417,641**

	2016 N$	2015 N$

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 2

Recurring fair value measurements

Assets	Note(s)	2016 N$	2015 N$
Financial assets designated at fair value through profit or loss	6		
FNB Namibia Unit Trust Money Market Fund		98,100,374	25,437,502
Total		**98,100,374**	**(25,437,502)**

31. New Standards and Interpretations

31.1 Standards and interpretations effective and adopted in the current year

In the current year, the company has not adopted any standards and interpretations that are effective for the current financial year and that are relevant to its operations.

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 1 July 2016 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after
IFRS 9 Financial Instruments	1 January 2018
IFRS 14 Regulatory Deferral Accounts	1 January 2016
Amendment to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
IFRS 15 Revenue from Contracts with Customers	1 January 2018
Amendments to IAS 16 and IAS 41: Agriculture: Bearer Plants	1 January 2016
Amendment to IAS 27: Equity Method in Separate Financial Statements	1 January 2016
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
Amendment to IFRS 5: Non-current Assets Held for Sale and Discontinued Operations: Annual Improvements project	1 January 2016
Amendment to IFRS 7: Financial Instruments: Disclosures: Annual Improvements project	1 January 2016
Amendment to IAS 19: Employee Benefits: Annual Improvements project	1 January 2016
Amendment to IAS 34: Interim Financial Reporting. Annual Improvements project	1 January 2016
Disclosure Initiative: Amendment to IAS 2: Presentation of Financial Statements	1 January 2016
Amendment to IAS 12: Income taxes	1 January 2017
Amendment to IAS 7: Cash flow statements	1 January 2017
IFRS 16: Leases	1 January 2019
Amendments to IFRS 10, 12 and IAS 28: Investment Entities. Applying the consolidation exemption	1 January 2016


nbc
ERONGO
PLEASE DO NOT ADJUST
MANUFACTURED BY

Public Relations & Marketing Section
Erongo RED Building
91 Hage Geingob Street
Walvis Bay

PO Box 2925
Tel: +264 (64) 21 4600
Fax: +264 (64) 21 4601
Email: info@erongored.com.na

erongored.com