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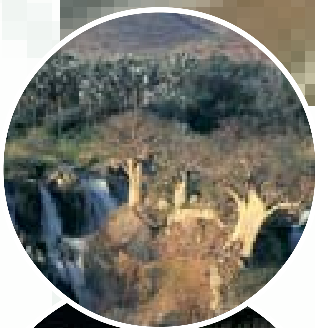
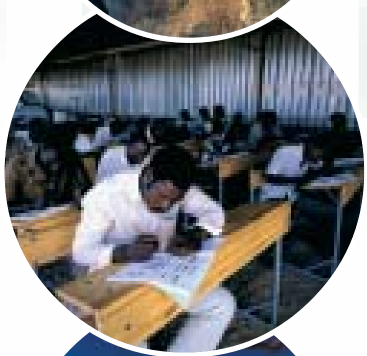
All stakeholders including future investors can rest assured that NamPower's continued success rests on a very solid foundation. The business culture that pervades the motivation, the thinking, and the inter-action between the Board and the Management team as well as the employees, reflects an awareness and acknowledgement of the inestimable weight that is placed on sound business principles, policies, procedures and practices in NamPower. This management credo, married with entrepreneurial flair, innovativeness, creativity, flexibility and risk awareness in a fast changing world, promises ongoing success because we at NamPower will ensure effective and productive use of resources.

NamPower, the Engine that Drives Progress

As the national electricity utility of Namibia, NamPower is a proprietary limited company operating under the Companies Act. It pays all taxes including income tax. Its share capital of N$65,0 million is presently fully owned by the Namibian Government. Governed by a Board of Directors comprised of prominent Namibians appointed by the Shareholder, NamPower operates on strict business principles and receives no grants, subsidies or soft loans from the Government for its day-to-day operations.

Because of the Government's commitment to promote and facilitate economic growth parallel to improving the quality of life of all citizens, NamPower as an electricity company fully understands that electricity invariably plays an important role in the socio-economic development of our country. As the engine that drives progress, our main objectives are availability, affordability and accessibility of electricity to as many Namibians as possible within the shortest possible time.





Rural electrification is one of our objectives to extend power to the majority of our people. This we believe, will lead to the improvement of the quality of life of our rural communities and provide opportunities for economic development. As early as 1991, NamPower started investing in rural areas and together with the Ministry of Mines and Energy embarked upon the implementation of the Rural Electrification Programme. Furthermore, with international funding obtained for the 400kV Project, NamPower negotiated a concessional funding component of some N$200 million. These funds will be allocated to electrification projects identified by NamPower and the Ministry of Mines and Energy, in line with the Namibian Rural Electrification Distribution Master Plan, which was completed in 1999.

The Corporation's supply network was greatly improved with the establishment of a dedicated Distribution vehicle, Premier Electric. Premier Electric further improved our accessibility to customers by setting up regional and district offices throughout the country. The driving force is NamPower's quest for excellence in asset maintenance, seamless customer care and quality and security of supply.

Due to the increasing demand for electricity, NamPower had to evaluate all possible sources of electricity, including the possibility of further hydro-electric power stations on the Kunene River, the development of Kudu Gas, off the west coast, imports and renewable energy. The transmission system has been expanded mainly by the construction of the 900km, 400kV interconnector power line from Kenhardt in South Africa to Auas near Windhoek to increase import capacity and improve system stability.

In pursuance of our mission, "to provide affordable and reliable electricity for the prosperity of Namibia and its people", the Corporation joined the Southern African Power Pool (SAPP) to tap from the resources within the SADC Region. This has enabled NamPower to obtain a better cost structure and readily available power supplies. NamPower is committed, together with other SADC utilities, to contribute its part to the construction of the Western Corridor, which is planned to stretch from Inga in the DRC, traverse Angola and Namibia and culminate in South Africa and Botswana.

Key Statistics

			2003	2002	2001
1.	Revenue (N$'000)		**784,813**	644,020	674,960
2.	Taxation (N$'000)		**55,570**	(43,866)	24,885
3.	Capital Expenditure (N$'000)		**436,286**	471,068	266,490
4.	Coal Cost - Per Ton (N$)		**270.50**	270.50	270.50
5.	Average Price per unit sold (Cents)		**27.63**	21.56	20.19
6.	Number of customers		**3,265**	2,894	2,723
7.	System Maximum (Hourly demand) (MW)		**371**	348	332
8.	Units into System kW/h (Million)		**2,466**	2,371	2,277
	NamPower		**1,421**	1,429	1,211
	Zesco		**21**	21	21
	Eskom		**988**	921	1,045
	STEM		**36**	0	0
9.	Units sold (Million)		**2,246**	2,136	2,050
	Customers in Namibia		**2,117**	2,082	1,981
	Skorpion		**76**	0	0
	Botswana		**7**	4	2
	Angola		**10**	6	5
	Eskom		**36**	44	62
10.	Installed Capacity (MW)		**993**	993	993
	- Ruacana		**249**	249	249
	- Van Eck		**120**	120	120
	- Interconnector		**600**	600	600
	- Walvis Bay		**24**	24	24
11.	Transmission Lines				
	- 400 kV (km)		**988**	988	735
	- 330 kV (km)		**521**	521	521
	- 220 kV (km)		**1,958**	1,664	1,664
	- 132 kV (km)		**1,462**	1,388	1,166
	- 66 kV and below (km)		**16,357**	14,194	13,223
12.	Empoyees		**818**	816	831
13.	Ratios				
	Profitability and Asset Management				
	Net asset turnover				
	- Before revaluation of assets		**0.29**	0.25	0.21
	- After revaluation of assets		**0.15**	0.13	0.14
	Return on total assets				
	- Before revaluation of assets	%	**1.69**	3.84	4.67
	- After revaluation of assets	%	**1.21**	2.65	3.51
	Average return on fund investment	%	**13.22**	11.05	10.48
	Value added per employee (N$'000)		**185**	274	315

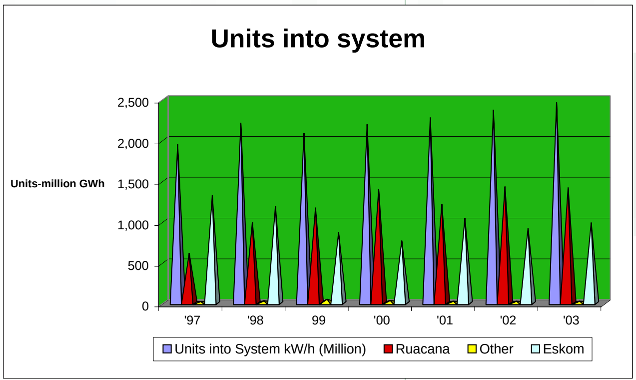
Definitions of ratios

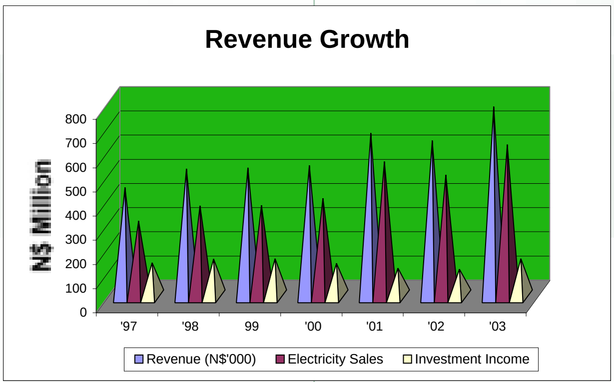
Net asset turnover - sales of electricity divided by net assets

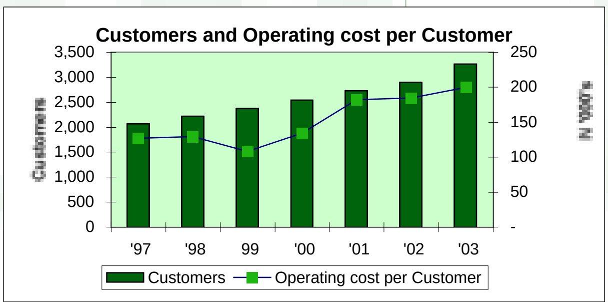
Return on total assets - net operating income after taxation expressed as percentage of total assets

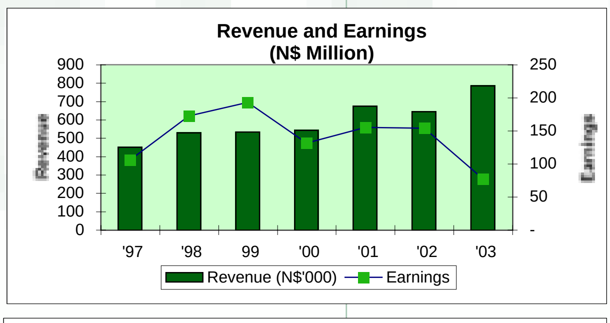
Value added per employee - value added divided by number of employees at 30 June as per Value Added Statement

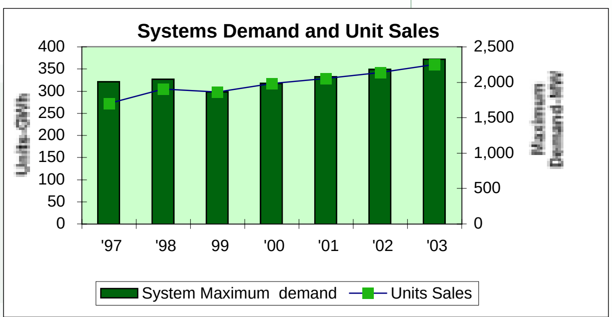
Key Statistics

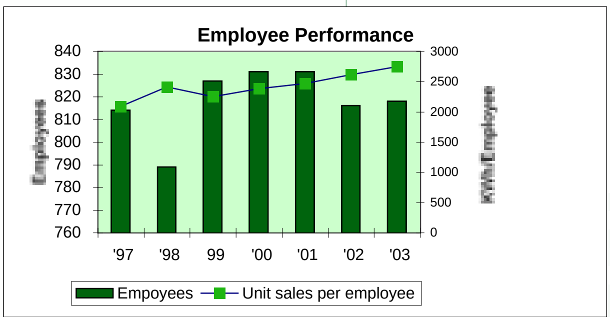












Ministry of Mines and Energy

Hon. Dr. Nickey Iyambo
Minister of Mines and Energy

Hon.Mr Henock Ya Kasita
Deputy Minister of Mines and Energy

Mr. Joseph Iita
Permanent Secretary of Mines and Energy

NamPower Board of Directors

Mr. Mathew Shikongo (Chairman)

Dr. Leake Hangala (Managing Director)

Ms. Peggy Muyunda

Mr. Koos Du Toit

Ms Teckla Uwanga (Company Secretary)

Mr. Jan Engelbrecht

Ms. Eunice Iipinge

Mr. Petrus Damaseb

Management Committee

Ms Ophelia Netta
General Manager
Human Resources

B.A. Social Work,
Advanced Project Management Diploma

- Human Resources Leadership
- Policy Development and Planning
- Recruitment and Selection
- Personnel Administration
- Training and Organisational Development
- Industrial Relations
- Compensation Management
- Safety, Health and Environment
- Security

Mr Gorden Walters
General Manager
Finance and Treasury

B.Comm (Acc); Hons. B.Compt
AGA (SA)

- Corporate Finance
- Financial Accounting
- Project and Group Management Accounting
- System Accounting
- Treasury & Risk Management
- Financial Planning & Investment Decision-making
- Budgeting and Budgetary Control

Ms Foibe Jacobs
General Manager
Energy Trading
and Single Buyer

B.Proc; Attorney of the
High Court of Namibia;
Certificate in Executive Management
(Harvard Business School) (2000)

- Energy Trading
- Economic and Financial Risk Management
- Long and Short Term Demand Prediction
- Long and Short Term Production Simulation
- Network Security Analysis and TFL Calculations
- Settlement Data Capture
- Market Development and Performance

Mr Isac Tjombonde
General Manager
Information Services

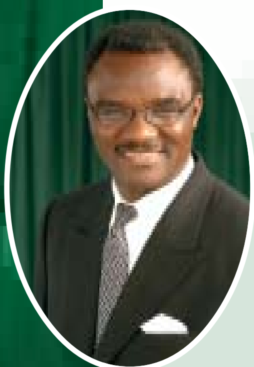
A.A.; B.BA.; MSc; (Information Systems)

- IT Strategic Planning & Management
- IT Standards and Procedures
- IT Investment Management
- IT Operational Management

Mr Fritz Jacobs
General Manager
NamPower Investments

PrEng FCIS(SA&UK) FCIBM(SA)
BScEng MScEng

- International Business Development & Strategy
- International Projects
- National Business Development & Strategy
- International Business Risk Management
- Business Case Preparation
- Management of NamPower Business Investments
- NamPower Properties
- PowerCom (Pty) Ltd
- Capricorn (Pty) Ltd
- NamPower International (Pty) Ltd



Dr Leake S. Hangala
Managing Director

Ph.D Economic Geology Helsinki (1987)
Certificate in Advanced Management
(Harvard Business School) (1998)

- Chief Executive Officer
- Overall Strategic Management and Planning
- Internal Auditing
- Corporate Business Processes and Control

Ms Margaret van der Merwe

General Manager
Generation

B.Eng.(Electrical)

- Electricity Generation
- Security of Supply
- Maximisation of Output and Plant/Operation Availability
- Long and Short Term capacity expansion
- Management and Maximisation of Generation Assets
- Maintenance Management System and Equipment Replacement Policy
- Technical and Technological Innovations
- Liaison with Energy Trading and Other Key Stakeholders

Dr Sakeus Akweenda

General Manager
Regulatory and Legal

LL.B; LL.M; Ph.D (University of London)
Legal Practitioner

- Chief Legal Counsel for the NamPower Group
- Regulatory Coordination
- Provident Fund and Benefits
- Aviation Management

Mr Bertholdt Mbuere

General Manager
Transmission

B.Sc (Physics); B.Sc. Hons. (Elec.Eng.) UCT; Pr.Eng

- Transmission Wire Business
- Transmission Supply Business
- System Operation (National Control)
- Transmission Planning & Quality of Supply
- Network Operation (Grid Operations)
- System Protection Analysis and Application Studies
- SAPP, WESTCOR

Ms Lucia T Shipena

General Manager
Commercial Development and Marketing

BA: Fort Hare (1984); HDE PG Sec: Rhodes (1985); National Diploma Marketing: Polytechnic of Namibia (2001)

- Commercial Development
- Marketing
- Corporate Communication
- Public Relations
- Stakeholder Relationship Management
- Coordination of Customer Service
- Library and Archival Services

Mr Kahenge Simson Haulofu

General Manager
Engineering Services

B.Sc. (Civil Engineering)

- Engineering Services Planning and Management
- Asset Maintenance (PTM&C, All HV Equipment, GIS, R&D)
- New Works (Project Documentation, Tendering and Management, Planning and Design of Lines and Substations)
- Logistics and Materials (Stores Management, NamPower's Vehicle Fleet)
- Construction (Lines and Substations)

Mr Reiner Jagau

Chief Technical Advisor

B.Sc. B.Eng (Elec. Eng) Pr. Eng

- Power System Planning
- Advisory Technical Management
- Specialist Services
- Environmental Affairs
- Electrification

Special Projects:

- Kunene Hydro-Electric Scheme and Kudu Gas
- International Developments
- Subsidiary Companies

Chaiman's Review

Mr. Mathew Shikongo
(Chairman)

The restructuring of Namibia's Electricity Supply Industry (ESI) initiated in previous years picked up momentum during the period under review, as typified by the holding of an important roundtable workshop at Swakopmund in February 2003. This workshop served as a platform for stakeholders in the industry to engage in a mutually beneficial debate aimed at shaping the discourse for the future of the industry and the country in general with respect to self-reliance in electricity generation.

I am equally gratified to note the progress that has been made by stakeholders in pursuing the restructuring of the ESI within the letter and spirit of Government's intentions as reflected in the White Paper on Energy Policy. In this vein, we have witnessed the establishment of the second regional electricity distributor in Namibia, CENORED, which will have jurisdiction over local authorities, farms and other settlement areas in the Otjozondjupa region and part of the Kunene region.

Progress has also been made in preparation for the establishment of other regional distributors, namely the Central RED, Erongo RED and Southern RED, as spearheaded by the Ministry of Mines and Energy. We, in NamPower have continuously pledged our support to this process of restructuring and innovation to the benefit of the country and in the interest of consumers.

Economic Environment

Namibia's economic performance continued to be satisfactory amidst conditions of global economic slowdown, which particularly affected our export markets and the potential to attract direct foreign investment. Moreover, an unprecedented rise in the value of the Namibia Dollar against the US Dollar and other major trading currencies has adversely affected the fishing, mining and agricultural sectors, traditionally the pillars of Namibia's economy. There has been a considerable drop in national export earnings, while investors have taken a more cautious approach in investing in the Namibian and South African economies, as compared to the 2001/2002 period.

By contrast, Namibian consumers of goods and services have benefited from the strengthening of the local currency. Since the beginning of 2003, there has been relief for such consumers in the form of stabilising prices, with petrol prices levelling off during the first quarter and inflation dropping below two digits for the first time in several years. The financial sector also played a considerable role in compensating for the economic pressures experienced since 2001 with successive interest rate cuts. These cuts further helped stabilise the prices of goods and services. For our particular industry, pricing remained competitive, given the high increase in the demand for electricity, recorded in our traditional core consumption sector of mining and also in agriculture and manufacturing.

Mining continues to be the largest sector of the economy, contributing about 28% of GDP and employing some 5.4% of the total workforce in Namibia. The industry's almost total export orientation has made it particularly susceptible to fluctuations in mineral prices and exchange rates, which can severely affect margins and the volume of output. The continued growth of Ongopolo Processing Mine in Tsumeb and the shipment of the first consignment of zinc earlier this year at Skorpion Zinc Mine have added much needed impetus to the strengthening of the mining sector and its contribution to economic growth, both in terms of government revenue and employment creation. The latter goal has also been well served by the launch of the Ramatex textile operation in Windhoek, to which NamPower made a major contribution in the form of expedited supply of reliable power.

However, given the strengthening of the local currency, it is foreseeable that the mining sector's revenue and profitability will be slashed this year. This situation may have an adverse effect on the ESI as the mining sector is electricity-intensive and therefore, one of our largest customers. The ESI's performance during the period under review must be viewed within this context, without losing sight of its sustained and ongoing contribution to economic growth, employment creation and poverty reduction.

In the medium to long term we remain optimistic that the strengthening of the economy, reductions in interest rates and the stabilisation of prices of goods and services as witnessed during the period under review, will contribute further to healthy GDP growth and diversification, ultimately benefiting our own industry.

Social Responsibility

As a key partner in, and implementer of, the Rural Electrification Program in Namibia, NamPower remained committed during the period under review to this national project of providing access to electricity to the majority of our people not yet connected to the national electricity grid. By the end of the Financial Year 2002/2003, NamPower had electrified roughly 80 more villages and settlement areas at a cost of N$50 million, of which N$12 million came from its own resources with the remainder being sourced from the Ministry of Mines and Energy as well as through concessional loans. The Group's continued investment in rural electrification is aimed at providing access to affordable, sustainable and reliable sources of power with the objective of stimulating economic growth and the improvement of the standard of living of our people.

NamPower also provided over N$650 000 through sponsorships to various institutions in Namibia as a measure of our appreciation for the support we receive from Government, our valued customers, and the Namibian society in general. These sponsorships and donations are part of our ongoing social responsibility initiatives, aimed at ploughing value back into our communities.

Operational Highlights

- During the period under review, we successfully implemented and commissioned a SAP R/3 information management system. The benefits of this system will be felt throughout our operations, and in the services that we provide to our customers.

- NamPower's commitment towards the design of a market model framework in consultation with the Electricity Control Board (ECB) and the Ministry of Mines and Energy (MME) remained firm during the period under review, and this process is expected to be finalized soon.

- NamPower continued to invest substantially in its Transmission and Distribution infrastructure. The construction of the Kuiseb substation and the 220 kV line from the Van Eck power plant in Windhoek to Walvis Bay to provide additional power to the growing demand for electricity at the Coast has been completed at a cost of N$282 million.

- Another significant project that NamPower is embarking on is the construction of a transmission line from the Omaere substation east of Gobabis, to Ghanzi in Botswana. It is an important project for NamPower and the country in general, in line with diversification of our operations and the provision of trans-frontier goods and services, in accordance with our new vision of "**powering the nation and beyond**".

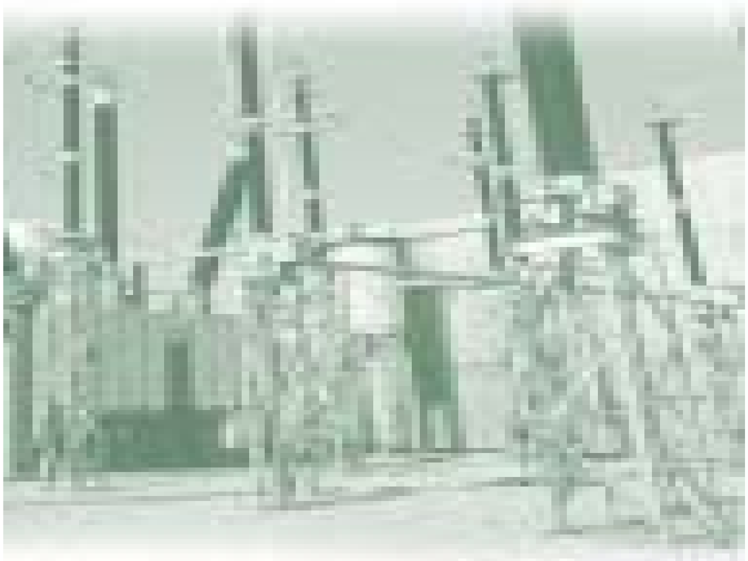
- The establishment of an operational office in Angola is another step that NamPower has taken to broaden its horizons into niche markets in the sub-region.

Given the diminishing generation capacity in Namibia and the region, NamPower and its partners within the country and elsewhere vigorously continue to pursue all viable power generation options. The Kudu Gas Fields, located 170 km offshore from Oranjemund, the Popa Falls on the Kavango River, hydro power sites on the Lower Kunene and Orange River as well as wind power near Lüderitz are receiving increased focus.

I would hereby like to thank my colleagues on the NamPower Board of Directors, the Management of NamPower, and indeed the entire NamPower Family for their dedication and commitment to supplying electricity to this and future generations of Namibians. Your efforts are recorded as progress in every new household, clinic, school, business or mine that receives electricity. I am proud to be associated with NamPower, the engine that drives development in this country and beyond.

Managing Director's Report

Dr. Leake S. Hangala
(Managing Director)



INTRODUCTION

The year under review was marked by consolidation of the Company's core business areas of electricity generation and transmission, and by continued innovation and transition in the realm of electricity distribution. In each of these three sectors we aim to be a leader in the Namibian power industry that will be characterized over the coming decade by new entrants and new competition. I am pleased to report that we are well positioned financially and institutionally to fulfill that aim. In Generation, the Company is at the forefront of efforts to develop new domestic sources of power supply, even as we achieved new standards of efficient operating performance during the Financial Year 2002/2003 at our main generating facility. In Transmission, NamPower completed another major project of what is now a power network unsurpassed on the continent, and which provides the backbone for expansion into the continent, through cross-border supplies and trading. In Distribution, the Company joined forces with local and regional authorities in advancing the national vision of a smaller group of more competitive, viable and effective distribution entities, so as to ensure that the benefits of reliable and affordable electricity long enjoyed by NamPower's direct customers can be realized as well by those individual consumers who are the end-users of electricity.

We at NamPower by no means view our opportunities and responsibilities as ending at infrastructure expansion. In the year under review, the Company took a further step toward geographically diversifying its activities - initiating, consummating or implementing ventures involving each of Namibia's neighbours. We continued the process of ring-fencing our operating units into commercialized providers of goods and services, anticipating the day when their expertise can be made available to new entrants into Namibia's electricity industry, and can likewise become the basis for entirely new markets outside the traditional confines of that industry. At the same time, we stuck close to our roots, continuing our record of commitment to rural electrification, national development causes, and domestic fixed investment. As in previous years, NamPower contributed to Namibia's capital stock, its pool of skills and know-how in a major way.

I am pleased to report that amidst this ongoing pursuit of strategic objectives, the Company paid due heed during the Financial Year 2002/2003 to financial prudence and institutional governance. Financial results were once more on target and satisfactory, against the backdrop of capital expansion and greater financial leveraging characteristic of the past few years. Company financial resources remain more than adequate to meet foreseeable needs; likewise, our internal, systemic resources, ranging from our technologies to our people. New blood succeeded old in a number of key management and other positions, as seamlessly as new software and hardware were integrated into networks now more durable, flexible and reliable than they were 12 months previously.

At the turn of another year of solid achievements, the Company believes, without any sense of complacency, that it is positioned not only to continue meeting its own business challenges but also to help the nation continue meeting the economic challenges as they emerge. On the strength of our cooperation with the Ministry of Mines and Energy, the Electricity Control Board (ECB), other Government agencies and the private sector, we believe an energy platform supportive of economic takeoff is within reach, and we look forward to completing that task day by day, month by month, and year by year as Namibia pursues Vision 2030 with the confidence and urgency of a nation secure in its fifteenth year of peace and progress.

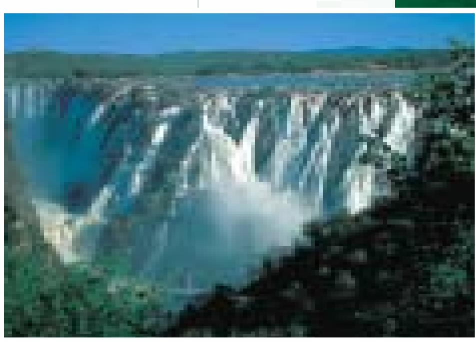
TECHNICAL PERFORMANCE

Overview

During the year under review, the Company successfully managed significant expansion in its own infrastructure and capacities, and in demand for its products and services that substantially surpassed Namibia's real GDP growth, positioning NamPower as an ever more important player in a diversifying economy and electricity supply industry. Continuing a multi-year trend, domestic electricity sales increased by 5.3% to 2,25 billion units, with that increase driven mainly by the commissioning of the Skorpion Zinc Mine and Refinery, which will be an increasingly important consumer of power in the years to come. Transmission losses decreased to 8.9% because of increased water flow at the Ruacana hydro power station and the 400 kV network. A welcome development in the interests of all who benefit from the long-term security, reliability and affordability of NamPower's electricity supply was the ECB's decision during the Financial Year 2002/2003 to realign rates in keeping with global industry standards and in recognition of inflationary inroads into NamPower's purchasing power and thus its ability to build and sustain capacity. Even after this realignment, electricity in Namibia remains both affordable and promotive of energy-intensive industrial development, suited to the nation's natural resource base.

Generation

Despite a 22% drop in the Kunene River water flow, NamPower's hydropower plant at Ruacana, building on improved automation and other efficiencies initiated in prior years and completed during 2003, saw only a 1% decrease in units generated, enabling NamPower to supply 58% of the nation's electricity requirements from own sources and keeping import dependency at levels both tolerable and materially equivalent to those of the Financial Year 2001/2002. Ruacana became the first hydro power facility in the world to adopt Profibus technology, with all measurement devices being upgraded using programmable logic controllers and system control and data acquisition software. The thermal power plants – Van Eck in Windhoek (120 MW) and Paratus in Walvis Bay (24 MW) - were kept in stand-by mode, leading to a substantial power trading benefit within the rules of the Southern African Power Pool (SAPP). The Van Eck power plant made a further contribution in the form of system stability with its conversion of two of its synchronous generators to dual-use status, allowing them to be deployed as synchronous condensers as well.



With completion during the Financial Year 2002/2003 of a preliminary Generation Master Plan, and with existing bilateral arrangements with Eskom running only through 2005, the focus is now squarely upon a number of domestic generation options, both to increase national energy self-sufficiency and to take advantage of export opportunities in the burgeoning SAPP trading market. Systematic evaluation of these options was progressed over the course of the year: An 800 MW power plant utilizing Kudu gas remains a priority for consideration, given the size of proven offshore reserves and the technical feasibility of such a plant. NamPower continues to work closely with Government, prospective developers of those offshore reserves, and other relevant players to resolve financial and other issues that remain. A pre-feasibility study on a possible 24-30 MW hydropower plant at Popa Falls was commenced, and will conclude during the current fiscal year. The merits of developing a mid-merit/peaking facility at Baynes on the lower Kunene continues to be actively investigated. A prospective wind plant at Lüderitz continues to await further developments in the form of Government procurement of the highly concessional international funding that would be required for such a plant to be financially viable.

Transmission

NamPower's world-class transmission system demonstrated its capacity and flexibility with the rapid upgrading and installation, during the year under review of infrastructure to support four projects of strategic significance to the Namibian economy: The Ramatex textile investment in Windhoek (where a 60 MVA transformer was replaced by a 160 MVA one); the industrial development zone at Walvis Bay (where the 220 kV power line and associated Kuiseb transmission station were completed, and where a ring-feed now exists); the Skorpion Zinc Refinery that was connected to the national grid through a 400kV network; and the expansion of copper mining operations at Ongopolo's Kombat mine with the development of the Asis Far West Mine.

Other major developments during the year under review included Board approval of a new Transmission Master Plan which prioritizes system strengthening in the north of Namibia. The gains from a stabilized system were evident in the Financial Year 2002/2003 when the national grid was tested by inter-area power swings: The new automatic voltage regulators at Ruacana and in Windhoek, working together with the new static VAR control and power oscillation dampers at Auas, prevented blackouts which otherwise would have been inevitable.

Progress was also recorded in the installation of voltage quality of supply meters for the majority of NamPower's transmission customers. All the largest customers therefore now benefit from these devices. NamPower is approaching a stage where the quality of supply will be measurable at each and every supply point, thereby increasing customer service and satisfaction. Quality and reliability were also the motivation for the replacement of surge arresters (lightning), a project initiated during the year under review and currently focussed on the Ruacana-Omburu network. State-of-the-art energy meters were installed as part of the ringfencing exercise. These meters will be read remotely, thereby enhancing our customer service.

Distribution

NamPower's electricity distribution activities continued to be channelled through its subsidiary, Premier Electric; and also through Nored Electricity. While Premier Electric's financial results are reported separately, they are also consolidated into NamPower's audited financial statements, whereas NamPower's share of Nored profits is reflected in NamPower's audited income statement as "income from associates." Nored is a prototype for the anticipated establishment of regional electricity distribution companies ("REDs") throughout Namibia, as envisaged and promoted by the Ministry of Mines and Energy, consistent with its vision of a restructured and competitive Electricity Supply Industry (ESI) regulated by the ECB. NamPower is fully supportive of that vision and, as a partner with the Ministry and ECB the Company is prepared for such eventual realignment of Premier Electric's focus as may be necessary to accommodate the emergence of REDs.

Rural electrification continued to be managed by NamPower on behalf of the Ministry of Mines and Energy. Over N$50 million was invested in this vital, ongoing national undertaking during the Financial Year 2002/2003, with these funds coming from NamPower's own resources, contributions by the Namibian Government and subsidized interest loans paid into the development fund. Grid power was delivered to previously off-grid communities in the vicinities of Omusati, Okangwati, Koës, Koichab Pan, Tsintsabis, Kalkfeld, Omatako, Karas, Oshikoto, Stampriet West and the Maize Triangle.

Energy Trading and Single Buyer Business Unit

The Financial Year 2002/2003 was the first full year of operation of NamPower's Energy Trading and Single Buyer Business Unit (BU), and already a substantial contribution to both the Company's bottom line and the national aim of diversified energy supply was made, through optimum sourcing of energy on the SAPP Short Term Energy Market (STEM). Approximately 8% of total Namibian electricity supply originated from STEM, reducing NamPower's traditional dependence on a single source for imports and also increasing security of supply and improving the energy portfolio of the country. The latter was tested when a record peak demand of 377 MW, not even including the substantial Skorpion zinc mine load, was registered on 1 July 2003 and successfully met during the year under review. Given its mandate, in addition to power trading, of medium- to long-term supply planning, the Energy Trading and Single Buyer Business Unit also pursued bilateral energy import arrangements and opportunities, which are expected to bear fruit in future.

FINANCIAL PERFORMANCE

Financial Results

The Company's pre-tax profit grew by 21% during the year under review, to N$132,73 million, in line with revenue growth of some 18% to N$627,23 million. Revenue increases were prompted by a 5% expansion in sales, coupled with an ECB-mandated rate hike that compensated for inflationary erosion in prior years of NamPower's unit charges for electricity. Margins were sustained despite a 55% increase in finance costs and a 46% rise in depreciation charges, both reflecting the Company's large-scale program of expanded infrastructure and other capacity in recent years. Variable operating costs outside NamPower's control, principally the cost of electricity imports, rose by 17% as well. Notwithstanding the preceding costs, NamPower's operating and administrative expenditure were only 1% higher than in the Financial Year 2001/2002, in line with aggressive cost containment and efficiency improvement measures.

NamPower prioritized more proactive treasury management during the Financial Year 2002/2003, with early and impressive results. Despite a downward trend in interest rates, investment income soared by 40%, substantially outstripping growth in the Company's cash position. NamPower increased the use of derivative financial instruments as a means of more effectively hedging its foreign exchange and interest rate risks during a period of considerable volatility on both fronts without detrimentally affecting the Company's risk profile.

Provision for taxation of N$55,57 million resulted in net post-tax income of N$77,16 million, lower than in the Financial Year 2001/2002 due to a realization in that year of a substantial tax refund. In view of this lesser distributable amount and the Company's continuing expansion program, NamPower's Board determined that a dividend of N$6,5 million, lower than last year's in absolute terms, but in keeping with NamPower's historical profit/dividend ratio - would be prudent and appropriate.

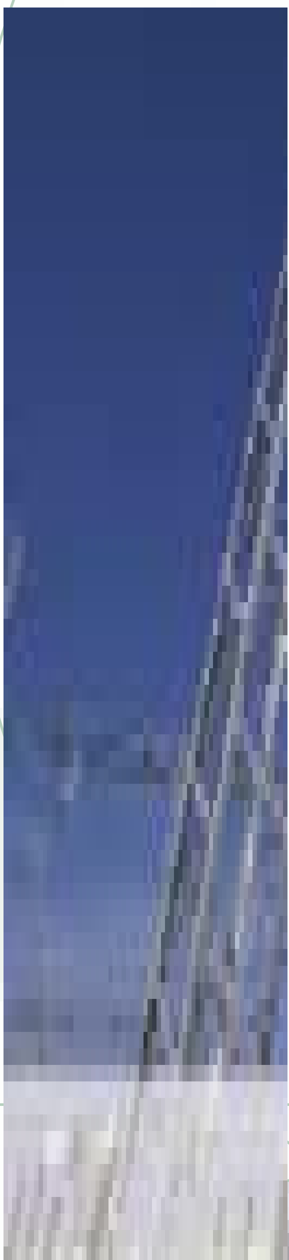
Financial Position

NamPower's Group balance sheet grew by 9.8% to N$6,37 billion, mainly as a consequence of continued heavy capital expenditure, which at over N$436 million once again set the pace for private sector investment in Namibia's economy. The strength of that balance sheet as a foundation for existing and future operations and expansion remained potent, as measured by several indicators. Short-term investments, together with current assets, exceeded current liabilities by N$1,34 billion, or by 13% more than in the preceding financial year. Shareholders equity remained steady at N$3,8 billion. Borrowings from financial institutions, which continue to be on highly favourable terms, grew to N$1,02 billion, but still stand at only a fraction (16%) of total capital employed, and are exceeded by liquid investments. NamPower has available but undrawn credit lines of N$70,7 million, which together with internally generated resources provide the capacity to meet most foreseeable needs as Namibia's ESI maintains its course of growth and evolution over the coming years.

Financial performance

NAMPOWER INVESTMENTS

In its second year of operation, NamPower Investments established four distinct areas of commercial focus: NamPower International, to pursue cross-border energy-related projects; NamPower Angola, specifically targeting the strategic opportunities that have opened up with the return of peace and stability to Namibia's northern neighbour and close historic ally; NamPower Properties, managing existing buildings and other property assets and developing new ones; and Special Projects, aimed at new products, business lines, and markets.



Preparations to open an office in Lubango, Angola and other regional initiatives received priority attention during the Financial Year 2002/2003. NamPower International (Pty) Ltd was established and registered in Mauritius to serve as NamPower's offshore investment vehicle within SADC and possibly beyond. The Lubango office will spearhead the expansion of line development and township supply in southern Angola, just as the planned transmission line to Ghanzi in Botswana, also progressed during the year, will increase exports to, and thus meet the needs of, another of Namibia's neighbours. On Namibia's northeastern border, joint planning with the Zambian energy utility ZESCO for an interconnector between ZESCO's Victoria Falls substation and Katima Mulilo was substantially advanced, pointing to a cost-effective energy supply solution for one of Namibia's economic growth points, the Caprivi Region. Farther afield, peace in the DRC has heightened both the urgency and practicability of further tapping that nation's potentially massive hydro power capacity, which already meets a progressively increasing portion of Namibia's demand through SAPP's STEM system and which remains a principal focus of NamPower Investments.

NamPower investments

NamPower Properties' flagship entry into the hospitality sector, the NamPower Convention Centre in Windhoek, continued to boost both Company income in particular and the domestic tourism sector in general, by offering a world-class facility and service. Similarly, innovative development of other Company properties is planned, beginning at Ruacana where the current refurbishment of the NamPower Guest House has the potential to help unlock the Kunene Region's extraordinary and largely untapped tourism potential. In total, NamPower Properties now oversees facilities with a book value exceeding N$160 million.

HUMAN RESOURCES MANAGEMENT

Overview

NamPower continued to invest heavily in both its own and the nation's human resources during the year under review, with a particular focus on health, and was rewarded by increased productivity from its total staff complement of just over 800 employees - a figure that has now remained effectively constant for a third successive year, notwithstanding significant expansion in Company activities over that period. Confirmation of staff loyalty to NamPower was evident not just in a continuing exceptionally high employee retention rate, but in the results of a Company-wide organizational climate survey, with employees rating NamPower the best state-owned company to work for in Namibia.

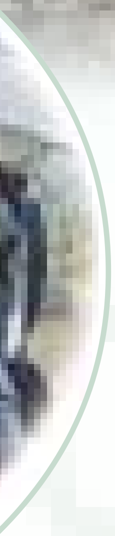
While maintaining its record of employee retention, NamPower continued to progress toward a demographic profile more reflective of the nation's mix of backgrounds and heritages, increasing for the fourth straight year the percentage of women in its workforce, and maintaining a senior management cadre unique in Namibia for its diversity and representative nature. In keeping with these developments, the NamPower's affirmative action program received a third successive certificate of compliance from the Employment Equity Commission. NamPower continued to maintain constructive and mutually beneficial relations with the Mineworkers Union of Namibia, leading among other things to the conclusion during the Financial Year 2002/2003 of a wage and benefits settlement covering a period of three years for the first time in the history of the Company.

Training

NamPower's Capacity Development Program remained central to its human resources strategy during the year, ranging in its activities from traditional training to orientation of staff in revamped Company decision-making processes under its new SAP R/3 system. NamPower expended N$4,5 million on the Capacity Development Program in total, excluding SAP training during the Financial Year 2002/2003. A further N$4,8 million went to the sponsorship of 130 students at tertiary educational institutions, almost exclusively for study in the sciences (including engineering, accounting, computer science, environmental science, and land surveying), and of 28 vocational trainees. Both the number of bursaries and the sums involved were records for the Group. NamPower is particularly proud of the fact that over the past two years, a total of 11 bursaries have been awarded to physically challenged Namibians, underscoring our commitment to affirmative action in depth.

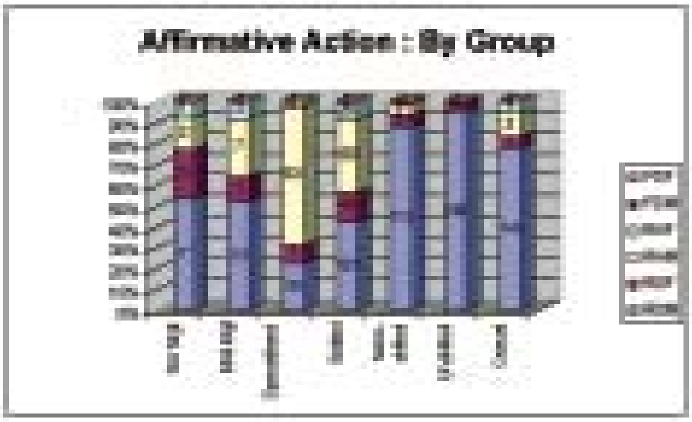
Health and Safety

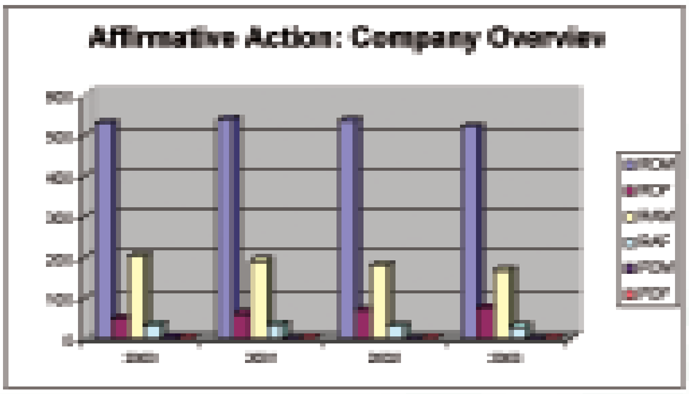
As part of the Company's historic accord with the union representing its workforce, all employees have compulsory medical aid cover funded entirely by NamPower. In addition, the Company's two in-house medical clinics experienced nearly 3 800 visits, the cost of which was fully subsidized by the Company. To better target its various medical programs and increase prevention, NamPower conducted a comprehensive occupational hygiene risk assessment across the range of its operations. Efforts against HIV/AIDS and other opportunistic diseases continued through our Wellness Program (now headed by a full-time coordinator), centering on peer education and counselling and paved the way for the provision of HIV/AIDS medication as part of the Company's 100% contribution to employees' medical aid benefit. These efforts reflect the value that NamPower places on the life and health of each and every employee; and it is thus with special regret that we note the deaths of three employees during the Financial Year 2002/2003 while on the job, as a result of two separate motor vehicle accidents. Specialized safety training, including interventions specifically aimed at reducing motor vehicle accidents, was provided to nearly one-tenth of all those employed in relevant job categories.



Environment

Following NamPower's submission to the ECB of a comprehensive environmental management plan in 2002, implementation of that plan was prioritized during the year under review. Significant developments included the institution of a rigorous safety, health and environmental management procedure governing all proposed new distribution lines, thus averting the need for costly and time-consuming individual environmental impact assessments each time NamPower constructs such lines. A full environmental legal register was created, ensuring that Namibia's evolving laws in nine different topical areas (ranging from air pollution to water use to hazardous waste disposal) is efficiently factored into all project decision making. These achievements were mirrored and facilitated by NamPower's internal adoption of an environmental management system compliant not only with its ECB-approved plan, but also with the requirements of the internationally-accepted IS0 14001 standard.





COMMERCIAL DEVELOPMENT AND MARKETING

Overview

The Commercial Development and Marketing (CDM) Function continued to evolve in importance during the Financial Year 2002/2003, reflecting both the growing needs of NamPower's two main business lines, ECB-regulated on the one hand, and cross-border and other unregulated activities on the other, and the increasing prominence of the public interface in all aspects of the Company's operations. NamPower continues to view CDM as a source of future strategic growth as new commercial opportunities arise in a more competitive economic environment - opportunities suited to the Company's historical centers of excellence in engineering, logistics, infrastructure and project management, and other areas. Matching these opportunities to our strengths is a key CDM function.

Market Outreach

CDM heightened its emphasis on stakeholder engagement during the year under review. In addition to a continuing program of customer visits, the Group's website was upgraded and is regularly updated to ensure that the public is exposed to timely and accurate information, mirroring such in-house communications media as the company-wide Intranet, the publication Watts On, and monthly communiqués from the Managing Director's office.

NamPower maintained its sponsorship of worthy Namibian causes, ranging from women's development and health initiatives to sports, education and art projects. These longstanding programs of support are not only viewed as worthy in and of themselves, but also as an investment in the NamPower brand, which was further burnished by receipt during the year, of a number of public awards, including one for being the Namibian company most promotive of national economic growth and another for leading the nation's corporations in fighting HIV/AIDS.

INFORMATION SERVICES

Once at the margins of what was traditionally considered NamPower's core business, iServ has now evolved into an integral and formidable contributor to Company growth and efficiency. The principal accomplishment in this area during the Financial Year 2002/2003 was successful implementation of NamPower's new business process management system, SAP R/3 - a project involving a full-time team of 24 employees, which culminated in the system "going live" on April 8, 2003. SAP R/3 not only simplifies business information flows, but also substantially increases the speed, reliability and consistency of business information for decision making as well as financial controls and customer relationship management, and must thus be seen as a pillar of future Company success. Other iServ achievements included provision of 156 SAP training courses to employees; a seamless migration to Windows 2000-based technologies throughout NamPower; and better network performance and security due to the installed V-LAN for every business unit.

ENGINEERING SERVICES

Engineering Services played a vital role in 19 major line development projects during the year under review, operating in each of Namibia's 13 Regions. To illustrate the scope of such activities - were those new lines to be laid end to end on a north-south axis - they would run the whole length of our country, spilling the borders of Angola and South Africa by some considerable margin. Highlights included joint work with Siemens and ABB on the N$275 million Windhoek-Walvis Bay transmission line, the refurbishment of facilities powering the Ongopolo, Kombat, and Asis mines, and design and commencement of construction of new transmission and distribution capacity serving Namibia's expanding grape and maize industries. Engineering Services also progressed development of cross-border lines planned for Botswana and Angola, supporting NamPower's strategic focus on electricity trading in general and exports in particular.

REGULATORY AND LEGAL SERVICES

NamPower's in-house legal function grew in size during the Financial Year 2002/2003, with the increase in actual and prospective Group transactions outside Namibia.

Applications to, and dealings with the ECB in respect of NamPower's operating licenses, including new tariffs, formed the bulk of the business unit's operations. Constant reporting to the ECB on ring-fencing, safety, health and environmental matters is a license requirement strictly adhered to by the business unit.

An ongoing focus is the restructuring of the distribution sector by the Ministry of Mines and Energy as they establish Regional Electricity Distributors (REDs). Legal issues involved include asset transfer and shareholding in the REDs, which are likely to constitute the main preoccupation of the Regulatory and Legal Services Business Unit in the year ahead.

Closer to home, they revised internal corporate policies and guidelines including those dealing with corporate governance, with NamPower's Code of Ethics being implemented and the company subscribing to the principles of the King 2 Report.

The business unit has been actively involved in the drafting of the Electricity Amendment Bill. Apart from its dynamic role in the Electricity Industry itself, the business unit ensures that NamPower and its employees comply with the laws and regulations of both company and country, ultimately protecting the interests of the company.

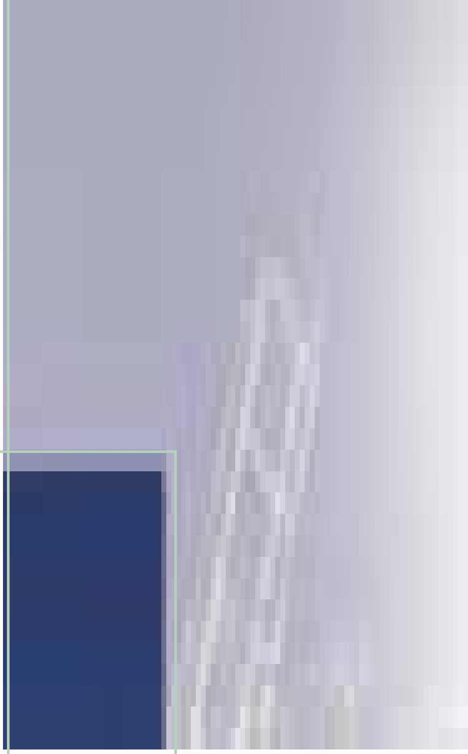
ACKNOWLEDGEMENTS

NamPower continued to benefit during the Financial Year 2002/2003 from the strong leadership in the energy sector of those two state agencies principally responsible for the Industry: The Ministry of Mines and Energy and the ECB. The Honourable Minister, Dr. Nickey Iyambo, his Deputy Honourable Ngatjizeko, and the Permanent Secretary, Mr. Joseph Iita, oversaw a strong and constructive input from the Ministry. Toward the end of the year, the Deputy Minister was reassigned by State House to head the National Planning Commission. We thank him for his contributions, wish him well, and look forward to working with his successor, the Honourable Henock Ya Kasita, who brings with him a distinguished record of prior public service experience. The ECB continued its steady course of institutional development under its Chairman, Dr Klaus Dierks, and its Managing Director Mr. Siseho Simasiku. We commend the ECB for its pragmatic and principled handling of those numerous matters on which it engaged with NamPower during the year under review, including an important tariff adjustment which balances price competitiveness with the imperatives of systemic sustainability and solidity.

Thanks are also owed to all within the NamPower Family for another year in which we successfully fulfilled our core mandate, met increasing market and regulatory demands, substantially expanded our infrastructure, achieved our financial and operating targets, and continued to position NamPower for future growth and competitive prowess, all without increasing the size of our family. Credit for this record goes to each and every NamPower employee, as well as to our Board of Directors, which sustained its high standard of leadership under the Chairmanship of Mr. Mathew Shikongo. Welcome additions to that Board were a prominent Windhoek attorney and former public servant, Mr. Petrus Damaseb, and a distinguished chartered accountant, Mr. Jakobus de la Rey du Toit. They replaced Messrs. Martin Heita and Lazarus Ipangelwa, whom we thank for their past contributions to NamPower's success.

I must also pay personal tribute to a member of our senior management team, Mr. Imker Hoogenhout, who retired in March 2003 after 28 years of continuous service. It is too easy, with hindsight, to take for granted the largely seamless transition from the old SWAWEK to NamPower; but that was in fact a considerable achievement in which Imker played a constructive and important part, for which he deserves our enduring gratitude.

As we stand now, on the threshold of other transitions, we do so with the confidence of a Company that, having set its own house in order, knows it can rely on the unsurpassed commitment and talents of its people to play a leadership role in remaking the energy and infrastructure markets of Namibia as well as the SADC region.



NamPower Group Values

Customer Focus

- our customers, both internal and external are our business
- we must be friendly, courteous, helpful and prepared to listen
- the customer comes first
- we must fulfil our duties timeously with customer satisfaction as our aim
- we keep our promises
- we do "the right things first time"

Accountability

Each of us, irrespective of our level accepts and owns:

- our responsibility as it relates to our job
- our contribution to effective teamwork

We conduct ourselves in a manner which is consistent with the position entrusted to us

Teamwork

- we work towards a common goal and we must fulfil our commitments to each other
- we respect each other's time, person and background
- we value team members who complete their jobs to the best of their ability
- we value a sense of pride in our work
- we undertake to provide others with feedback to help them be better team members

Integrity

Each of us, irrespective of our level, undertakes to conduct ourselves in the workplace in such a manner as to ensure honesty in all our business dealings and the soundness of the NamPower Group's corporate governance.

Employee Empowerment

- each of us will be given the opportunity to be trained and developed and transfer this knowledge into the workplace to improve standards
- we welcome constructive criticism from all stakeholders as it helps us grow
- we are all encouraged to participate and learn from every situation without fear of discrimination or retribution
- everyone of us is responsible for improving communication
- we are all entrusted with appropriate levels of authority to encourage our value adding contribution in the workplace

Financial Report 2003

Group Annual Financial Statements

for the year ended 30 June 2003
Statement by the Directors

The directors are responsible for monitoring the preparation of and the integrity of the group financial statements and other information contained in this annual report.

In order for the board to discharge its responsibilities, management has developed and continues to maintain a system of internal control. The board has ultimate responsibility for the system of internal controls and reviews its operation, primarily through the audit committee.

The internal controls include a risk-based system of internal accounting and administrative controls designed to provide reasonable assurance that assets are safeguarded and that transactions are executed and recorded in accordance with generally accepted business practices and the company's policies and procedures. These controls are implemented by trained, skilled personnel with an appropriate segregation of duties; monitored by management and include a comprehensive budgeting and reporting system operating within strict deadlines and an appropriate control framework.

The financial statements are prepared in accordance with Statements of Generally Accepted Accounting Practices and incorporate responsible disclosure in line with the accounting philosophy of the company. The financial statements are based on appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors believe that the group will be a going concern in the year ahead. For this reason they continue to adopt the going concern basis in preparing the annual financial statements.

The group annual financial statements for the year ended 30 June 2003 set out on pages 28 to 63 were approved by the Board of Directors on 3 December 2003 and signed on its behalf by:

....	....	....
M K SHIKONGO CHAIRMAN	DR L S HANGALA MANAGING DIRECTOR	T T UWANGA (MS) COMPANY SECRETARY

Report of the Independent Auditors

TO THE SHAREHOLDER OF
Namibia Power Corporation
(Proprietary) Limited

We have audited the financial statements of Namibia Power Corporation (Pty) Ltd set out on pages 28 to 63 for the year ended 30 June 2003. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with statements of Namibian Auditing Standards. These standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements,
- assessing the accounting principles used and significant estimates made by management, and
- evaluating the overall financial statements presentation.

We believe that our audit provides a reasonable basis for our opinion.

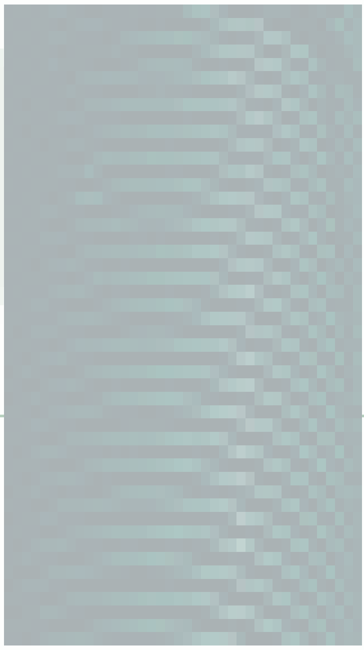
Audit opinion

In our opinion the financial statements fairly present, in all material respects, the financial position of the company at 30 June 2003 and the results of its operations and cash flows for the year then ended in accordance with Statements of Namibian Generally Accepted Accounting Practice, and in the manner required by the Namibian Companies Act.

KPMG

KPMG
REGISTERED ACCOUNTANTS AND AUDITORS
CHARTERED ACCOUNTANTS NAMIBIA

4 December 2003



Directors' Report

The directors have pleasure in presenting their report for the year ended 30 June 2003.

1. Principal Activities

The company is responsible for the generation, transmission and distribution of electricity in Namibia. The activities of subsidiary and joint venture companies comprise:

- Provision of technical, management and other related services to group companies;
- The sale and distribution of electricity to towns through joint ventures such as Otavi and Oshakati in Namibia; and
- Property investment.

2. Operating Results

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

	GROUP		COMPANY	
	2003 N$'000	2002 N$'000	**2003 N$'000**	2002 N$'000
Total revenue	**784,813**	644,020	**729,067**	604,121
Operating Income	**627,229**	531,738	**572,946**	492,636
Sales of electricity	**587,170**	499,623	**560,175**	460,521
Extension charges received	**35,351**	27,306	**8,063**	27,306
Contributions by customers	**4,708**	4,809	**4,708**	4,809
Other income	**1,372**	740	**0**	0
Investment income	**156,212**	111,542	**156,121**	111,485
Expenditure	**652,081**	533,895	**599,509**	496,441
Operating and Administrative Expenditure	**450,254**	395,787	**399,283**	359,276
Depreciation	**202,756**	138,451	**201,150**	137,510
- on historical cost	**116,581**	92,900	**114,975**	91,959
- on increase in valuation	**86,175**	45,551	**86,175**	45,551
Profit on realisation of assets	**(929)**	(343)	**(924)**	(345)
Net income before taxation	**132,732**	110,125	**129,558**	107,680
Taxation	**(55,570)**	43,866	**(54,315)**	43,865
Net income after taxation	**77,162**	153,991	**75,243**	151,545
Income from Associate	**831**	0	**831**	0
Net profit for the year	**77,993**	153,991	**76,074**	151,545
Dividend declared	**6,500**	13,000	**6,500**	13,000
Retained Income	**71,493**	140,991	**69,574**	138,545
Retained Income for:	**71,493**	140,991	**69,574**	138,545
- Reserve Fund	**64,035**	47,272	**64,035**	47,272
- Development Fund	**7,458**	93,719	**5,539**	91,273

Directors' Report

The net income after taxation decreased from N$151,5 million to N$75,2 million for the company and the group net income after tax decreased from N$153,9 million to N$77,2 million.

Provision for deferred taxation for the company amounted to N$59,3 million in respect of the year under review (2002: N$12,8 million).

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

An amount of N$5,1million is due by the Receiver of Revenue due to the change in the interpretation of Sec 17D of the Income Tax Act after reassessment of the assessment years 1997, 1998 and 1999.

Units into the system and sold:

	GROUP		COMPANY	
UNITS INTO SYSTEM	**2003 Million**	**2002 Million**	**2003 Million**	**2002 Million**
Ruacana Hydro Power Station	**1,419**	1,423	**1,419**	1,423
Van Eck Power Station	**1**	5	**1**	5
Eskom	**988**	921	**988**	921
Zesco	**21**	21	**21**	21
Paratus Power Station	**1**	1	**1**	1
STEM	**36**	0	**36**	0
Total units into system	**2,466**	2,371	**2,466**	2,371
UNITS SOLD	**2003 Million**	**2002 Million**	**2003 Million**	**2002 Million**
To customers in Namibia	**2,117**	2,082	**2,117**	2,082
To Eskom	**36**	44	**36**	44
To Botswana	**7**	4	**7**	4
To Angola	**10**	6	**10**	6
To Skorpion	**76**	0	**76**	0
Total units sold	**2,246**	2,136	**2,246**	2,136
Transmission losses	**8.92%**	9.91%	**8.92%**	9.91%

Growth

During the year under review there was an increase of 1.7% in units sold to customers in Namibia excluding Skorpion (2002: increase of 5.1%).

The power imported from Eskom during the year under review increased by 67 million units (2002: decrease of 124 million units).

Directors' Report

3. Dividend

A dividend of N$6,5 million is declared in respect of the year under review (2002: N$13,0 million).

4. Associates, Subsidiaries and Joint Ventures

Relevant information is disclosed in note 3 to the financial statements.

5. Capital Expenditure

The net expenditure on property, plant and equipment during the financial year amounted to:
Group - N$436,3 million (2002: N$471,1 million); Company - N$431,9 million (2002: N$469,4 million).
This expenditure is mainly attributable to:

5.1 Rural Electrification:

Omusati
Okangwati
Koës Farmers Scheme
Koichab Pan Scheme
Electrification Villages
Tsintsabis
Kalkfeld Scheme
Omatako
Maize Triangle Scheme
Karas Area
Oshikoto Scheme
Stampriet West Scheme

5.2 Substation Development:

Obib Substation
Kuiseb Substation
Walmund Substation 220 kV Feeder Bay
Opuwo Transmission Station

5.3 Refurbishment and Upgrading:

Upgrading existing protection schemes
Automation Unit 3 Ruacana
District Houses
SAP
Replacement of vehicles and equipment
Enterprise Resource Planning
Security Fences at Substations

5.4 Transmission System:

Van Eck - Kuiseb
Skorpion Project
Auas Reactor 3
Obib - Skorpion
Omaere
Omatando
West Coast Project
Angola Cross Border Supply
Harib
Rietfontein Feeder

6. Foreign Assets

The valuation of the diversion weir situated in Angola amounts to N$47,0 million based on replacement value. This does not include the loan of N$3,7 million granted in respect of the Gove dam. 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.

The Calueque dam that was erected by NamPower 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

Directors' Report

of control by NamPower. The Company, thus far, could not derive any benefit from this asset. This asset is currently reflected in the Company's books at no value.

7. Shareholder

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

8. Post balance sheet events

The directors are not aware of any matter or circumstance arising since the end of the financial year, not otherwise dealt with in this report or the group annual financial statements, that would significantly affect the operations of the company or the results of those operations.

9. Board Committees

In conformity with Corporate Governance NamPower has the following Board Committees:

9.1 Audit Committee

The members of the Audit Committee are J de La Rey du Toit (Chairman), P T Damaseb, J F Engelbrecht and Ms E M Iipinge. A total of 4 Audit Committee meetings were held during the year under review.

9.2 Remuneration Committee

The members M K Shikongo (chairman), Dr L S Hangala, P T Damaseb, J de La Rey du Toit and Ms P N Muyunda form the Remuneration Committee.

The Remuneration Committee met twice during the year under review.

10. Directorate

M K Shikongo	(Chairman)
Dr L S Hangala	(Managing Director)
P T Damaseb	(Appointed 1 September 2002)
J de La Rey Du Toit	(Appointed 1 September 2002)
J F Engelbrecht	
M Heita	(Resigned 31 August 2002)
Ms E M Iipinge	
L S Ipangelwa	(Resigned 15 July 2002)
Ms P N Muyunda	

11. Secretary

Ms T T Uwanga held office as group company secretary for the year under review. The business and postal addresses are shown on page 63.

Balance Sheet

at the 30 June 2003

	Notes	GROUP 2003 N$'000	GROUP 2002 N$'000	COMPANY 2003 N$'000	COMPANY 2002 N$'000
ASSETS					
Non-current assets		**5,805,080**	5,323,922	**5,836,267**	5,327,553
Property, plant and equipment	2	**4,674,206**	4,441,421	**4,664,749**	4,434,675
Investment in associate and subsidiary companies	3	**5,831**	0	**10,837**	5,006
Subsidiary indebtness		**3,851**	2,603	**41,585**	7,974
Short-term investments	4	**1,108,805**	869,687	**1,106,709**	869,687
Loans receivable	6	**12,387**	10,211	**12,387**	10,211
Current assets		**560,604**	475,469	**508,720**	466,238
Inventories	5	**166,011**	121,474	**165,775**	121,184
Accounts receivable	6	**245,544**	152,603	**198,840**	149,305
Taxation		**5,138**	56,645	**5,138**	56,645
Bank and cash balances		**79,504**	144,747	**74,560**	139,104
Other financial assets	12	**64,407**	0	**64,407**	0
Total assets		**6,365,684**	5,799,391	**6,344,987**	5,793,791
EQUITY AND LIABILITIES					
Capital and reserves		**3,803,643**	3,794,299	**3,801,614**	3,794,189
Issued share capital	8	**65,000**	65,000	**65,000**	65,000
Non-distributable reserves		**3,738,643**	3,729,299	**3,736,614**	3,729,189
Non-current liabilities		**2,233,372**	1,844,298	**2,229,657**	1,841,840
Long-term liabilities	9	**990,494**	628,663	**988,107**	626,276
Deferred taxation	10	**1,242,878**	1,215,635	**1,241,550**	1,215,564
Current liabilities		**328,669**	160,794	**313,716**	157,762
Accounts payable	11	**120,332**	82,732	**106,975**	79,973
Provisions: Staff Benefits	13	**46,118**	39,485	**44,522**	39,212
Short-term liabilities	9	**35,348**	25,577	**35,348**	25,577
Dividend		**6,500**	13,000	**6,500**	13,000
Other financial liabilities	12	**120,371**	0	**120,371**	0
Total equity and liabilities		**6,365,684**	5,799,391	**6,344,987**	5,793,791

Group Statement of Changes in Equity

for the year ended 30 June 2003

	Share Capital N$'000	Reserve Fund N$'000	Development Fund N$'000	Capital Revaluation Reserve N$'000	Profit after tax N$'000	Total N$'000
Balance at 1 July 2002	**65,000**	**820,101**	**1,118,375**	**1,790,823**	**0**	**3,794,299**
Fair Value Adjustments due to AC133			(62,149)			**(62,149)**
Profit after tax for the year					77,993	**77,993**
Decrease in Capital Revaluation - Property sold						**0**
Profit after tax for the year per income statement					77,993	**77,993**
Dividend declared					(6,500)	**(6,500)**
Allocation from income		64,035	7,458		(71,493)	**0**
Interest earned		64,035			(64,035)	**0**
Funds for capital expenditure requirements			2,750		(2,750)	**0**
Contributions by customers			4,708		(4,708)	**0**
Balance at 30 June 2003	**65,000**	**884,136**	**1,063,684**	**1,790,823**	**0**	**3,803,643**
Balance at 1 July 2001	65,000	772,829	1,024,914	1,117,305	0	2,980,048
Increase in Revaluation				673,518		673,518
Change in Accounting Policy			(258)			(258)
Profit after tax for the year					153,991	153,991
Decrease in Capital Revaluation - Property sold						0
Profit after tax for the year per income statement					153,991	153,991
Dividend proposed					(13,000)	(13,000)
Allocation from income		47,272	93,719		(140,991)	0
Interest earned		47,272			(47,272)	0
Funds for capital expenditure requirements			88,910		(88,910)	0
Contributions by customers			4,809		(4,809)	0
Balance at 30 June 2002	65,000	820,101	1,118,375	1,790,823	0	3,794,299

Company Statement of Changes in Equity

for the year ended 30 June 2003

	Share Capital N$'000	Reserve Fund N$'000	Development Fund N$'000	Capital Revaluation Reserve N$'000	Profit after tax N$'000	Total N$'000
Balance at 1 July 2002	**65,000**	**819,996**	**1,118,370**	**1,790,823**	**0**	**3,794,189**
Fair Value Adjustments due to AC133			(62,149)			**(62,149)**
Profit after tax for the year					76,074	**76,074**
Dividend declared					(6,500)	**(6,500)**
Allocation from income		64,035	5,539		(69,574)	**0**
Interest earned		64,035			(64,035)	**0**
Funds for capital expenditure requirements			831		(831)	**0**
Contributions by customers			4,708		(4,708)	**0**
Balance at 30 June 2003	**65,000**	**884,031**	**1,061,760**	**1,790,823**	**0**	**3,801,614**
Balance at 1 July 2001	65,000	772,724	1,027,097	1,117,305	0	2,982,126
Increase in Revaluation				673,518		673,518
Profit after tax for the year					151,545	151,545
Dividend proposed					(13,000)	(13,000)
Allocation from income		47,272	91,273		(138,545)	0
Interest earned		47,272			(47,272)	0
Funds for capital expenditure requirements			86,464		(86,464)	0
Contributions by customers			4,809		(4,809)	0
Balance at 30 June 2002	65,000	819,996	1,118,370	1,790,823	0	3,794,189

Income Statement

for the year ended 30 June 2003

		GROUP		COMPANY	
	Notes	**2003 N$'000**	2002 N$'000	**2003 N$'000**	2002 N$'000
Operating income		**627,229**	531,738	**572,946**	492,636
Other income		**1,372**	740	**0**	0
Interest earned		**156,212**	111,542	**156,121**	111,485
Gross revenue		**784,813**	644,020	**729,067**	604,121
Cost of sales		**(134,868)**	(112,308)	**(125,333)**	(106,789)
Gross profit		**649,945**	531,712	**603,734**	497,332
Operating costs		**(409,368)**	(352,231)	**(366,702)**	(320,572)
		240,577	179,481	**237,032**	176,760
Finance costs		**(107,845)**	(69,356)	**(107,474)**	(69,080)
Operating profit before taxation	16	**132,732**	110,125	**129,558**	107,680
Taxation	7	**(55,570)**	43,866	**(54,315)**	43,865
Profit after taxation		**77,162**	153,991	**75,243**	151,545
Income from associate	3	**831**	0	**831**	0
Net Profit for the year		**77,993**	153,991	**76,074**	151,545

Cash Flow Statement

for the year ended 30 June 2003

		GROUP		COMPANY	
	Notes	**2003 N$'000**	2002 N$'000	**2003 N$'000**	2002 N$'000
Cash flows from operating activities					
Cash generated by operations	A	**173,437**	227,166	**199,811**	224,232
Interest received		**156,212**	111,542	**156,121**	111,485
Interest paid		**(107,845)**	(69,356)	**(107,474)**	(69,080)
Taxation paid	B	**0**	0	**0**	0
		221,804	269,352	**248,458**	266,637
Dividends paid		**(13,000)**	(4,600)	**(13,000)**	(4,600)
Net cash from operating activities		**208,804**	264,752	**235,458**	262,037
Cash flows from investing activities					
Expenditure to maintain operating capacity					
Proceeds from disposals of property, plant and equipment		**1,674**	1,062	**1,635**	1,060
Replacement of property, plant and equipment		**(45,810)**	(46,719)	**(45,353)**	(46,719)
Extension of property, plant and equipment		**(390,476)**	(424,349)	**(386,582)**	(422,681)
Expenditure for expansion					
Investment in associates	C	**(5,000)**	0	**(5,000)**	0
Decrease/(Increase) in subsidiary indebtness		**(1,248)**	110	**(33,611)**	(693)
Decrease/(Increase) in short-term investments		**(236,891)**	58,827	**(234,795)**	58,827
Net cash used in investing activities		**(677,751)**	(411,069)	**(703,706)**	(410,206)
Cash flows from financing activities					
Refund received from Receiver of Revenue		**56,645**	0	**56,645**	0
Loans raised		**372,636**	129,094	**372,636**	129,145
Loans repaid		**(25,577)**	(28,212)	**(25,577)**	(28,212)
Net cash used in financing activities		**403,704**	100,882	**403,704**	100,933
Decrease in cash and cash equivalents		**(65,243)**	(45,435)	**(64,544)**	(47,236)
Cash and cash equivalents at beginning of the year		**144,747**	190,182	**139,104**	186,340
Cash and cash equivalents at end of the year	D	**79,504**	144,747	**74,560**	139,104

Notes to the Cash Flow Statement

for the year ended 30 June 2003

	GROUP		COMPANY	
	2003 N$'000	2002 N$'000	**2003 N$'000**	2002 N$'000
A. CASH GENERATED BY OPERATIONS				
Income before taxation	**132,734**	110,125	**129,558**	107,680
Adjustments for:				
- Interest paid	**107,845**	69,356	**107,474**	69,080
- Interest earned	**(156,212)**	(111,542)	**(156,121)**	(111,485)
- Unrealised foreign exchange gains	**(9,154)**	0	**(9,154)**	0
- Fair Value gains	**(171,961)**	0	**(171,961)**	0
- Fair Value losses	**163,779**	0	**163,779**	0
- Depreciation	**202,756**	138,451	**201,150**	137,510
- Profit on realisation of fixed assets	**(929)**	(343)	**(924)**	(345)
Operating profit before working capital changes	**268,858**	206,047	**263,801**	202,440
Increase in inventories	**(44,537)**	(14,533)	**(44,591)**	(14,498)
Increase in loans receivable	**(2,176)**	(1,970)	**(2,176)**	(1,970)
(Increase)/Decrease in accounts receivable	**(92,941)**	17,107	**(49,535)**	19,195
Increase in accounts payable and provisions	**44,233**	20,515	**32,312**	19,065
	173,437	227,166	**199,811**	224,232
B. TAXATION				
Amount due by Receiver of Revenue at beginning of year	**56,645**	0	**56,645**	0
Income statement charge	**(5.138)**	(56,645)	**(5,138)**	(56,645)
Refund from Receiver of Revenue	**(56,645)**	0	**(56,645)**	0
Amount due by Receiver of Revenue at end of year	**5,138**	56,645	**5,138**	56,645
	0	0	**0**	0

C. INVESTMENT IN ASSOCIATES

In 2003 the group acquired a 33.33% interest in Nored Electricity (Pty) Ltd. An equity contribution of N$5,0 million was made to establish the company.

D. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand and cash held at banks.

Notes to the Financial Statements

at 30 June 2003

1. Principal Accounting Policies

Statement of compliance

The consolidated financial statements have been prepared in accordance with Statements and Interpretations of Generally Accepted Accounting Practice issued by the Namibian Public Accountants and Auditors Board and the requirements of the Namibian Companies Act.

Basis of Preparation

The financial statements are prepared on the historical cost basis, adjusted by the revaluation of power stations, transmission system and land and buildings as detailed below, and incorporate the following principal accounting policies which have consistently been applied by Group enterprises and are consistent with those used in the previous year.

Basis of Consolidation

The consolidated financial statements incorporated the financial statements of the company and of its subsidiaries and jointly controlled entities.

Subsidiaries

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases.

Jointly controlled entities

Jointly controlled enterprises are those enterprises over whose activities the group has joint control, established by contractual agreement. The consolidated financial statements include the Group's proportionate share of the enterprises' assets, liabilities, revenue and expenses with items of a similar nature on a line by line basis, from the date that joint control effectively commences until the date that joint control effectively ceases.

Associates

An associate is an enterprise over whose financial and operating policies the group has the ability to exercise significant influence and which is neither a subsidiary nor a joint venture of the group.

The equity method of accounting for associates is adopted in the group financial statements. In applying the equity method, account is taken of the group's share of accumulated retained earnings and movements in reserves from the effective date on which the enterprise became an associate and up to the effective date of disposal.

Goodwill arising on the acquisition of associates is included in the carrying amount of the associate and is treated in accordance with the group's accounting policy for goodwill.

Notes to the Financial Statements

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with jointly controlled entities are eliminated to the extent of the Group's interest in the enterprise. Unrealised losses are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

1.1 Property, plant and equipment

Power stations, the transmission system and land and buildings are reflected in the Balance Sheet at valuation and machinery and equipment at historical cost.

Power stations, the transmission system and land and buildings are revalued every 5 years at the estimated replacement value thereof as adjusted in relation to the remaining useful lives of these assets. Land and buildings are valued at market value or replacement value where no market value exists. Surpluses arising from the valuation are transferred net of deferred tax to the capital revaluation reserve. Deficits on revaluation are charged directly against the capital revaluation reserve to the extent that the decrease does not exceed the amount held in the capital revaluation reserve in respect of that same asset. Other deficits are recognised as expenses.

The carrying amount of an asset is reduced to reflect the consumption of economic benefits through an annual depreciation charge against the company's operating income.

Depreciation is provided on the straight line basis on the cost or revalued amount of the assets, over the estimated useful lives of the power stations, transmission system, machinery and equipment and buildings.

Depreciation is not provided for in respect of land and the civil works components of the Ruacana Hydro Power Station.
The annual depreciation rates used are:

Category	
Ruacana Power Station	6.25%
Van Eck Power Station	14.30%
Paratus Power Station	4.00%
Transmission System	4.00%
Machinery & Equipment	10.00 - 33.33%
Property	0.00 - 5.00%

1.2 Investment Property

Investment property is stated at cost less accumulated depreciation. Investment properties are depreciated on the straight line basis at rates considered appropriate to reduce values over the useful lives of the assets, to estimate residual values. Rental income from investment properties are accounted for as described in the accounting policy on revenue recognition.

Notes to the Financial Statements

1.3 Impairment of Assets

The carrying amounts of the Group's assets, other than inventories (refer accounting policy 1.4) and deferred tax assets (refer accounting policy 1.7) are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. All other impairment losses are recognised in the income statement.

1.4 Inventories

Fuel, maintenance, consumable stores and construction material are valued at the lower of cost and net realisable value. The cost of inventories comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition and is determined using the average cost method.

Obsolete, redundant and slow moving inventories are identified and written down to their estimated net realisable value.

1.5 Investments in subsidiaries

Investments are stated at cost less any provisions for permanent diminution in value. The directors' valuation of unrealised investments is calculated on a basis of return or net asset value as is deemed appropriate in each case.

Dividends are accounted for when declared.

1.6 Appropriation of funds

The company is, for the financing of its fixed and working capital requirements, dependent upon funds generated internally and the raising of long-term loans. Therefore, the company is compelled to apply funds derived from its activities after provision for taxation, as follows:

Reserve Fund - The Board of Directors' have decided that the current level of funding is adequate. The fund will in future only be credited with interest earned, after deduction of income tax, on the monthly balance.

Development Fund - to be utilised for the total or partial financing of capital works and extensions to power stations, transmission and distribution networks. The annual retained income will be transferred to this fund.

1.7 Deferred Taxation

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

Notes to the Financial Statements

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable and the related tax benefit will be realised.

1.8 Revenue Recognition

Revenue comprises net invoiced electricity sales excluding value added tax to customers, extension charges and contributions by customers. Revenue is recognised at the time customers are invoiced.

Revenue, which excludes value added tax and income between group companies, comprises the invoiced value of goods and services supplied and the value of long term contract work done.

Revenue from services is recognised when the right to receive payment is established.

Interest is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the group.

1.9 Research and development costs

Research and development costs are charged to income in the year in which it is incurred. Development costs are deferred and written off over the useful life of the product not exceeding five years where asset recognition criteria have been met. Development costs are deferred only to the extent that they do not exceed the amount, net of anticipated and related expenses, that is probable of recovery from future economic benefits.

1.10 Retirement benefits

The policy of the company is to provide retirement benefits for its employees. The cost to the company is currently charged against income as incurred.

1.11 Post-retirement medical benefits

The company subsidises part of the contributions by retired employees to the medical aid fund. Provision is made to account for the present value of post retirement medical benefits.

Notes to the Financial Statements

1.12 Capitalisation of borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalised up to the date that the asset is substantially completed.

1.13 Financial instruments

Measurement

Financial instruments are initially measured at cost, which includes transaction costs. Subsequent to initial recognition these instruments are measured as set out below.

Investments

Investments classified as held-for-trading financial assets are carried at market fair value, which is calculated by reference to stock exchange quoted selling prices at the close of business on the balance sheet date.

Derivative financial instruments

The Group uses interest rate swaps and forward exchange contracts to manage its exposure to foreign exchange, interest rate risk arising from operational, financing and investment activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. The fair value of forward exchange contracts is their quoted market price at the balance sheet date.

Trade and other receivables

Trade and other receivables are stated at cost less provision for doubtful debts.
Bad debts are written off.

Trade and other payables

Local trade and other payables are stated at nominal value.

Cash and Cash Equivalents

Cash and cash equivalents are measured at fair value, based on the relevant exchange rates at balance sheet date.

Notes to the Financial Statements

Financial Liabilities

Non-derivative financial liabilities are recognised at comprising original debt less principal payments and amortisations.

Derivative instruments

Derivative financial instruments are recognised initially at cost. Subsequent to initial recognition, derivative financial instruments are stated at fair value. Recognition of any resultant unrealised gain or loss depends on the nature of the item being hedged.

Gains and Losses on Subsequent Measurement

Gains and losses arising from a change in the fair value of financial instruments that are not part of a hedging relationship are included in net profit or loss in the period in which the change arises.

Offset

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when the company has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.14 Foreign currency transactions

Transactions in foreign currencies are recorded at the foreign exchange rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to N$ at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to N$ at the foreign exchange rate ruling at the date of the transaction.

1.15 Changes in accounting policy

With effect from 1 July 2002 the Group has accepted AC133 regarding the recognition and measurement of financial instruments. The results of the previous financial period are not restated.

Notes to the Financial Statements

2. Property, Plant and Equipment

	Ruacana Power Station N$'000	Van Eck Power Station N$'000	Paratus Power Station N$'000
GROUP			
2003			
Carrying amount at 1 July 2002	**683,556**	**232,711**	**85,015**
- At cost/valuation	683,556	232,711	85,015
- Accumulated depreciation	0	0	0
Additions	8,848	(10,956)	(34)
Disposals	0	0	0
Depreciation for the year	(29,538)	(30,853)	(3,399)
Carrying amount at 30 June 2003	**662,866**	**190,902**	**81,582**
- At cost/valuation	692,404	221,755	84,981
- Accumulated depreciation	(29,538)	(30,853)	(3,399)
GROUP			
2002			
Carrying amount at 1 July 2001	**475,187**	**41,460**	**26,046**
- At cost/valuation	492,738	83,360	30,976
- Accumulated depreciation	(17,551)	(41,900)	(4,930)
Additions	5,949	1,004	30
Revaluation Adjustment	207,095	200,957	60,178
- At cost	184,869	148,347	54,009
- Accumulated depreciation	22,226	52,610	6,169
Disposals	0	0	0
Depreciation for the year	(4,675)	(10,710)	(1,239)
Carrying amount at 30 June 2002	**683,556**	**232,711**	**85,015**
- At cost/valuation	683,556	232,711	85,015
- Accumulated depreciation	0	0	0

Notes to the Financial Statements

Transmission System N$'000	Machinery and Equipment N$'000	Property N$'000	Total N$'000
3,186,430	**84,057**	**169,652**	**4,441,421**
3,186,459	183,975	169,943	4,541,659
(29)	(99,918)	(291)	(100,238)
354,282	64,788	19,358	436,286
0	(745)	0	(745)
(110,914)	(23,352)	(4,700)	(202,756)
3,429,798	**124,748**	**184,310**	**4,674,206**
3,540,741	243,106	189,301	4,972,288
(110,943)	(118,358)	(4,991)	(298,082)
2,329,235	**65,691**	**135,721**	**3,073,340**
2,589,966	143,379	146,162	3,486,581
(260,731)	(77,688)	(10,441)	(413,241)
417,705	41,313	5,067	471,068
536,065	0	31,886	1,036,181
178,788	0	18,714	584,727
357,277	0	13,172	451,454
0	(717)	0	(717)
(96,575)	(22,230)	(3,022)	(138,451)
3,186,430	**84,057**	**169,652**	**4,441,421**
3,186,459	183,975	169,943	4,541,659
(29)	(99,918)	(291)	(100,238)

Notes to the Financial Statements

	Ruacana Power Station N$'000	Van Eck Power Station N$'000	Paratus Power Station N$'000
COMPANY			
2003			
Carrying amount at 1 July 2002	**683,556**	**232,711**	**85,015**
- At cost/valuation	683,556	232,711	85,015
- Accumulated depreciation	0	0	0
Additions	8,848	(10,956)	(34)
Disposals	0	0	0
Depreciation for the year	(29,538)	(30,853)	(3,399)
Carrying amount at 30 June 2003	**662,866**	**190,902**	**81,582**
- At cost/valuation	692,404	221,755	84,981
- Accumulated depreciation	(29,538)	(30,853)	(3,399)

	Ruacana Power Station N$'000	Van Eck Power Station N$'000	Paratus Power Station N$'000
COMPANY			
2002			
Carrying amount at 1 July 2001	**475,187**	**41,460**	**26,046**
- At cost/valuation	492,738	83,360	30,976
- Accumulated depreciation	(17,551)	(41,900)	(4,930)
Additions	5,949	1,004	30
Revaluation Adjustment	207,095	200,957	60,178
- At cost	184,869	148,347	54,009
- Accumulated depreciation	22,226	52,610	6,169
Disposals	0	0	0
Depreciation for the year	(4,675)	(10,710)	(1,239)
Carrying amount at 30 June 2002	**683,556**	**232,711**	**85,015**
- At cost/valuation	683,556	232,711	85,015
- Accumulated depreciation	0	0	0

Notes to the Financial Statements

Transmission System N$'000	Machinery and Equipment N$'000	Property N$'000	Total N$'000
3,184,422	**82,257**	**166,714**	**4,434,675**
3,184,422	180,693	166,714	4,533,111
0	(98,436)	0	(98,436)
353,905	60,897	19,275	431,935
0	(711)	0	(711)
(110,880)	(21,825)	(4,655)	(201,150)
3,427,447	**120,618**	**181,334**	**4,664,749**
3,538,327	240,879	185,989	4,964,335
(110,880)	(120,261)	(4,655)	(299,586)
2,327,205	**64,561**	**132,859**	**3,067,318**
2,587,906	141,638	143,052	3,479,670
(260,701)	(77,077)	(10,193)	(412,352)
417,701	39,769	4,947	469,400
536,065	0	31,886	1,036,181
178,815	0	18,715	584,755
357,250	0	13,171	451,426
0	(714)	0	(714)
(96,549)	(21,359)	(2,978)	(137,510)
3,184,422	**82,257**	**166,714**	**4,434,675**
3,184,422	180,693	166,714	4,533,111
0	(98,436)	0	(98,436)

Notes to the Financial Statements

2.1 Land and Buildings

Details of land and buildings registered in the company's name are available for inspection at the Namibian registered office of the company.

Houses at Ruacana township are erected on land in the Kunene region for which occupational rights were obtained.

2.2 Transmission System

A number of distribution- and substations are erected or are under construction on land which does not belong to the company. Occupational rights are secured by agreements between the owners and NamPower.

2.3 Ruacana Power Station

The Ruacana Power Station is erected on land in the Kunene region for which occupational rights were obtained. The Diversion Weir is erected in Angola.

2.4 Valuation of power stations and transmission system

The power stations and transmission system were revalued externally on 30 June 2002 by Saha International, Power Planning Associates and Emcon Namibia respectively, on the basis of replacement value as adjusted for the remaining useful lives of the assets.

2.5 Valuation of property

Holding company

The land and buildings were internally revalued on 30 June 2002 by the General Manager: NamPower Investments. The valuation was performed on the basis of replacement value where no ready market exists or market value as estimated by sworn appraisers.

Subsidiary company

The land and buildings of Okaomba Investment (Pty) Ltd were revalued on 1 March 2000 by a qualified valuator, F A Frank-Schultz, B.Sc (Town and Regional Planning); National Diploma: Property Valuation.

2.6 Investment property

The investment property with the cost of N$49,8 million is included in Property.

Notes to the Financial Statements

3. Investment in Associates and Subsidiary Companies

3.1 Holding Company's Interest

Name	Nature of operation	Date of acquisition/ commenced trading	Issued Share Capital	Portion held by company	Shares at Cost
			2003	**2003**	**2003**
			N$	**%**	**N$**
Capricorn Power Supply (Pty) Ltd	Dormant	-	2,500	100	2,500
Okaomba Investment (Pty) Ltd	Property Holding	1 March 2000	100	100	944,302
Premier Electric (Pty) Ltd	Service company	1 July 1999	2,500	100	5,000,000
PowerCom (Pty) Ltd	Dormant	-	4,000	100	4,000
Nored Electricity (Pty) Ltd	Service company	1March 2002	4,000	33	5,000,000

	Directors' valuation		Indebtness to holding company	
	2003	2002	**2003**	2002
	N$	N$	**N$**	N$
Capricorn Power Supply (Pty) Ltd	**0**	0	**0**	0
Okaomba Investment (Pty) Ltd	**1,773,365**	1,777,079	**0**	0
Premier Electric (Pty) Ltd	**46,584,917**	12,974,335	**41,584,917**	7,974,335
PowerCom (Pty) Ltd	**0**	0	**0**	0
Nored Electricity (Pty) Ltd	**5,000,000**	0	**0**	0
	53,358,282	14,751,414	**41,584,917**	7,974,335

The loans to the subsidiaries are unsecured and not subject to any fixed terms of repayment.

Notes to the Financial Statements

3.2 Associate

	2003 N$	2002 N$
Investment in Shares	5,000,000	0
Equity accounted earnings	830,773	0
	5,830,773	0

The group aquired a 33.33% equity interest in Nored Electricity (Pty) Ltd. The summarised financial statements of the company is as follows:

	2003 N$	2002 N$
Balance Sheet		
Property, plant and equipment	2,265,267	0
Deferred Tax	546,065	0
Current assets	40,544,299	0
Current liabilities	(25,863,312)	0
	17,492,319	0
Income Statement		
Revenue	82,675,474	0
Expenditure	(78,823,930)	0
Profit before taxation	3,851,544	0
Taxation	(1,359,225)	0
Profit after taxation	2,492,319	0
Cash Flow		
Cash flow from operating activities	13,186,700	0
Cash flow from investing activities	(3,010,285)	0
Cash flow from financing activities	15,000,000	0
Net cah flows	25,176,415	0
Directors' valuation	5,830,773	0

Notes to the Financial Statements

3.3 Joint Ventures

The audited financial statements of Oshakati Premier Electric (Proprietary) Limited and Otavi Electrical Company (Proprietary) Limited have been incorporated in the consolidated financial statements. The group acquired a 50% interest in each of these companies to provide electricity to the towns of Oshakati and Otavi in Namibia.

	2003 N$	2002 N$
The group's proportionate share of assets and liabilities are:		
Property, plant and equipment	**3,730,780**	3,477,596
Investments	**2,096,357**	0
Long-term liabilities	**(2,386,725)**	(2,386,725)
Current assets	**4,031,184**	3,968,427
Current liabilities	**(2,644,345)**	(1,530,588)
	4,827,251	3,528,710
The group's proportionate share of revenue and expenditure:		
Revenue	**12,439,646**	10,376,964
Expenditure	**(11,722,776)**	(8,526, 890)
Profit before taxation	**716,870**	1,850,074
Taxation	**(247,447)**	(368,691)
Profit after taxation	**469,423**	1,481,383
The group's proportionate share of cash flows:		
Cash flow from operating activities	**1,514,304**	1,752,095
Cash flow from investing activities	**(2,806,748)**	(264,266)
Cash flow from financing activities	**1,474,816**	66,730
Net cah flows	**182,372**	1,554,559
Directors' valuation	**6,002,307**	4,773,549

3.4 The aggregate amount of the holding company's interest in the subsidiaries' net profit after tax is N$1,920,448 (2002: N$2,445,602).

3.5 All subsidiaries and associates are incorporated in Namibia.

Notes to the Financial Statements

	GROUP 2003 N$'000	GROUP 2002 N$'000	COMPANY 2003 N$'000	COMPANY 2002 N$'000

4. Short-term Investments

	GROUP 2003 N$'000	GROUP 2002 N$'000	COMPANY 2003 N$'000	COMPANY 2002 N$'000
Fixed deposits and money on call with various financial institutions	**1,108,805**	869,687	**1,106,709**	869,687
Held to Maturity	**1,042,161**	821,146	**1,040,065**	821,146
Held for Trading	**66,644**	48,541	**66,644**	48,541
	1,108,805	869,687	**1,106,709**	869,687

With the adoption of AC133 the group states held for trading instruments at fair value. The fair value of short-term investments at 30 June 2003 is N$1,119.9 million (Group) and N$1,117.8 million (Company).

5. Inventories

	GROUP 2003 N$'000	GROUP 2002 N$'000	COMPANY 2003 N$'000	COMPANY 2002 N$'000
Construction, Maintenance and Consumable stores	**156,336**	111,345	**156,100**	111,055
Fuel	**9,675**	10,129	**9,675**	10,129
	166,011	121,474	**165,775**	121,184

6. Loan to Director and Manager

6.1 Included in loans receivable are a loan to a close corporation controlled by a director as well as a loan to a manager. The purpose of these loans are to provide housing. These loans are secured by a first mortgage over the property, bears interest at 3.5% per annum and is repayable in equal monthly instalments.

	GROUP 2003 N$'000	GROUP 2002 N$'000	COMPANY 2003 N$'000	COMPANY 2002 N$'000
Balance at beginning of year	**834**	889	**834**	889
Advanced	**0**	0	**0**	0
Repaid	**(42)**	(55)	**(42)**	(55)
Balance at end of year	**792**	834	**792**	834

6.2 For information regarding credit risk for accounts receivable refer to note 22.3 and for information regarding interest rate risk refer to note 22.4.

7. Taxation

	GROUP 2003 N$'000	GROUP 2002 N$'000	COMPANY 2003 N$'000	COMPANY 2002 N$'000
Normal Namibian company tax				
Current taxation - Prior years	**(5,138)**	(56,645)	**(5,138)**	(56,645)
Deferred taxation - Current year	**60,708**	12,779	**59,453**	12,780
	55,570	(43,866)	**54,315**	(43,865)

	GROUP 2003	GROUP 2002	COMPANY 2003	COMPANY 2002
Tax rate reconciliation	**%**	%	**%**	%
Standard Tax Rate	**35.0**	35.0	**35.0**	35.0
Adjusted for:				
Items not deductible for tax purposes	**10.8**	7.5	**10.9**	7.7
Prior year adjustment - Current taxation	**(3.9)**	(51.4)	**(4.0)**	(52.6)
- Deferred taxation	**0.0**	(0.4)	**0.0**	0.0
Additional Capital Allowances claimed	**0.0**	0.0	**0.0**	0.0
Prior year adjustment - Increase in Assessed Loss	**0.0**	(30.4)	**0.0**	(30.8)
Taxation per Income statement	**41.9**	(39.7)	**41.9**	(40.7)

Notes to the Financial Statements

	GROUP		COMPANY	
	2003 N$'000	2002 N$'000	**2003 N$'000**	2002 N$'000
8. Share Capital				
Authorised and issued 65 000 000 Ordinary shares of N$ 1 each	**65,000**	65,000	**65,000**	65,000
9. Long-term Liabilities				
9.1Secured Loans				
9.1.1 Agence Francaise de Developpement Concessional loan repayable over a period of 20 years with the interest payable semi-annually starting 20 June 1999 and capital repayments commencing on 20 June 2006. A commitment fee of 0.5% per annum is payable in arrears on each due date, the first period being that between the date of signature of the contract and immediately following due date. The interest rate has been fixed at 9.83% from December 2001.	**36,199**	36,199	**36,199**	36,199
9.1.2 European Investment Bank Concessional loan repayable over a period of 20 years with the interest payable annually starting 20 June 2000 and capital repayments commencing on 20 June 2002. Ratios are to be maintained throughout the term of the loan 1:4 between own funds and long term borrowings and 1.5:1 for debt service coverage ratio. The interest rate has been fixed at 12.95% from 20 June 2003.	**429,555**	354,003	**429,555**	354,003
9.1.3 SEK/SIDA Concessional loan repayable over a period of 15 years with the interest payable semi-annually starting 21 June 1999 and capital repayments commencing on 20 June 2002. A commitment fee is payable at 0.25% per annum on the unutilised portion of the facility semi-annually. A facility fee at 0.25% is payable on the facility within 60 days of receipt of funds. The interest rate has been fixed at 7.82%.	**90,586**	98,612	**90,586**	98,612
9.1.4 African Development Bank Floating rate loan with interest rates linked to the South African 3-month JIBAR rate fixed 6 months in advance plus 0.5%. After the grace period of 5 years capital repayment in 30 equal bi-annual instalments commencing on 28 May 2003. A commitment fee is payable semi-annually at 0.75% per annum on the unutilised portion of the facility. The interest rate has been fixed at 11.17%.	**72,800**	63,039	**72,800**	63,039

Notes to the Financial Statements

	GROUP		COMPANY	
	2003 N$'000	2002 N$'000	**2003 N$'000**	2002 N$'000
9.1.5 Development Bank of Southern Africa Floating rate loan with interest linked to the South African 3-month JIBAR rate fixed 6 monthly in advance plus 1.05%. Loan is repayable in 3 instalments on the following dates: 31 March 2012 for ZAR70,0 million; 31 March 2017 for ZAR70,0 million and 31 March 2022 for ZAR80,0 million. The interest rate has been fixed at 12.89% for N$135,0 million and 11.78% for N$20,0 million.	**155,000**	100,000	**155,000**	100,000
9.1.6 European Investment Bank II Euro35,0 million 20 year loan, with 4 year capital grace period. Repayments will commence on 16 September 2006 in 16 instalments on a constant annuity basis. Interest will be on a fixed rate basis with a minimum rate payable after the subsidy of 3.0%. The interest rate has been fixed at an average of 8.00%	**239,315**	0	**239,315**	0
	1,023,455	651,853	**1,023,455**	651,853
Less: Instalments payable within one year transferred to current liabilities	**35,348**	25,577	**35,348**	25,577
	988,107	626,276	**988,107**	626,276
9.2 Unsecured Loans				
9.2.1 Oshakati Town Council	**2,214**	2,214	0	0
9.2.2 Otavi Town Council The long term loans to the Joint Ventures carries an interest rate of prime less 2% (14.75%) at year end. The loans are unsecured and have no fixed terms of repayment.	**173**	173	0	0
	990,494	628,663	988,107	626,276

Included in the bank and cash balances is an amount of N$64,4 million which is part of the interest rate subsidies under the 400 kV interconnector loan covenants for rural electrification and other eligible projects. This arose as a result of the interest rate subsidies on the following loans:

- Agence Francaise de Developpement
- European Investment Bank
- SEK/SIDA
- Investec

Notes to the Financial Statements

	GROUP 2003 N$'000	GROUP 2002 N$'000	COMPANY 2003 N$'000	COMPANY 2002 N$'000

10. Deferred Taxation

	GROUP 2003 N$'000	GROUP 2002 N$'000	COMPANY 2003 N$'000	COMPANY 2002 N$'000
Balance at beginning of year	**1,215,635**	840,192	**1,215,564**	840,120
Current charge	**27,243**	375,443	**25,986**	375,444
Timing differences	**113,006**	93,434	**112,289**	93,196
Prior year adjustment	**(33,465)**	0	**(33,465)**	0
Change in rate of taxation	**0**	0	**0**	0
Adjustment prior year assessed loss	**0**	70,299	**0**	70,364
Assessed loss utilised to reduce liability	**(52,298)**	(150,954)	**(52,838)**	(150,780)
Revaluation of property, plant and equipment	**0**	362,664	**0**	362,664
Balance at end of year	**1,242,878**	1,215,635	**1,241,550**	1,215,564
The balance comprises:				
Capital allowances	**493,439**	400,573	**492,496**	400,328
Interest accrued	**32,145**	13,210	**32,144**	13,210
Doubtful Debtors Allowance	**(1,838)**	(1,838)	**(1,838)**	(1,838)
Assessed loss utilised to reduce liability	**(203,234)**	(150,954)	**(203,618)**	(150,780)
Fair Value Adjustments	**(30,601)**	0	**(30,601)**	0
Post Retirement Medical Benefit	**(11,095)**	(9,418)	**(11,095)**	(9,418)
Revaluation of property, plant and equipment	**964,062**	964,062	**964,062**	964,062
	1,242,878	1,215,635	**1,241,550**	1,215,564

11. Accounts Payable

	GROUP 2003 N$'000	GROUP 2002 N$'000	COMPANY 2003 N$'000	COMPANY 2002 N$'000
Trade creditors	**83,786**	71,086	**70,429**	68,327
Retention creditors	**36,546**	11,646	**36,546**	11,646
	120,332	82,732	**106,975**	79,973

12. Other financial assets and liabilities

12.1 Other financial assets

	GROUP 2003 N$'000	GROUP 2002 N$'000	COMPANY 2003 N$'000	COMPANY 2002 N$'000
Forward exchange contracts				
Interest rate swaps	**41,609**	0	**41,609**	0
Cross currency swaps	**22,798**	0	**22,798**	0
	64,407	0	**64,407**	0

12.2 Other financial liabilities

	GROUP 2003 N$'000	GROUP 2002 N$'000	COMPANY 2003 N$'000	COMPANY 2002 N$'000
Forward exchange contracts				
Interest rate swaps	**80,862**	0	**80,862**	0
Cross currency swaps	**39,509**	0	**39,509**	0
	120,371	0	**120,371**	0

13. Provisions

	GROUP 2003 N$'000	GROUP 2002 N$'000	COMPANY 2003 N$'000	COMPANY 2002 N$'000
Staff benefits				
Leave and Bonus Provision	**15,285**	12,999	**13,689**	12,726
- Balance at beginning of year	**12,999**	11,264	**12,726**	11,264
- Utilised during the year	**(18,727)**	(18,170)	**(18,727)**	(18,170)
- Provided during the year	**21,013**	19,905	**19,690**	19,632
Post Retirement Medical Benefits	**30,833**	26,486	**30,833**	26,486
- Balance at beginning of year	**26,486**	22,119	**26,486**	22,119
- Provided during the year: Post Retirement Medical	**4,791**	4,791	**4,791**	4,791
- Utilised during the year	**(444)**	(424)	**(444)**	(424)
- Balance at end of year	**46,118**	39,485	**44,522**	39,212

Notes to the Financial Statements

	GROUP		COMPANY	
	2003 N$'000	2002 N$'000	**2003 N$'000**	2002 N$'000

14. Capital Commitments

14.1 Projects for Capital Expenditure

	2003 N$'000	2002 N$'000	**2003 N$'000**	2002 N$'000
Approved by Board of Directors	**815,487**	874,642	**815,487**	874,642
Less: Expenditure to 30 June	**676,812**	671,683	**676,812**	671,683
Amount still to be expended	**138,675**	202,959	**138,675**	202,959

The capital expenditure will be financed by internally generated funds and non-refundable capital contributions by customers, the Government of Namibia and other parties.

14.2 Concessional loan agreements

	2003 N$'000	2002 N$'000	**2003 N$'000**	2002 N$'000
Euro				
Approved by Board of Directors	**95,335**	95,335	**95,335**	95,335
Utilised	**(60,335)**	(60,335)	**(60,335)**	(60,335)
Draw down in GBP	**(30,000)**	0	**(30,000)**	0
Available for future utilisation - Euro	**5,000**	35,000	**5,000**	35,000
Repaid - Euro	**5,132**	2,530	**5,132**	2,530
GBP				
Approved by Board of Directors	**19,339**	0	**19,339**	0
Utilised	**(19,339)**	0	**(19,339)**	0
Available for future utilisation - GBP	**0**	0	**0**	0
Repaid - GBP	**0**	0	**0**	0
ZAR/NAD				
Approved by Board of Directors	**405,000**	405,000	**405,000**	405,000
Utilised	**(334,270)**	(279,270)	**(334,270)**	(279,270)
Available for future utilisation - ZAR/NAD	**70,730**	125,730	**70,730**	125,730
Repaid - ZAR/NAD	**25,645**	17,619	**25,645**	17,619

15. Future Operating Lease Commitments

	2003 N$'000	2002 N$'000	**2003 N$'000**	2002 N$'000
Lease commitments payable within one year	**0**	210	**0**	210

Notes to the Financial Statements

16. Operating Income

	GROUP 2003 N$'000	GROUP 2002 N$'000	COMPANY 2003 N$'000	COMPANY 2002 N$'000
Operating income is stated after charging/ (crediting):				
Directors' emoluments				
- for services as Directors	**0**	0	**140**	173
- for executive services	**0**	0	**923**	858
Auditors' remuneration	**455**	549	**342**	443
- audit fee	**436**	484	**330**	378
- other services	**19**	65	**12**	65
Depreciation of fixed assets	**202,756**	138,451	**201,150**	137,510
- on historical cost	**116,581**	92,900	**114,975**	91,959
- on increase in valuation	**86,175**	45,551	**86,175**	45,551
Remuneration other than to employees for				
- managerial services	**1,123**	18,779	**1,123**	18,746
- technical services	**1,832**	13,865	**1,832**	13,865
Research and development expenditure	**258**	2,213	**258**	2,213
Doubtful debts	**0**	56	**0**	0
Contribution to Social Responsibility Programs	**656**	421	**656**	421
Profit on disposal of property, plant and equipment	**(929)**	(343)	**(924)**	(345)
Staff costs	**149,268**	139,688	**128,213**	134,637
Salaries	**124,372**	118,305	**103,707**	113,639
Housing subsidies	**9,280**	7,582	**9,280**	7,582
Company contribution: Provident Fund	**15,616**	13,801	**15,226**	13,416
Post retirement medical benefit	**4,791**	4,791	**4,791**	4,791
Operating lease payments	**800**	833	**210**	833
Commission received	**514**	355	**0**	0
Foreign exchange gains	**(17,868)**	(170)	**(17,868)**	(170)
- realised	**(8,714)**	(170)	**(8,714)**	(170)
- unrealised	**(9,154)**	0	**(9,154)**	0
Foreign exchange losses	**33,987**	187	**33,987**	187
- realised	**33,987**	187	**33,987**	187
- unrealised	**0**	0	**0**	0
Capitalised to property, plant and equipment	**8,177**	6,200	**8,177**	6,200
Borrowing costs (Rate varies from 8.00% to 12.89%)	**8,177**	6,200	**8,177**	6,200
Derivative contract losses	**163,779**	0	**163,779**	0
Fair value adjustments of held-for-trading				
- gains	**(171,961)**	0	**(171,961)**	0
- losses	**0**	0	**0**	0

Notes to the Financial Statements

17. Contingent Liabilities

The following contingent liability has not been provided for as the Board is of the opinion that the claim against NamPower is unlikely to be successful.
- A claim for N$8,5 million has been instituted against NamPower for asbestos contamination by the Municipality of Windhoek. This case will possibly be heard in the High Court during 2004.

The Group has a potential VAT penalty due to the possible incorrect handling of VAT on Intercompany transactions. The financial effect cannot be quantified, but the Board is of the opinion that there will not be penalties payable.

18. Comparative Figures

Certain comparative figures have been restated to afford improved disclosure.

19. Related Parties

During the year the Company, in the ordinary course of business, entered into various sale and purchase transactions with it's subsidiary and joint ventures. These transactions occurred under terms that were no less favourable than those arranged with third parties.

The Government of Namibia is the sole shareholder.

20. Employee Information

20.1 Retirement benefits

The policy of the company is to provide retirement benefits for its employees.

The NamPower Provident Fund is a defined contribution fund governed by the Pension Fund Act, and is for all its employees except for those who do not qualify in terms of the rules of the Fund. Of the employees, 97.0% are members of the Fund. Contributions to the Fund are based on a percentage of salaries and are expensed in the period in which they are paid. The company's contribution to the Fund amounted to N$15,2 million (2002: N$13,4 million).

20.2 Staff

The average number of employees employed by the group for the period under review was 818 and for the company 697 (2002: Group 816; Company 699).

21. Change in accounting policies

A change in accounting policy arose from the adoption of AC 135 Investment property by a subsidiary, which resulted in the restatement of the opening balance of retained earnings as follows:

N$ '000	Gross	Tax	Net
2001	246	12	259
2002	292	(108)	184

A change in accounting policy arose from the adoption of AC 133 Financial Instruments: Recognition and Measurement from 1 July 2002. The results of the previous financial period are not restated and the effect of the fair valuation at 1 July 2003 of financial intruments is as follows:

N$ '000	Gross	Tax	Net
1 July 2002	**(95,613)**	**33,464**	**(62,149)**

Notes to the Financial Statements

	GROUP		COMPANY	
	2003 **N$'000**	2002 N$'000	**2003** **N$'000**	2002 N$'000

22. Financial Instruments

Exposure to currency, interest rate and credit risk arises in the normal course of the group's business. Derivative financial instruments are used as a means of reducing exposure to fluctuations in foreign exchange rates and interest rates. Whilst these financial instruments are subject to the risk of market rates changing subsequent to acquisition, such changes would generally be offset by opposite effects on the items being hedged.

The principal or contract amounts of derivative financial instruments were:

	Group 2003 N$'000	Group 2002 N$'000	Company 2003 N$'000	Company 2002 N$'000
Net Interest rate swaps	(39,253)	0	(39,253)	0
Net Cross currency swaps	(16,711)	0	(16,711)	0

For a more detailed breakdown see Note 12

22.1 Currency risk

The company incurs currency risk as a result of the following transactions which are denominated in a currency other than Namibia Dollar or South African Rand: purchases of equipment, consulting fees and borrowings. The currencies which primarily give rise to currency risk are GBP, USD, DEM and EURO.

The company generally adopts a policy to hedge its foreign currency commitments where possible as disclosed in note 22.2.

22.2 Foreign currency exposure

Uncovered foreign currency exposure

Included in accounts receivable are advances for the construction of the West Coast project:

	Group 2003 N$'000	Group 2002 N$'000	Company 2003 N$'000	Company 2002 N$'000
USD (Rate: 2002 = 10.45)	0	4,371	0	4,371
Yen (Rate: 2002 = 11.42)	0	1,092	0	1,092
Euro (Rate: 2002 = 10.35)	0	772	0	772

There were no foreign currency advances at 30 June 2003.

22.3 Credit risk

Potential concentration of credit risk consists of accounts receivable and short-term investments.

Included in accounts receivable is an amount of N$57,6 million for electricity sales. The electricity network categories regarding the composition of electricity sales changed. The credit risk for the Group calculated according to the new composition is as follows:

	%
Distributors	54
Mining	32
Commercial	3
Other	12
	100

An amount of N$91,8 million is included in accounts receivable for interest accrued but not yet received (2002: N$37,7 million).

Reputable financial institutions are used for investing and cash handling purposes.

Notes to the Financial Statements

22.4 Interest rate risk

The group generally adopts a policy that its exposure in interest rates is on a fixed rate basis. Swaps have been used to convert the interest on floating rates to a fixed rate basis. However, in view of the favourable rates available the following two loans are being managed on a floating rate basis:

- Agence Francaise de Developpement
- African Development Bank

The group's exposure to interest rate risk and the effective interest rates on financial instruments at year end are:

	Effective interest rate	Floating interest	Fixed interest rate maturing			Non interest bearing	Total
			1 year or less	1 year to to five years	After ten years		
	%	N$ '000	N$ '000	N$ '000	N$ '000	N$ '000	N$ '000
Financial assets							
Bank and cash	12.12%	79,504					**79,504**
Accounts receivable	Prime	245,544					**245,544**
Loans receivable	3.5% to 15%			12,387			**12,387**
Short term investments	9.30% to 14.45%	1,108,805					**1,108,805**
Total financial assets		**1,433,853**	**0**	**12,387**	**0**	**0**	**1,446,240**
Financial liabilities							
Accounts payable and other loans	0.00%					120,332	**120,332**
Provisions	0.00%					46,118	**46,118**
Interest bearing loans	7.7% to 12.95%	2,387			988,107		**990,494**
Loans payable	0.00%		35,348				**35,348**
Total financial liabilities		**2,387**	**35,348**	**0**	**988,107**	**166,450**	**1,192,292**
Net financial assets / (liabilities)		**1,431,466**	**(35,348)**	**12,387**	**(988,107)**	**(166,450)**	**253,948**

22.5 Fair Values

The fair values of all financial instruments are substantially identical to carrying amounts reflected in the balance sheet, except as indicated in Note 4.

Notes to the Financial Statements

ADMINISTRATION

Secretary of the Group

T T Uwanga (Ms)
15 Luther Street
PO Box 2864
WINDHOEK
Namibia

Registered address

Namibia Power Corporation (Proprietary) Limited
(Reg no 2051)
NamPower Centre
15 Luther Street
PO Box 2864
WINDHOEK
Namibia

Auditors

KPMG
24 Orban Street
PO Box 30
WINDHOEK
Namibia

Photo Credits

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People and rig - cover & page 1 : Zinc Ox Resources PLC
Mining the ore - page 21: Charles Corbett Photography

Value added statement

For the year ended 30 June 2003

	GROUP				COMPANY			
	2003 N$'000	**%**	2002 N$'000	%	**2003 N$'000**	**%**	2002 N$'000	%
VALUE ADDED								
Turnover	**627,229**		531,738		**572,946**		492,636	
Less: Cost of primary energy, materials and services	**476,035**		307,942		**442,417**		276,786	
Value added by operations	**151,194**	**49.18**	223,796	66.74	**130,529**	**45.54**	215,850	65.94
Interest and sundry income	**156,212**	**50.82**	111,542	33.26	**156,121**	**54.46**	111,485	34.06
	307,406	**100.00**	335,338	100.00	**286,650**	**100.00**	327,335	100.00
VALUE DISTRIBUTED								
To remunerate employees	**149,268**	**48.55**	139,688	41.66	**128,213**	**44.73**	134,637	41.13
To providers of capital	**114,345**	**37.20**	82,356	24.56	**113,974**	**39.76**	82,080	25.08
- Dividend	**6,500**		13,000		**6,500**		13,000	
- Interest	**107,845**		69,356		**107,474**		69,080	
	263,613	**85.75**	222,044	66.22	**242,187**	**84.49**	216,717	66.21
VALUE RETAINED								
To maintain and develop Operations	**43,793**	**14.25**	113,294	33.78	**44,463**	**15.51**	110,618	33.79
	307,406	**100.00**	335,338	100.00	**286,650**	**100.00**	327,335	100.00