

DIRECTOR'S REPORT

The directors have pleasure in presenting their report for the year ended 30 June 2007.

1. Principal Activities

The company is responsible for the generation, transmission, energy trading and to a lesser extent the distribution of electricity in Namibia. The activities of the subsidiaries, associate and joint ventures companies comprise:

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

2. Operating Results

The operating results for the year under review are as set out below:

	GROUP		COMPANY	
	2007 N\$'000	2006 N\$'000	2007 N\$'000	2006 N\$'000
Total income	1,374,420	1,158,255	1,302,465	1,143,291
Operating income	1,149,968	986,486	1,090,105	972,128
Sales of electricity	1,105,753	918,734	1,045,890	904,376
Extension charges received	36,918	38,918	36,918	38,918
Contributions by customers	7,297	28,834	7,297	28,834
Other income	27,951	13,548	16,252	12,253
Investment income	196,501	158,221	196,108	158,909
Expenditure	(1,125,147)	(960,063)	(1,053,299)	(937,049)
Operating and administrative expenditure	(789,773)	(596,608)	(733,915)	(576,931)
Depreciation and amortisation	(224,134)	(246,196)	(212,189)	(243,999)
Gain/(loss) on realisation of assets	2,280	(60)	2,280	(60)
Finance costs	(113,520)	(117,199)	(109,475)	(116,059)
Net income before taxation	249,273	198,192	249,166	206,242
Taxation	(98,059)	(52,682)	(97,703)	(52,523)
Net income after taxation	151,214	145,510	151,463	153,719
Share of (loss)/ profit from associate	(21,979)	924	-	-
Discontinued operations	1	(54)	-	-
Loss on sale of Joint venture	(9,841)	-	-	-
Net profit for the year	119,395	146,380	151,463	153,719
Dividend declared	-	(5,000)	-	(5,000)
Retained Income	119,395	141,380	151,463	148,719
Retained Income for:	119,395	141,380	151,463	148,719
- Reserve Fund	56,233	45,231	56,233	45,231
- Development Fund	63,162	100,931	95,230	103,488
- Minority interest	-	(4,782)	-	-

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

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Units into the system and sold:

UNITS INTO SYSTEM

	GROUP		COMPANY	
	2007 Million	2006 Million	2007 Million	2006 Million
Ruacana Hydro Power Station	1,542	1,512	1,542	1,512
Van Eck Power Station	31	84	31	84
Eskom	1,733	1,620	1,733	1,620
ZESCO	24	78	24	78
Paratus Power Station	3	10	3	10
STEM	115	82	115	82
EDM	69	6	69	6
ZESA	104	162	104	162
Total units into system	3,621	3,554	3,621	3,554
To customers in Namibia	2,590	2,481	2,590	2,481
Exports	40	36	40	36
To Skorpion	629	682	629	682
Total units sold	3,259	3,199	3,259	3,199
Transmission losses	10.00%	9.99%	10.00%	9.99%

Growth

During the year under review there was an increase of 4.4% in units sold to customers in Namibia excluding Skorpion (2006: increase of 5.6%).

The power imported during the year under review increased by 137 million units (2006: increase of 245 million units).

DIRECTOR'S REPORT (CONT)

3. Dividend

No dividend was declared in respect of the year under review (2006 : N\$ 5 million).

4. Subsidiaries, Associates and Joint Ventures

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

5. Capital Expenditure

The expenditure on property, plant and equipment during the financial year amounted to: Group N\$125,9 million (2006: N\$182,8 million), Company N\$115,2 million (2006: N\$176,1 million). The expenditure on intangible assets during the financial year amounted to: Group N\$7,5 million (2006: N\$13,2 million), Company N\$3,9 million (2006: N\$ Nil).

This expenditure is mainly attributable to:

5.1 Rural Electrification:

Several MTC Towers	John Hayes Scheme
Hardap regional Council - Amper Bo	Karanas 1& 2
Onderombapa 1,2 & 3	Blumfelde retic
Naukluft Electricity Investment	Gqaina school
Opuwo sesfontein Scheme	Hess Scheme
Elshorst farming	

5.2 Substation Development:

Zambezi Project 220/132/66 KV
Uranium transmission Station
Namib Transmission Station Extension
Substation Earthing - Walmund, Osona and Rossing
Welwitchia Transmissin Substation Upgrade 66/33 kV
Caprivi Interconnector Project

5.3 Refurbishment and Upgrading:

Harib Substation Upgrade
Portable Water System Refurbishment
Khurub Substation Upgrade
Van Eck Power Station Controls Upgrade
HV Yard Stones and Razor Mesh- Central Region, Nothern Region and Erongo Region
mySAP ERP 2005 Upgrade
GMS Trays for Transformers, Current Transformers and Voltage Transformers

5.4 Transmission System:

Rehoboth-Klein Aub 66 KV Section Links
Auas/Otjikoto Lifa T/S Route Select and Environment Impact Assessment
Caprivi Interconnector Project

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 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\$500 million (18 July 2007). This transaction has resulted in the company's issued share capital increasing from 90 million, N\$1 par value shares to 140 million, N\$1 par value shares with a share premium of N\$ 675 million.

8.2 Issuance of bonds

On 24 July 2007, NamPower successfully conducted a bond issue of N\$500 million, (NMP20N). The bonds are listed on the Namibian Stock Exchange and the Bond Exchange of South Africa. The bonds have a coupon rate of 9.35% payable semi-annually and mature on 24 July 2020. The bonds are denominated in South African Rand. This is the first tranche of NamPower's Corporate Debt Programme aimed at funding strategic capital projects and will extend to an amount of N\$ 3 billion.

8.3 Approval of the Caprivi Link Inter-Connector Investment Decision

On 16 August 2007, the company's Board of Directors took an investment decision for the construction of Phase 1 of the Caprivi Link Interconnector and approved the project's budget amounting to N\$3,21 billion.

DIRECTOR'S REPORT (CONT)

9. Board Committees

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

9.1 Audit and Risk Management Committee

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

P A Kiiyala	Chairman
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 were;

P J Maritz	Chairman
P I Shilamba	Managing Director
P A Kiiyala	

The Remuneration Committee held eight (8) meetings during the year under review.

9.3 Board Tender Committee

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

R N Hanghuwo	Chairperson
G Narib	
J Maritz	

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

10. Directorate

A L Hungamo	Chairman
P I Shilamba	Managing Director
G Narib	
Ms R N Hanghuwo	
P A Kiiyala	
P J Maritz	

The board of directors held twenty six (26) meetings during the year under review.

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 92.

Corporate Social Responsibility

As indicated in the opening statement one of the outcomes of the structural realignment was the establishment of the NamPower Foundation. The Foundation is tasked with identifying viable long-term projects that will position NamPower more prominently in the corporate social responsibility arena. Currently a substantial portion of this function resides in the Corporate Services Business Unit under Marketing and Corporate Communications.

The following corporate social investment activities were highlights in the past year;

- NamPower has been very instrumental in supporting the International Movement for Leisure in Science and Technology (IMLAST) Science Fair which was the first of its kind in Africa. An amount of N\$350 000 was allocated to this event;
- Boxing Sponsorship gave us a tremendous mileage as two boxers Paulus Moses and Taks Naule managed to win prestigious titles through NamPower sponsorship.

ACKNOWLEDGEMENT

NamPower is fortunate to be able to benefit from the steady leadership of the Government and the agencies principally responsible for governance of the electricity supply industry in Namibia namely the Ministry of Mines and Energy and the ECB. They deserve profound thanks for their support and dedication to NamPower.

Our employees have demonstrated commitment, ability and flexibility beyond the call of duty as we have together tried our level best to meet the various challenges domestically, regionally and globally.

NamPower could not achieve what it has without input of time, energy and wisdom from my fellow directors on the Board. My profound thanks go to all of you, and particularly our Chairman, Mr Andries Leevi Hungamo who has continued to be an inspiration to us all.