

REPORT OF THE INDEPENDENT

The directors have pleasure in presenting their report for the year ended 30 June 2006.

1. PRINCIPAL ACTIVITIES

The company is responsible for the generation, transmission and distribution of electricity in Namibia.

The activities of the subsidiaries, associate and joint ventures companies comprises:

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

2. OPERATING RESULTS

The operating results of the group and company for the year under review are as set out below:

	GROUP		COMPANY	
	2006 N\$'000	2005 N\$'000	2006 N\$'000	2005 N\$'000
Total income	1,158,255	1,016,593	1,143,409	1,023,135
Operating income	986,486	869,270	972,128	863,032
Sales of electricity	918,734	817,069	904,376	810,831
Extension charges received	38,918	43,953	38,918	43,953
Contributions by customers	28,834	8,248	28,834	8,248
Other income	13,548	-	12,373	13,139
Investment income	158,221	147,323	158,909	146,964
Expenditure	(960,063)	(934,547)	(937,167)	(942,032)
Operating and administrative expenditure	(596,608)	(571,120)	(577,049)	(581,449)
Depreciation and amortisation charge	(246,196)	(245,628)	(243,999)	(244,130)
(Loss)/profit on realisation of assets	(60)	1,097	(60)	1,097
Finance costs	(117,199)	(118,896)	(116,059)	(117,550)
Net profit before taxation	198,192	82,046	206,242	81,103
Taxation	(52,682)	63,739	(52,523)	64,038
Net profit after taxation	145,510	145,785	153,719	145,141
Income from associate	924	2,179	-	-
Discontinued operations	(54)	-	-	-
Net profit for the year	146,380	147,964	153,719	145,141
Dividend declared	(5,000)	(4,000)	(5,000)	(4,000)
Retained Income	141,380	143,964	148,719	141,141
Retained Income for:	141,380	143,964	148,719	141,141
- Reserve Fund	45,231	44,537	45,231	44,513
- Development Fund	100,931	99,427	103,488	96,628
- Minority Interest	(4,782)	-	-	-

Due to the impact of the capital projects the company has no tax liability for the current and prior year.

Units into the system and sold:

	GROUP		COMPANY	
	2006 N\$'000	2005 N\$'000	2006 N\$'000	2005 N\$'000
UNITS INTO SYSTEM				
Ruacana Hydro Power Station	1,512	1,656	1,512	1,656
Van Eck Power Station	84	3	84	3
Eskom	1,620	1,514	1,620	1,514
Zesco	78	23	78	23
Paratus Power Station	10	1	10	1
STEM	82	8	82	8
EDM	6	-	6	-
Zesa	162	158	162	158
Total units into system	3,554	3,363	3,554	3,363
UNITS SOLD				
To customers in Namibia	2,481	2,349	2,481	2,349
Exports	36	31	36	31
To Skorpion	682	596	682	596
Total units sold	3,199	2,976	3,199	2,976
Transmission losses	9.99%	11.51%	9.99%	11.51%

Growth

During the year under review there was an increase of 5.6% in units sold to customers in Namibia excluding Skorpion (2005: increase of 2.1%).

The power imported during the year under review increased by 245 million units (2005: increase of 137 million units).

3. DIVIDEND

A dividend of N\$5,0 million has been declared and paid in respect of the 2005 financial year. No dividend was declared in respect of the year under review.

4. SUBSIDIARIES, ASSOCIATE AND JOINT VENTURES

Relevant information is disclosed in note 4 to the financial statements.

59%
1,158,254
82,046
(116,059)
39475,25
1,023,136
221500
29

5. CAPITAL EXPENDITURE

The net expenditure on property, plant and equipment during the financial year amounted to: Group-N\$182,8 million (2005: N\$158,1 million), Company - N\$176,1 million (2005: N\$157,4 million). The net expenditure on intangible assets during the financial year amounted to: Group- N\$13.2 million (2005: N\$15 thousand), Company- N\$ Nil (2005: 15 thousand)

This expenditure is mainly attributable to:

5.1 Rural Electrification:

- Maize Triangle
- Klein Aub upgrade
- Khomas Regional Council
- Gochas Scheme
- NIC Louw Scheme
- Installation of Metering Interfaces throughout Namibia

5.2 Substation Development:

- Ebony Substation 66/22 KV
- Otjikoto Substation 132 KV
- Swakopmund 66 KV
- Spare 400 KV 100 MVAR Reactor
- Gerus 66/22 KV TRFR11
- Ariamsvlei Substation 22 KV
- Namib Substation Extension
- Zambezi Project 220/132/66 KV
- Kokerboom Substation Extension
- Langer Heinrich Project
- New District Offices - Omatando Substation

5.3 Refurbishment and Upgrading:

- Harib Substation Upgrade
- Development of Erf 1799 Luther Street
- Khurub Substation Upgrade
- Van Eck Power Station Upgrade
- Ruacana PCST Upgrade

5.4 Transmission System:

- Otjikoto- Katima T-Line R- Select and EIA
- Aus Konkiep 132 KV Isolators
- Caprivi Link Technical Studies
- Kokerboom- Namib 132 KV Line

6. FOREIGN ASSETS

The valuation of the diversion weir situated in Angola amounts to N\$47,0 million based on replacement value. The diversion weir was revalued on 30 June 1992 by NamPower engineers. NamPower has granted a N\$3,7 million loan in respect of the Gove dam to the Angolan authorities. The recovery of this loan depends on the rehabilitation of the Gove dam by the Angolan Authorities and the implementation of the principles embodied in the 1969 agreement. A tender for the rehabilitation of the dam will be issued in due course.

The Calueque dam that was erected by NamPower (Pty) Ltd at a cost of N\$28,9 million, is also situated in Angola. The full utilisation of this project still depends on its final completion and the reinstatement of control to NamPower (Pty) Ltd. The company, thus far, could not derive any benefit from this asset. These asset and the loan granted are currently reflected in the company's books at a nil value.

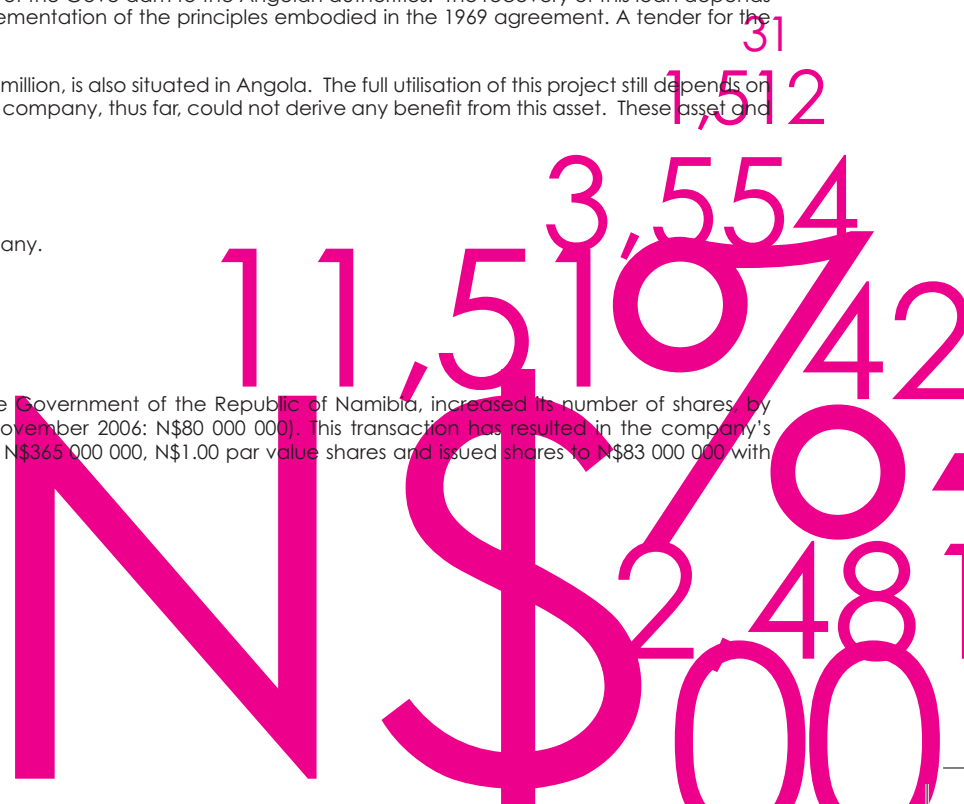
7. SHAREHOLDER

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

8. POST BALANCE SHEET EVENTS

8.1 Increase in share capital

Subsequent to the balance sheet date, the company's shareholder, being the Government of the Republic of Namibia, increased its number of shares, by investing an additional N\$180 000 000 (03 July 2006: N\$100 000 000 and 21 November 2006: N\$80 000 000). This transaction has resulted in the company's authorised share capital increasing from 65 000 000, N\$1.00 par value shares to N\$365 000 000, N\$1.00 par value shares and issued shares to N\$83 000 000 with share premium of N\$ 162 000 000.



8. POST BALANCE SHEET EVENTS (cont.)

8.2 Redemption of Standard Bank subordinated unsecured callable Bonds

On 20 September 2006, Standard Bank Namibia Limited issued a notice to all holders of the subordinated unsecured callable bonds that it will exercise its option to redeem the bonds on 20 November 2006. In terms of the placing document these bonds would mature on 20 November 2011, with Standard Bank Namibia Limited having the option to redeem these on 20 November 2006.

Included in the held to maturity portfolio of the company are the bonds to the value of N\$44,030 million.

9. BOARD COMMITTEES

In conformity with Corporate Governance, Namibia Power Corporation (Pty) Ltd has the following Board Committees:

9.1 Audit Committee

The members of the Audit Committee for the year under review are;

P A Kiyala	Chairman
J de La Rey du Toit	Resigned 1 December 2005
G Narib	
R N Hanghuwo	

A total of four (4) Audit Committee meetings were held during the year under review.

9.2 Remuneration Committee

The members of the remuneration committee for the year under review are;

P J Maritz	Chairman
P I Shilamba (Managing Director)	Appointed 1 May 2006
Dr L S Hangala	Resigned 31 March 2006
P A Kiyala	
J de La Rey du Toit	Resigned 1 December 2005

The Remuneration Committee held three (3) meetings during the year under review.

10. DIRECTORATE

A L Hungamo	Chairman
P I Shilamba	(Managing Director) - Appointed 1 May 2006
Dr L S Hangala	Resigned 31 March 2006
G Narib	
Ms R N Hanghuwo	
P A Kiyala	
P J Maritz	
J de La Rey Du Toit	Resigned 1 December 2005

11. SECRETARY

Ms T T Uwanga held office as company secretary for the year under review. The business and postal addresses are shown on page 89.

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15 CAPITAL
82,046