

GROU

FINANCIAL STATEMENTS

ANNUAL COMPANY

REPORT OF THE INDEPENDENT AUDITORS

To the member of Namibia Power Corporation (Proprietary) Limited

We have audited the accompanying financial statements of Namibia Power Corporation (Proprietary) Limited set out on pages 28 to 88, which comprise the balance sheet as at 30 June 2006, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with Namibian Statements of Generally Accepted Accounting Practice. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

Unqualified Opinion on financial statements prepared in the manner required by the Company's Act of Namibia

In our opinion the financial statements present fairly, in all material respects, the financial position of the company as at 30 June 2006, and of its financial performance and cash flows for the year then ended, as if these were separate financial statements in accordance with Namibian Statements of Generally Accepted Accounting Practice and in the manner required by the Companies Act of Namibia.


KPMG
REGISTERED ACCOUNTANTS AND AUDITORS
CHARTERED ACCOUNTANTS (NAMIBIA)

6 December 2006