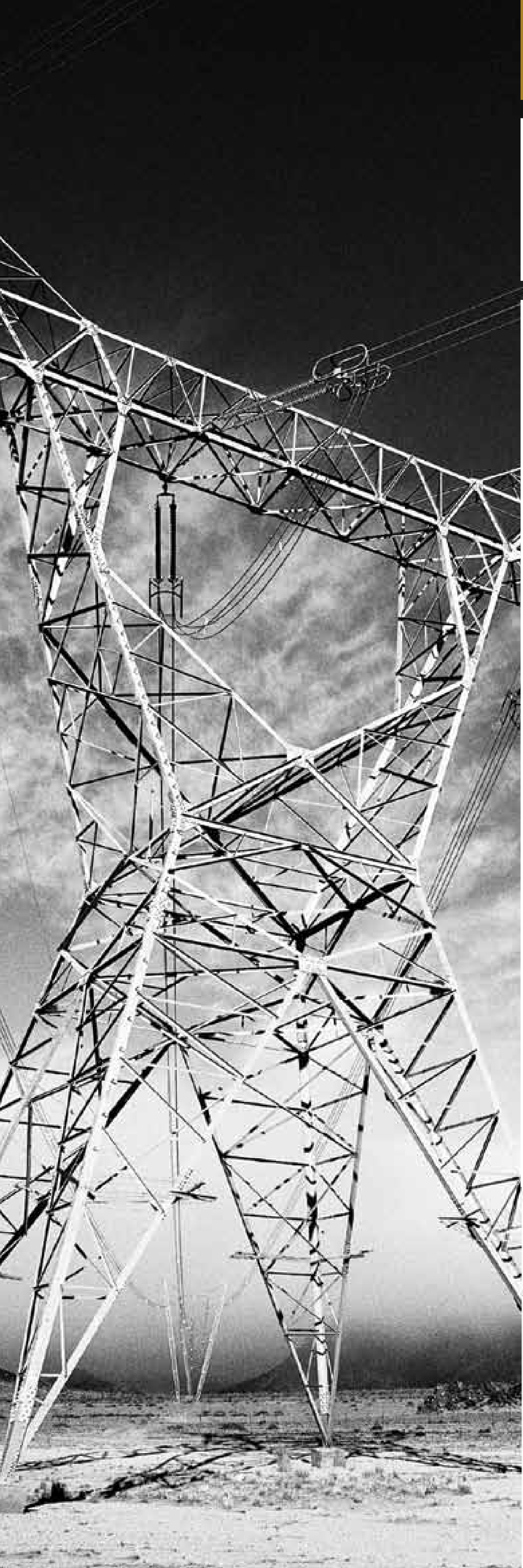


30 JUNE 2012

ANNUAL REPORT

NamPower

Powering the Nation and beyond

VISION:

To be a leading energy company in Africa, which excels in customer service, people development and technological innovation.

MISSION:

To provide for the energy needs of our customers, fulfill the aspirations of our staff and satisfy the expectations of our stakeholders.

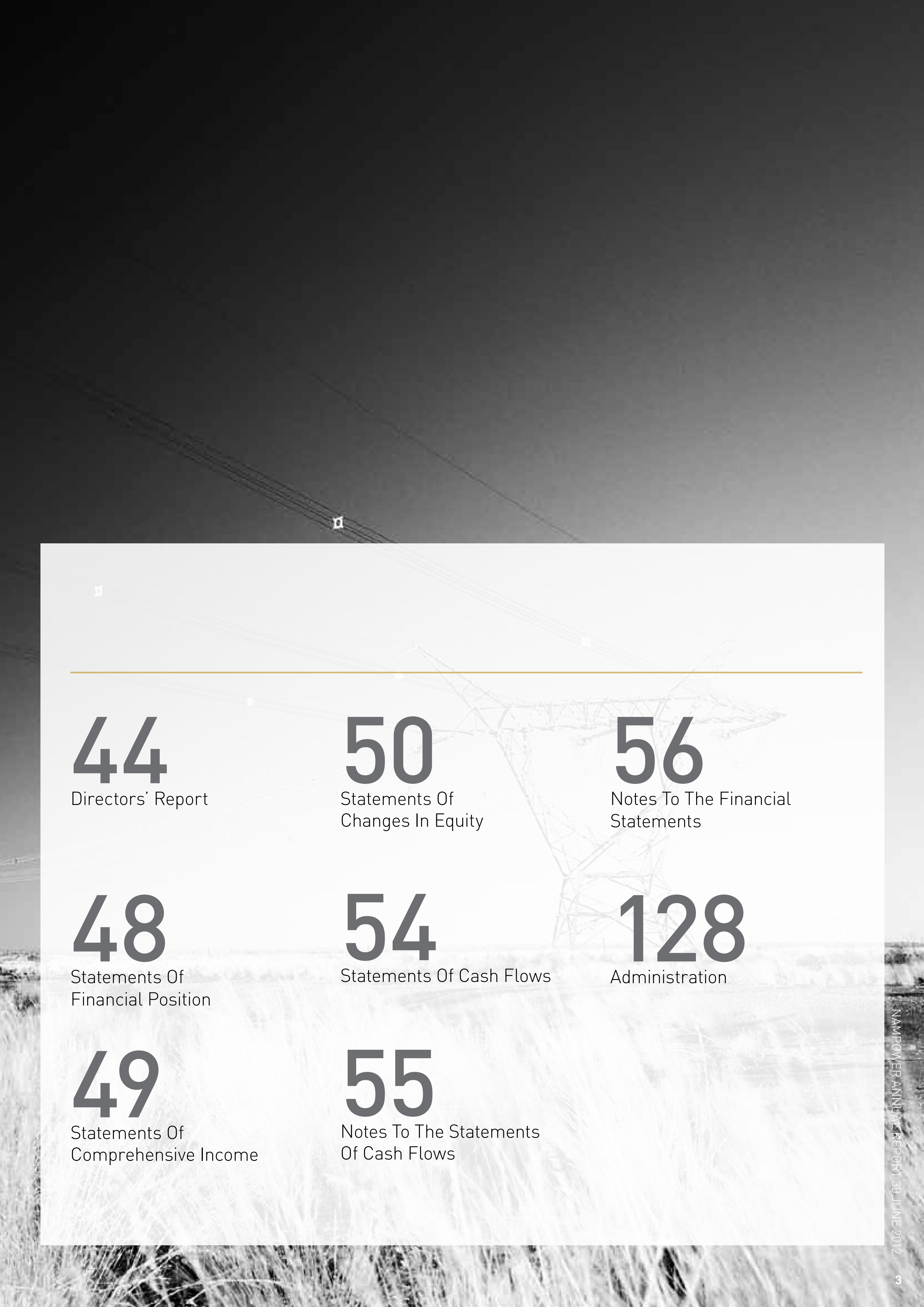
GROUP VALUES:

- Customer Focus
- Teamwork
- Accountability
- Employee Empowerment
- Integrity
- Safety, Health, Environment and Wellness (SHEW)

We are COMMITTED to...

- Providing value added service to our customers
- Making electricity available to most households in Namibia
- Appropriate development strategies
- Having a proactive workforce
- Adhering to safety measures in all our operations
- Having technically reliable, modern and state-of-the-art technology and equipment

CONTENT



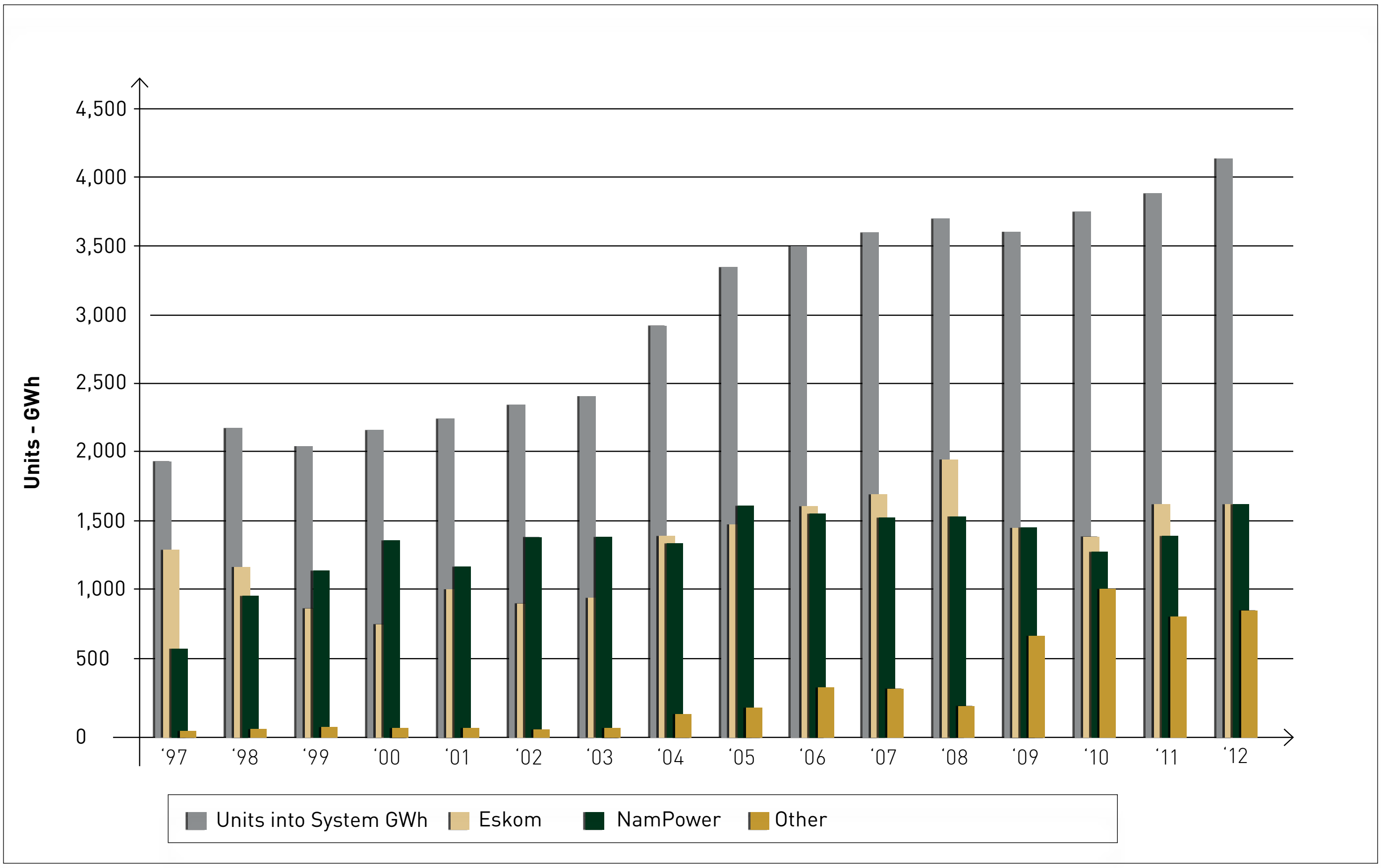
GROUP KEY STATISTICS

	2012	2011	2010
1. Total revenue (N$'000)	**2,555,559**	2,309,164	1,804,177
2. Taxation (N$'000)	**(76,135)**	53,474	(98,246)
3. Capital Expenditure (N$'000)	**346,519**	909,601	1,772,443
- Property, plant and equipment	**346,455**	909,302	1,772,295
- Intangible assets	**64**	299	148
4. Coal Cost - Per Ton (N$)	**1,244**	1,297	1,297
5. Average Price per unit sold (Cents)	**77.3**	67.9	58.9
6. Number of electricity customers	**2,752**	2,738	2,651
7. System Maximum (Hourly demand) (MW)			
- Excluding Skorpion	**534**	498	477
- Including Skorpion	**614**	580	564
8. Units into System (GWh)	**4,162**	3,910	3,767
NamPower (Pty) Ltd	**1,643**	1,430	1,305
ZESCO	**378**	319	47
Eskom	**1,645**	1,522	1,429
ZESA	**496**	637	891
EDM	**-**	2	95
9. Units sold (GWh)	**3,726**	3,543	3,431
Customers in Namibia	**2,840**	2,650	2,551
Skorpion Zinc mine	**662**	690	673
Orange River	**133**	127	130
Exports	**91**	76	77
10. Installed Capacity (MW)	**1,108**	993	993
- Ruacana	**341**	249	249
- Van Eck	**120**	120	120
- Interconnector	**600**	600	600
- Anixas	**23**	-	-
- Paratus	**24**	24	24
11. Transmission Lines			
- 400 kV (km)	**988**	988	988
- 350 kV (km)	**953**	-	-
- 330 kV (km)	**522**	522	522
- 220 kV (km)	**2,911**	2,800	2,800
- 132 kV (km)	**2,113**	2,092	2,092
- 66 kV (km)	**3,605**	3,605	3,605
12. Distribution Lines			
- 33 kV (km)	**11,437**	11,305	11,305
- 22 kV (km)	**4,818**	4,724	4,724
- 19 kV (SWER) (km)	**4,372**	4,329	4,258
- 11 kV (km)	**1,146**	1,092	1,092
13. Employees	**931**	966	910

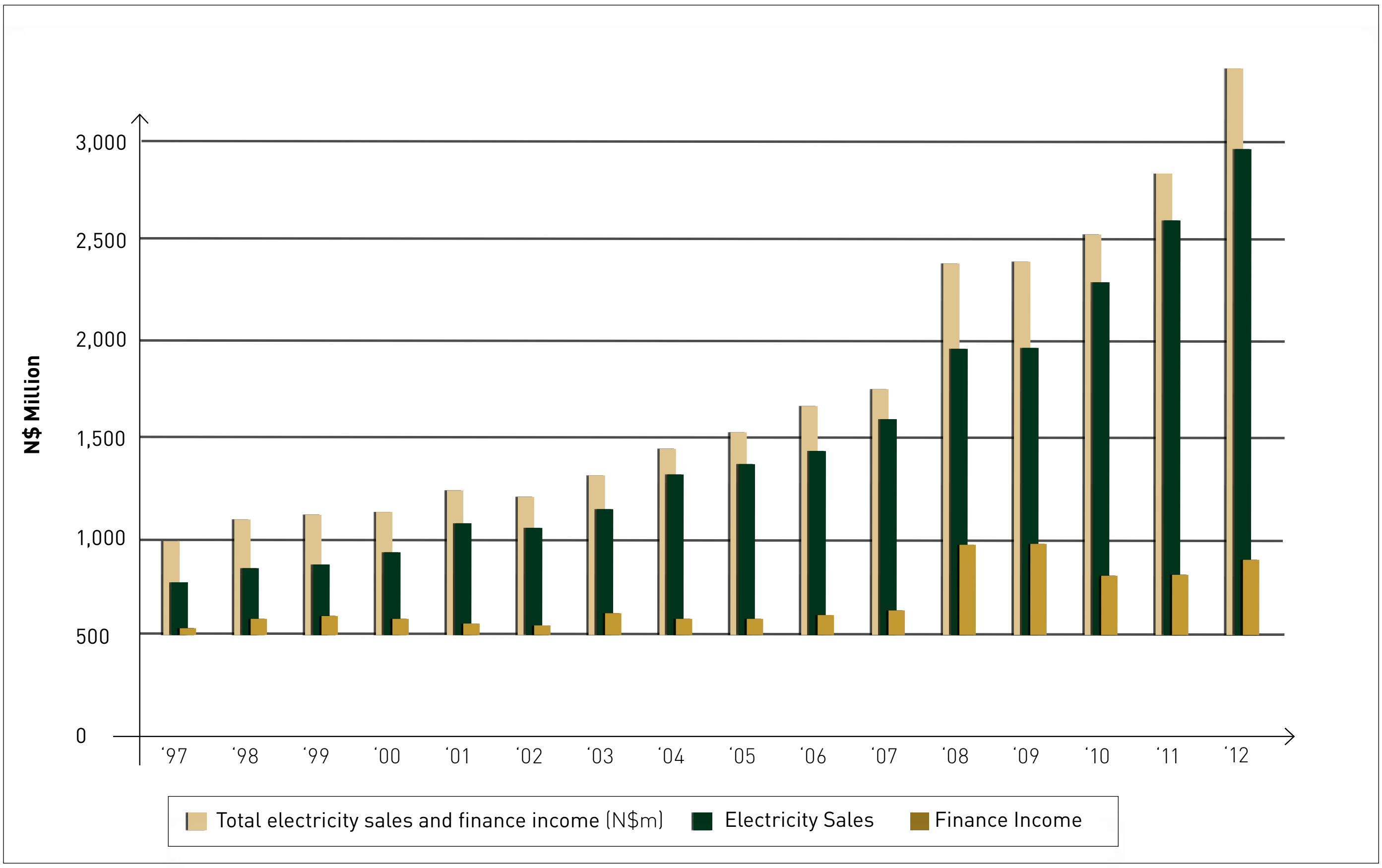
Abbreviations:

AU$: Australian Dollar
EDM: Electricidade de Mozambique
EUR: Euro
FV: Fair Value
GBP: Great British Pound
GWh: Gigawatt hour
Km: Kilometre
kV: Kilovolts
MME: Ministry of Mines and Energy
MTC: Mobile Telecommunications
MW: Megawatt
NNF: Namibia Nature Foundation
N$: Namibia Dollar
OCI: Other comprehensive income
P+L: Profit or loss
SEK: Swedish Krona
SOCI: Statement of comprehensive income
SOCIE: Statement of changes in equity
SOFP: Statement of financial position
STEM: Short Term Energy Market
SWER: Single Wire Earth Return
US$: United States Dollar
ZAR: South African Rand
ZESA: Zimbabwe Electricity Supply Authority
ZESCO: Zambia Electricity Supply Corporation

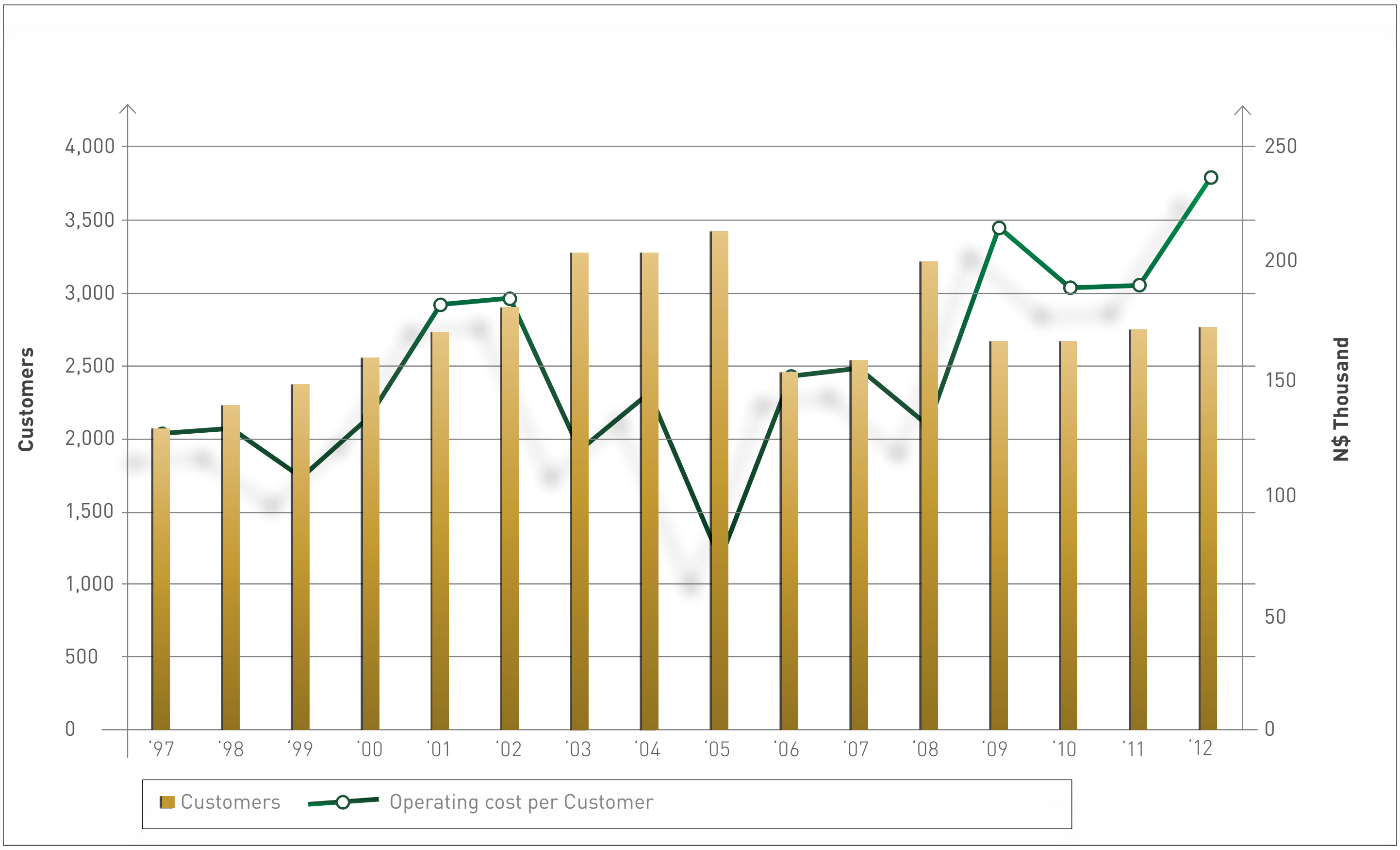
UNITS INTO SYSTEM



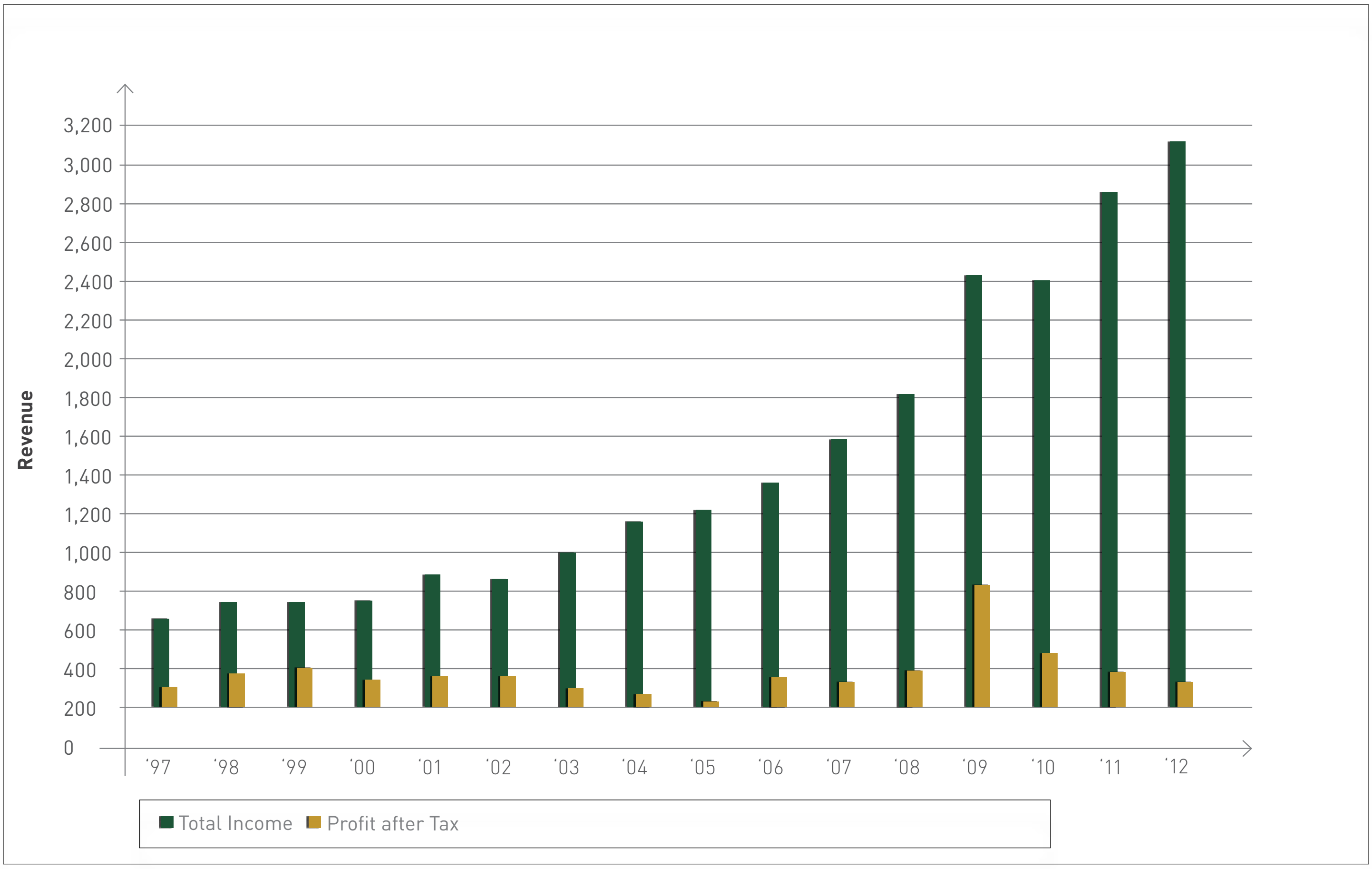
ELECTRICITY SALES AND FINANCE INCOME



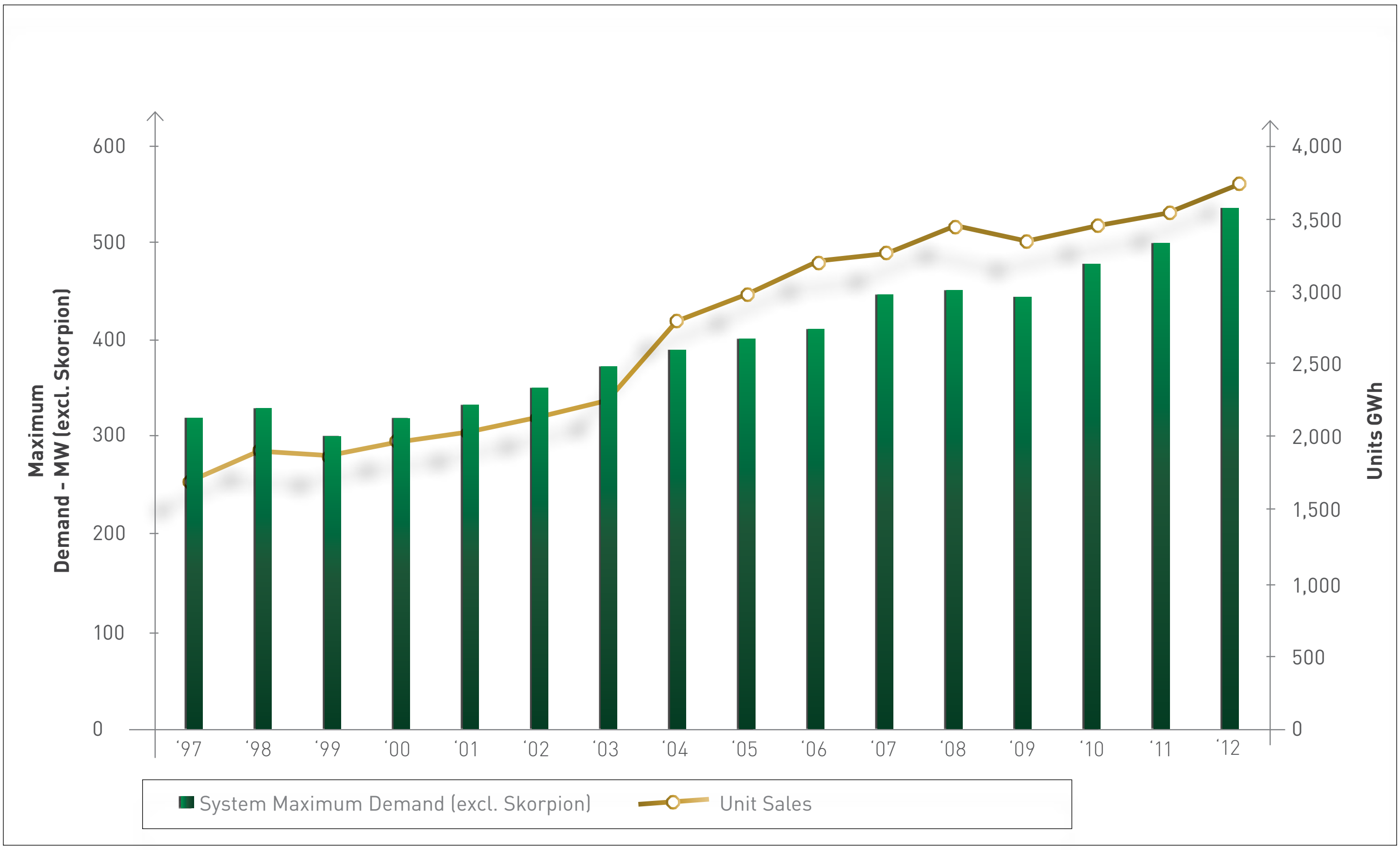
CUSTOMERS AND OPERATING COST PER CUSTOMER



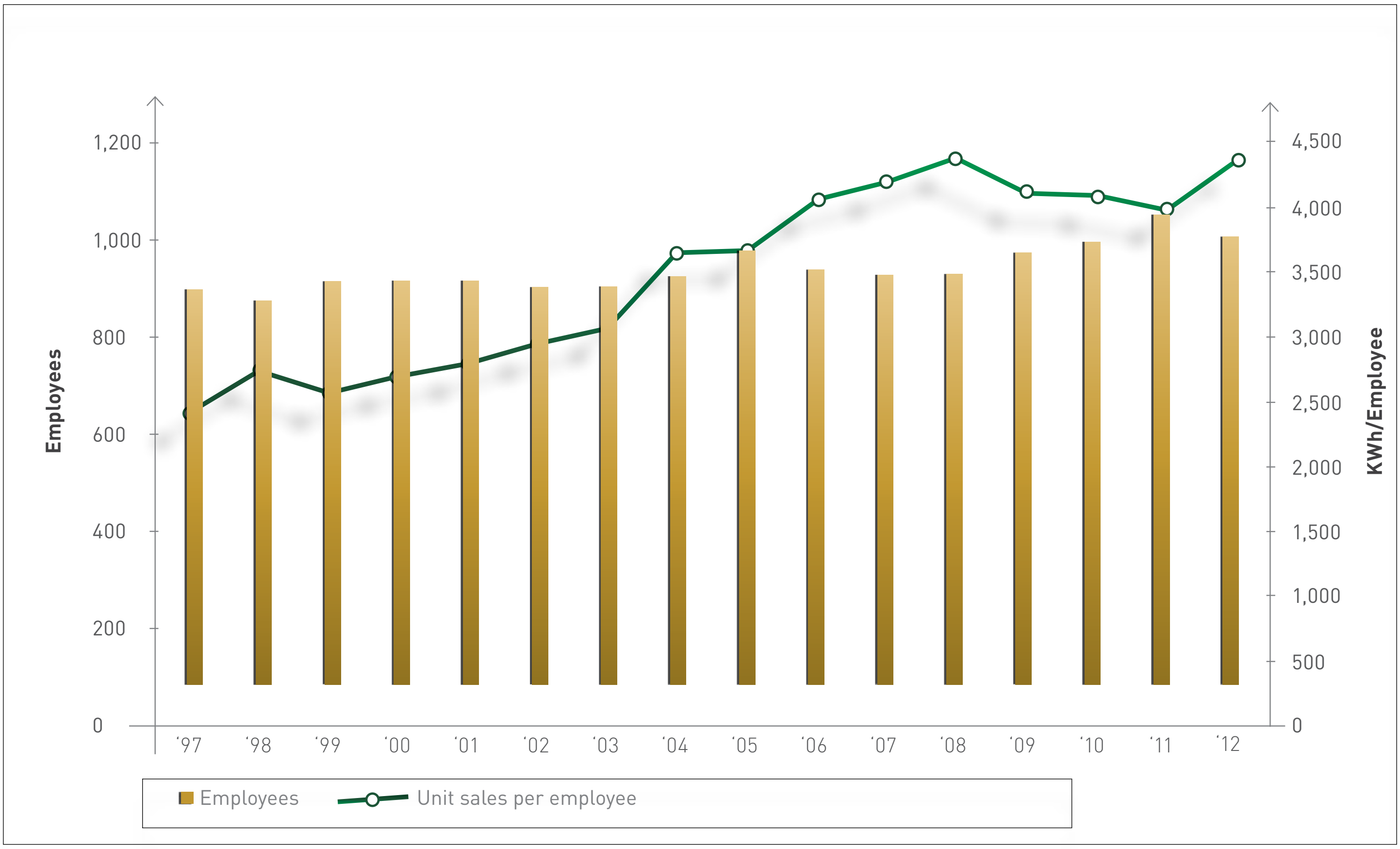
TOTAL INCOME AND PROFIT AFTER TAX (N$ MILLION)



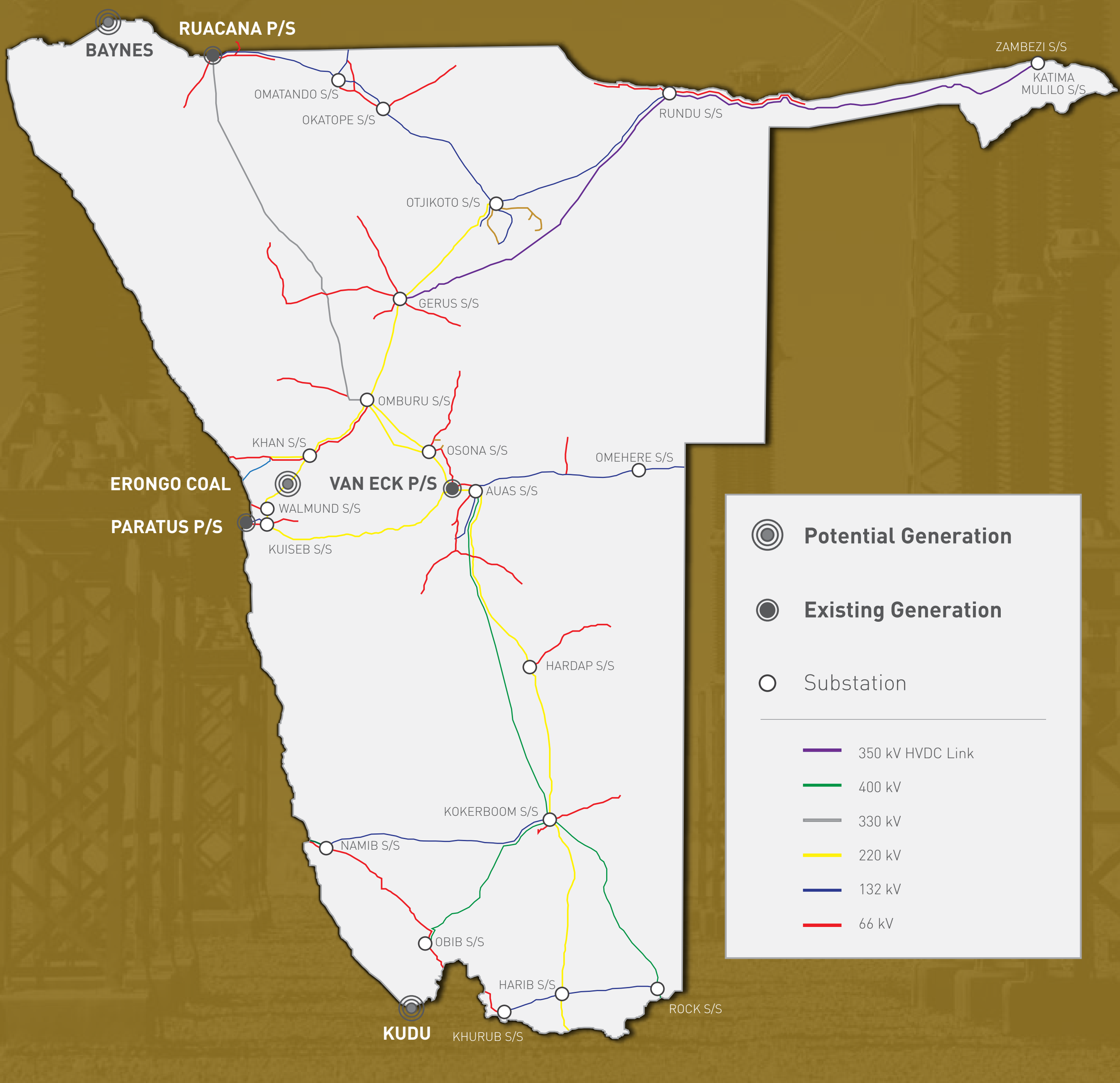
SYSTEM MAXIMUM DEMAND AND UNIT SALES (EXCL. SKORPION)



EMPLOYEE PERFORMANCE



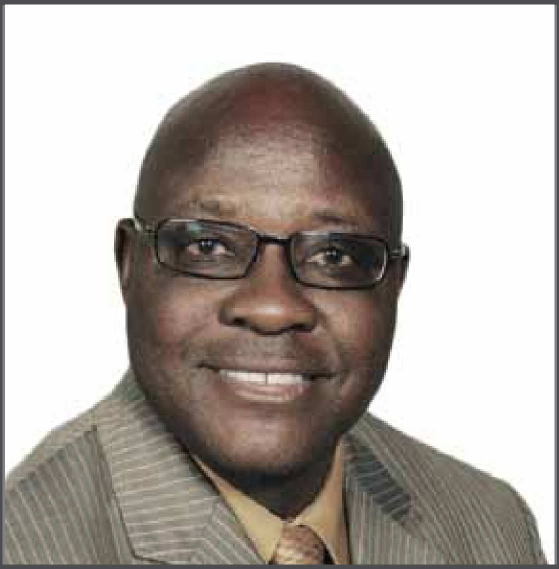
TRANSMISSION MAP



Corporate Structure: Ministry of Mines and Energy

HON. I KATALI
MINISTER OF MINES AND ENERGY

HON. W ISAACKS
DEPUTY MINISTER OF MINES AND ENERGY



MR. KAHIJORO KAHUURE
PERMANENT SECRETARY
MINISTRY OF MINES AND ENERGY

Corporate Structure: NamPower Board of Directors

LEFT TO RIGHT:

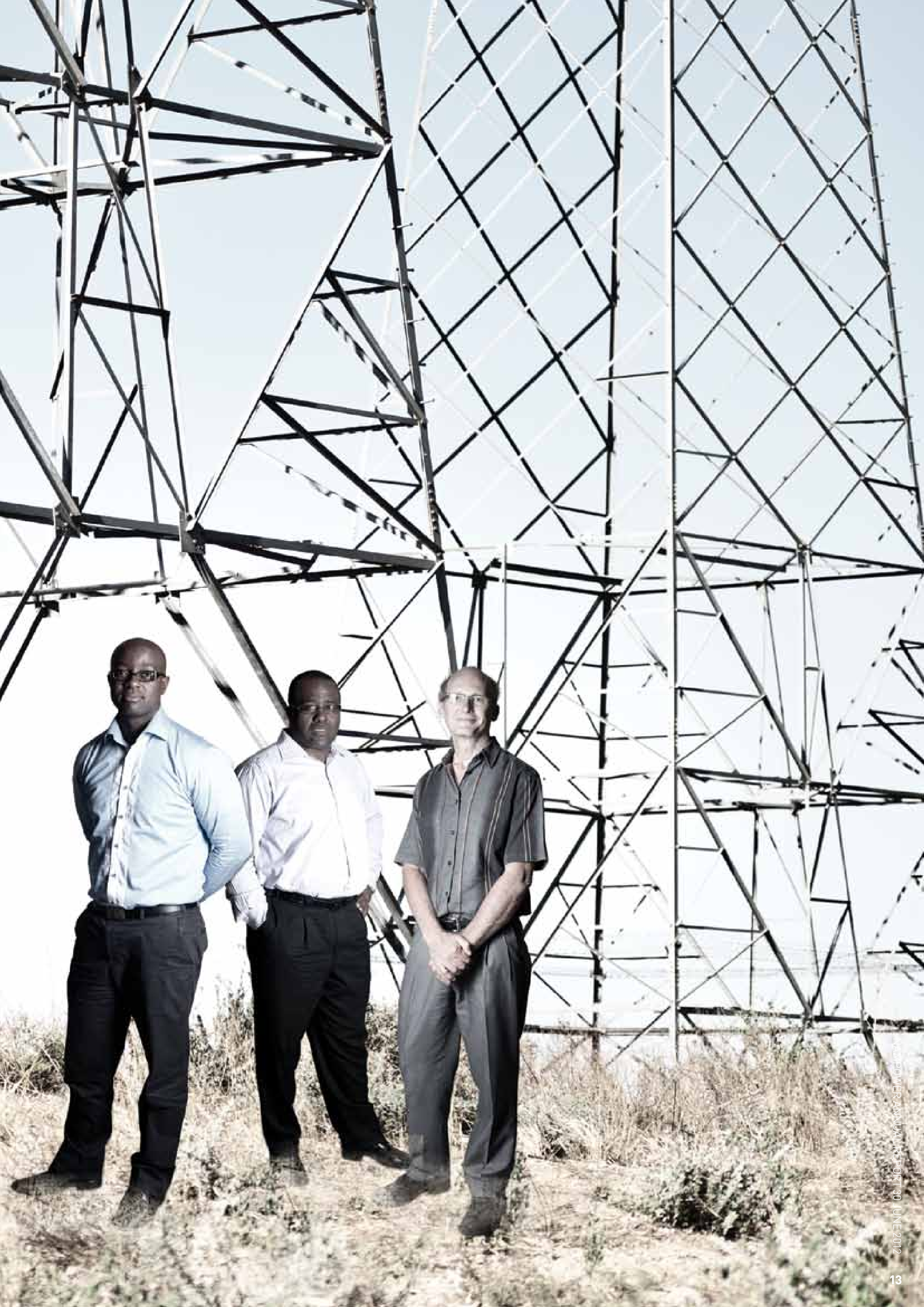
Mr. P A Kiiyala
Ms. M M N Nakale
Mr. P J Maritz
Mr. L A Hungamo, Chairman
Ms. S T Hawala
Mr. G Narib
Ms. S Mavulu, Company Secretary


Power

Corporate Structure: Management Committee

LEFT TO RIGHT:

Mr. M Gotore, Chief Officer: Finance, Treasury & Property Management
Ms. M N Nashandi, Divisional Manager: Strategy, Communication and Electrification
Mr. P I Shilamba, Managing Director
Mr. O'Brien Hekandjo, Chief Officer: Technical Services
Mr. I Tjombonde, Chief Officer: Corporate Services
Mr. R Jagau, Chief Officer: Power System Development



"As we prepare for the months ahead, several critical policy decisions need to be taken that will shape the future of the electricity industry."

CHAIRMAN'S REPORT

INTRODUCTION

In many respects the period under review was a remarkable one for NamPower. The utility witnessed the fruition and consequent commissioning of a number of generation and transmission projects that contributed greatly towards meeting the ever-increasing demand for electricity in the country. As you will read in this report, our most notable achievements in the period under review were the commissioning of a new diesel-powered station at Walvis Bay, the installation of a fourth turbine at NamPower's Ruacana Hydropower Station, and the Tsumkwe solar/diesel hybrid plant.

As we prepare for the months ahead, several critical policy decisions need to be taken that will shape the future of the electricity industry.

REVIEW OF THE NAMIBIAN ECONOMY

Gross Domestic Product

According to the Preliminary National Accounts released by the Namibia Statistics Agency, the Namibian economy grew by 4.9% in 2011, ahead of consensus forecasts, which were in the range of 4.2%. However, the growth rate reflected a slowdown from the 6.6% recorded in 2010. Previous studies indicated that there was a correlation between the growth of GDP and the increase in electricity consumption. Electricity demand grew by 5.17% during the financial year ending 30 June 2012. The GDP growth for 2012 is estimated at 4.6% (National Planning Commission – NDP 4).

The upbeat performance in 2011 is attributed mainly to the secondary and tertiary sectors, which grew by 4.2% and 4.4% respectively. On the other hand, a 0.9% contraction in the primary sector detracted from economic growth. This becomes evident when excluding the more volatile primary industries from Namibia's Gross Domestic Product (GDP), with the growth rate accelerating consistently from 3.1% in 2009 to 5.5% in 2010 and 5.7% in 2011.

The contraction in the primary industries was caused by a severe 8.5% pull back in the mining sector, while an 8.6% increase in the agriculture sector offset the losses to some extent. The decrease in the mining sector is attributed mainly to the category "other mining and quarrying" (including uranium, zinc, copper and the quarrying of stones), which tumbled 24.4% in 2011 after a strong increase of 23.2% in 2010. Value-added diamond mining declined by 2.6% in 2011. The decline in "other mining and quarrying" is attributed to a 24.4% decline in uranium production, namely from 11.6mlbs in 2010 to 8.7mlbs in 2011.

Subsequent to our financial year end, one major uranium mining project was placed on care and maintenance as the prevailing commodity prices were deemed uneconomic to sustain full scale production.

These developments in the mining sector were of particular interest to NamPower, as mining represents one of the key customer segments, representing approximately 17% of total revenue.

The secondary industries grew by 4.2% in 2011 on the back of a buoyant performance by the construction subcategory. Growth in the construction sector was generally broad-based, comprising construction works in the electricity and water sectors, government, residential and commercial building activities. Growth in the manufacturing sector was mainly on the back of a 2.4% increase in beverages and "other manufacturing", increasing by 2.4% and 2.5% respectively.

The 4.4% increase in value added by tertiary industries is a reflection of the significance of government services and services in general in the Namibian economy. The rate of increase was mainly a function of an expansionary budget by the Namibian Government over the past two years, in particular the Targeted Intervention Programme for Employment and Economic Growth (TIPEEG).

Figure 1: Namibian Gross Domestic Product % change

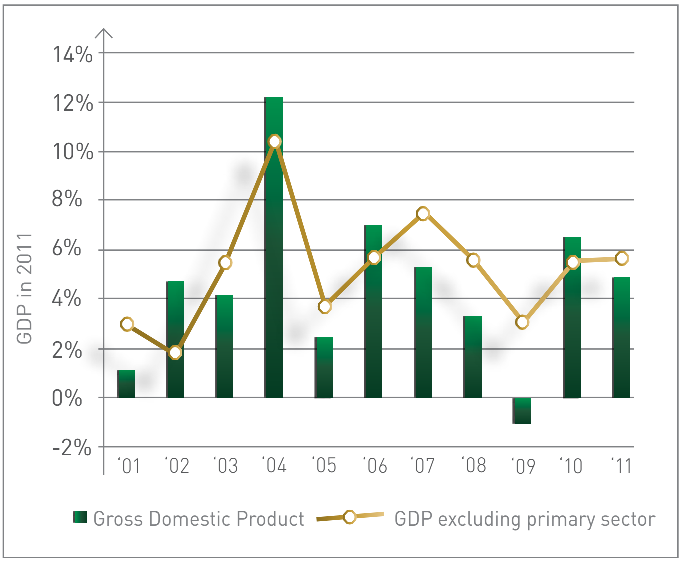
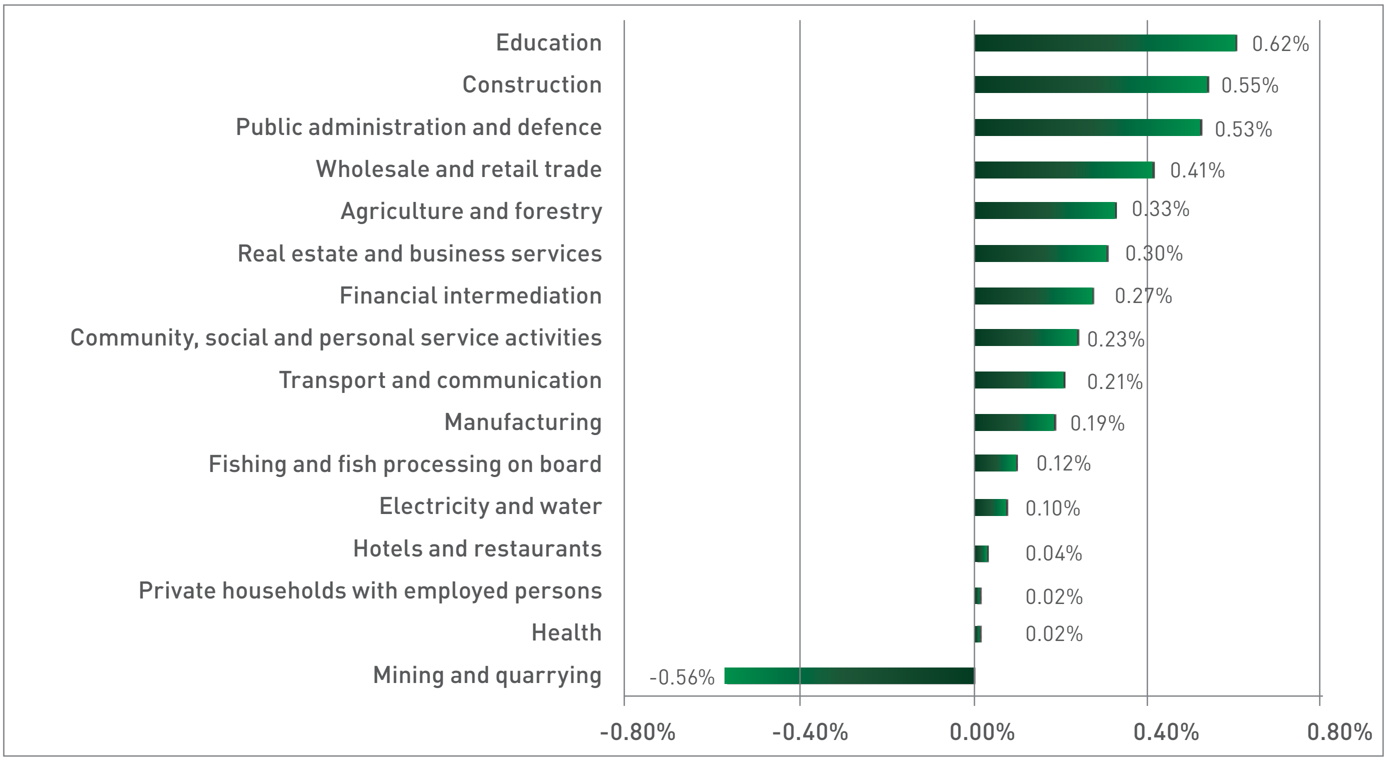


Figure 2: Contributions to growth in real GDP in 2011



CHAIRMAN'S REPORT (continued)

Industry	2006	2007	2008	2009	2010	2011
Primary Industries	12.8%	-4.0%	-7.8%	-24.5%	14.3%	-0.9%
Agriculture	3.8%	-4.6%	-18.1%	0.6%	-2.7%	8.6%
Mining	27.6%	0.5%	-2.9%	-42.2%	32.7%	-8.5%
Secondary Industries	8.1%	9.1%	3.2%	0.2%	9.4%	4.2%
Manufacturing	2.7%	8.5%	2.1%	5.9%	10.8%	1.3%
Construction	37.2%	14.5%	10.0%	-18.4%	8.3%	16.1%
Tertiary Industries	5.5%	7.4%	5.6%	4.8%	4.1%	4.4%

Source: Namibia Statistics Agency

INFLATION

Inflation in Namibia (as measured by the consumer-price index) trended upwards for most of 2011, driven mainly by global food inflation and a surge in the price of crude oil in the first half of the year.

After reaching a bottom of 3.1% in February 2011, inflation started to pick up, reaching 7.2% by December 2011, and averaging 5.0% in 2011. During this period, food inflation increased from a low of 1.2% year-on-year in February to 9.1% in December as the higher global prices of food, commodity and energy prices started to take effect.

In February 2012, inflation reached a peak of 7.4%, after which food-price inflation started moderating and a halt in the global recovery started to put downward pressure on oil prices. This, coupled with the high base of 2011, resulted in a downward trend, with inflation dipping as low as 5.6% in June.

We expect inflation to reach 5.0% by year-end and to average 5.9% for 2012.

Figure 3: NCPI All items

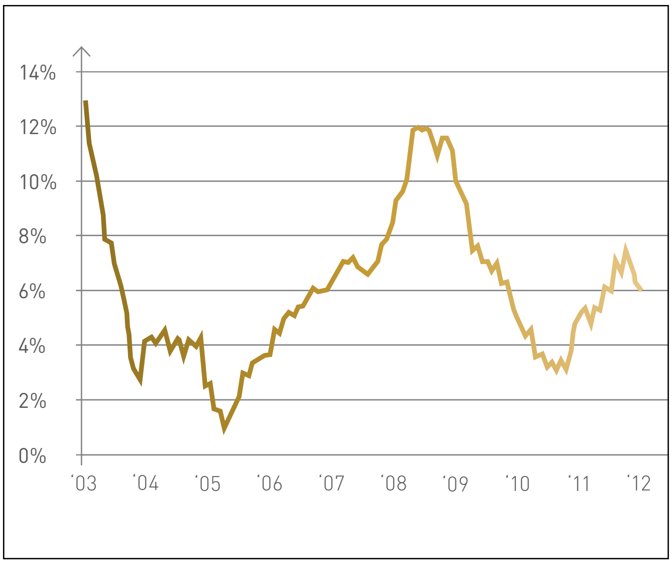
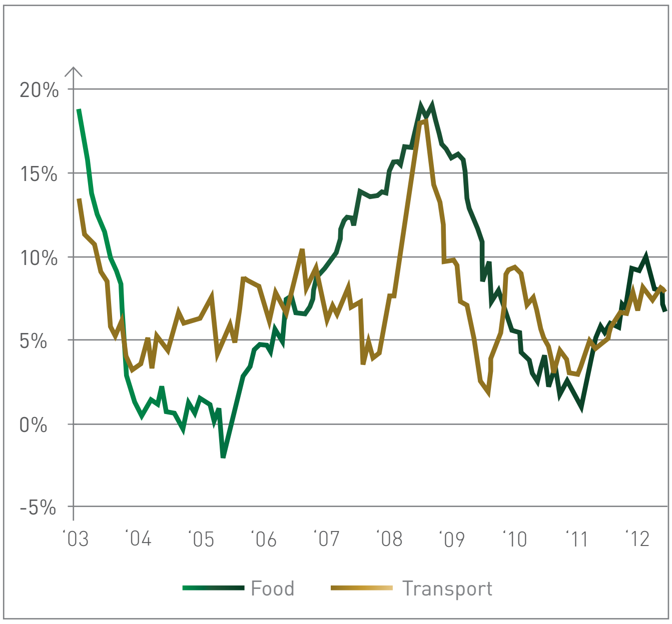


Figure 4: Contributions to growth in real GDP in 2011



Source: Namibia Statistics Agency

MONEY AND BANKING STATISTICS

The bulk of NamPower's sales are conducted on credit. We are therefore attentive to the general developments within the credit extension segment of the economy, as these may provide useful insights in how we manage our credit risk. Private-sector credit extension remained healthy in 2011, with credit growth averaging 11.5% during the year. According to Bank of Namibia statistics, a total of about N$4.3 billion in credit was extended during the year, of which N$1.4 billion was extended to businesses and N$2.8 billion to individuals. From a categorical perspective, mortgages (the biggest credit category) led total credit extension higher, with a total of N$3.2 billion extended in 2011. Instalment sales amounted to N$1.0 billion, while overdrafts had a negative (net repayment) of N$1.0 billion.

CHAIRMAN'S REPORT (continued)

In the current year, credit growth has remained strong and has even started to step up, reaching a 12.9% year-on-year growth in May. To date N$2.7 billion worth of credit has been extended in the year, double the amount extended in the same period in 2011.

With another decrease in interest rates in August, we expect credit growth to remain strong for the rest of 2012.

MONETARY POLICY

By June 2012, the Namibian repo rate had remained unchanged for 19 consecutive months at record low levels of 6.0% as the central bank kept a close eye on sluggish economic growth in the South African and global economies, while inflation was not much of a concern. The interest rate differential relative to developed economies was also closely watched by the South African Reserve Bank (SARB), with the risk of a too-strong local currency hampering profitability of exporters and ultimately economic growth.

More recently, the SARB cut its repo rate by 50bps to 5.0%, with the Bank of Namibia following suit in August 2012.

Interest rates will most probably stay lower for longer as sluggish regional economic growth is emphasised in monetary policy decisions, while the inflation outlook is fairly muted.

Figure 5: Corporate versus individual credit

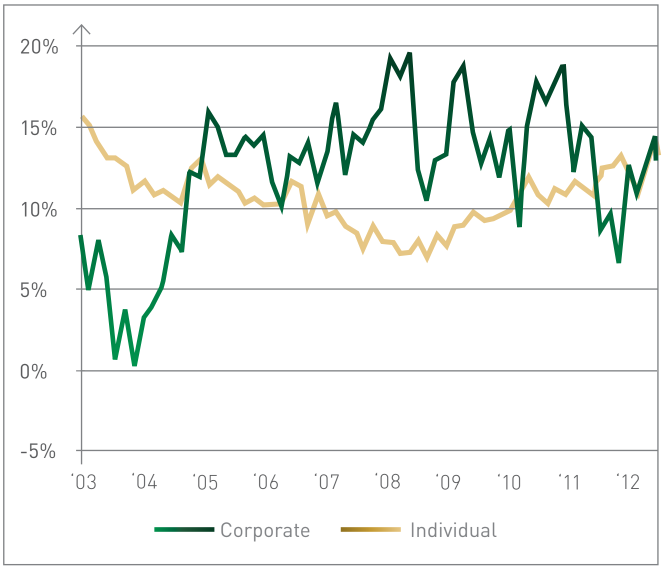
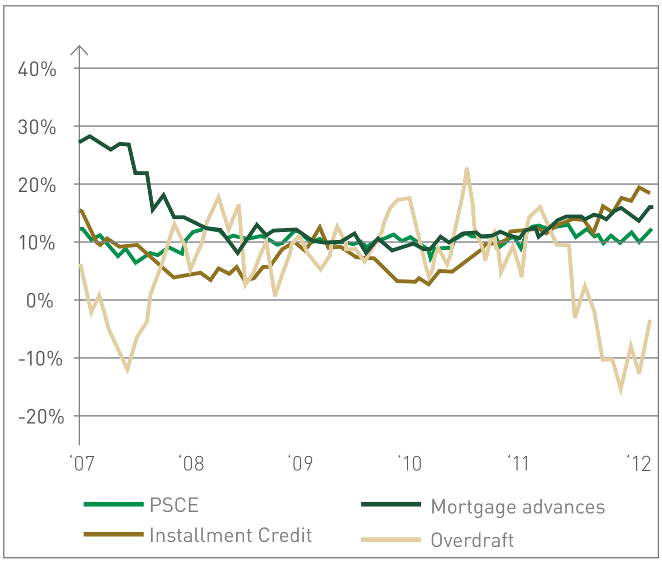


Figure 6: Categorical split of Namibian Credit



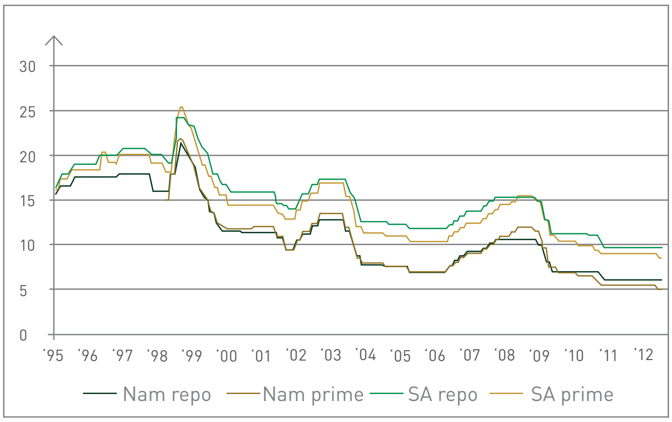
Source: Bank of Namibia

FISCAL POLICY

After the Minister of Finance announced an extremely aggressive budget in 2011, the focus was shifted slightly to the importance of budget implementation and execution. The Minister also put additional focus on fiscal sustainability, referring to the continuously increasing current expenditure (especially the public-sector wage bill) and rising debt levels, which are becoming somewhat of a concern.

At 11.2%, the 2011/12 budget deficit was significantly wider than the original forecast of 9.8%. It is predicted that the budget deficit will narrow to 4.6% in 2012/13.

Figure 7: Namibian and South African interest rates



Source: Bank of Namibia, South Africa Reserve Bank

CHAIRMAN'S REPORT (continued)

The budget forecast reflects a 33.1% increase in total tax revenue for the 2012/13 financial year, boosted by a spike in Southern African Customs Union (SACU) revenues. Recent estimates suggest that SACU revenue for 2012/13 will jump by 93.3% to N$13.8 billion, N$4.2 billion more than previous estimates. This means that SACU revenue will account for 38.9% of total revenue in 2012/13, up from 26.6% in 2011/12. This makes the Government even more reliant on SACU revenue.

It is evident that Government will return to a moderate (or even slow) level of expenditure growth to keep the deficit under control. Expenditure growth is projected to fall back to 8% in 2012/13 to only 2.1% in 2013/14.

Government domestic debt has increased drastically since the aggressive spending budget was announced last year. During 2011 total domestic government debt increased from N$10 billion to N$16.0 billion, an increase of 60.6%. Domestic government debt reached N$17.4 billion in May, but has actually started to decrease on a monthly basis as the debt targets have almost been reached with the fairly small borrowing requirement. Year-on-year growth has since subsided slightly to 45.6%.

ECONOMIC OUTLOOK

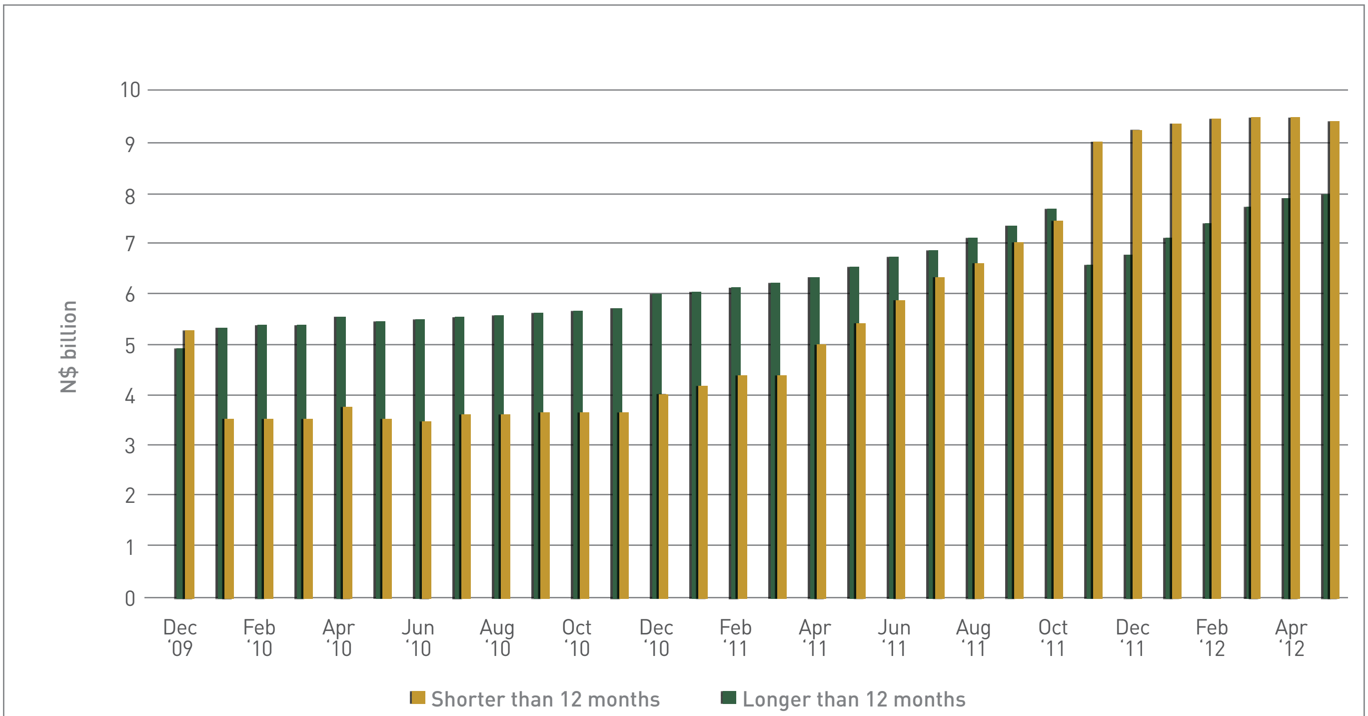
Global economic indicators continue to point to a lacklustre global economy, with growth rates recently slowing in the US and China, while Europe is on the brink of a recession. Declining inflation rates in the major global economies are reflecting weak demand in general, and business confidence has been deteriorating.

While the secondary and tertiary industries will most likely be the cornerstone for growth in 2012, it must be kept in mind that the Namibian mining sector is coming off a low base after a steep contraction in 2011 (due to unsystematic factors), and will most probably contribute positively, despite global economic uncertainties. Copper production commenced in 2012, with production increases also expected in the uranium and diamond sectors.

The fishing sector in Namibia will most likely also contribute positively in 2012, underpinned by good resource management and increases in total allowable catches, while external factors such as a weaker Namibia dollar and relatively lower oil prices also bode well for the industry.

As highlighted earlier, over the last decade the Namibian economy produced a solid performance from a macroeconomic perspective, with 2011 being no exception. Should Government be successful in executing its medium-

Figure 8: Domestic debt outstanding



Source: Bank of Namibia

CHAIRMAN'S REPORT (continued)

term budget, employment will most likely increase and the economy will expand much faster than estimated for comparable developing countries in the region. Namibia's newly adopted Fourth National Development Plan reiterates Government's focus on high and sustainable economic growth, employment creation and increased income equality.

On the back of strong government spending, developments in the mining and agricultural industries, and ongoing construction projects, an above-average economic growth was forecasted for 2012.

CREDIT RATINGS

The company maintained its investment grade credit rating as affirmed by Fitch Ratings: foreign-currency long-term rating BBB- and national long-term rating AA-(zaf). Under the current volatile economic conditions, this achievement is highly commendable. The company's focus is to retain the investment-grade credit rating and with it, its ability to raise financing from the capital markets for its long-term capital programme.

ABRIDGED SUSTAINABILITY REPORTING

Despite the huge capital investments that NamPower has to make in realising generation and transmission projects to ensure security of supply, the company is a corporate citizen of note that always endevours to undertake its activities in a sustainable manner and invests greatly in the Namibian society by supporting a substantial number of social projects and initiatives financially and materially.

Environmental impact

Cognisant of the fact that our operations of generation, transmission and distribution of electricity could impact on the environment in which we operate, NamPower has committed to performing comprehensive environmental impact assessments before undertaking any new project. In addition as a signatory to the Stockholm Convention to phase out Polychlorinated Biphynels (PCB) by 2025, NamPower embarked on an elaborative process of identifying and analysing oil used in different equipment within NamPower operations.

Environmental Impact Assessments (EIAs) were done for the following projects: the Walmund–Rössing 220kv line refurbishment; Erongo Coal Power Station; NCS smelter transmission line; west coast transmission expansion projects; Zambezi–Ngoma 350 kV line; and Van Eck ash-dump reclamation project. No specific environmental incidences were recorded, indicating that NamPower manages its environmental programmes in accordance with the required standards.

Our social responsibility

NamPower, through its social investment arm, the NamPower Foundation, continues to invest in various community projects for the socioeconomic up-liftment of the Namibian society. Every year the Foundation receives numerous applications from across the country, which are reviewed for approval by the NamPower Foundation Advisory Committee. During the period under review, over nine projects/initiatives focused on community development, pre-primary education, entrepreneurship, and HIV/AIDS education received funding.

The flagship project of the Foundation, the NamPower National Science Fair, is held annually. During the period under review, over N$1.0 million was spent on the Science Fair alone. In total, the NamPower Foundation spent approximately N$1.6 million in Corporate Social Investment.

PowerCare, an employee-involvement programme introduced and managed by the NamPower Foundation, identified kindergartens as its focus area. NamPower employees voluntarily contribute cash and materials such as food and clothing for the benefit of identified pre-primary schools. The company matches the value of the items collected on a 1:1 ratio. The items collected during the year for the Ohangwena Region were handed over early in November 2012.

NamPower has invested financial and material support of over N$4.0 million in various projects and initiatives in the fields of Information and Communication Technology (ICT), education, sports, the environment, and social upliftment, among others, through its Sponsorship Committee (ad-hoc sponsorship).

The NamPower Bursary Scheme has been in existence for 13 years, with the company spending over a million Namibia dollars annually on bursaries for new students. NamPower also supports Namibian students living with disabilities. Bursaries are granted to at least two students with disabilities every year. NamPower currently supports over a hundred students pursuing their studies in various fields at tertiary institutions in Namibia and the SADC region.

CHAIRMAN'S REPORT (continued)

The rollout of the Power of Knowing educational and awareness campaign launched in June 2011 continued well into October 2011. The campaign is aimed at educating the public on the role of NamPower; on how the company's work impacts on the lives of individuals and the various sectors of the economy; and on what projects have been devised to ensure security of supply. In addition to educating and creating awareness of NamPower and its projects, the campaign also entails energy savings and safety components, underscoring the role of the consumer in conserving energy, and educating the consumer on electricity safety matters.

Our customers

The Energy White Paper and the Fourth National Development Plan (NDP 4) set out clear targets that must be met. These emphasise, inter alia, the development of the company's power-generation facilities and the wider access to electricity for the Namibian people to promote economic growth. To ensure security of supply to its customers during these times of power-supply challenges, the company has put a short-term critical supply project in place to ensure that the electricity needs in the short to medium-term are met, while long-term options are investigated.

Our people/associates

NamPower regards its workforce of over 931 employees as its most valuable asset. The company is steadfastly investing in this valuable resource through various programmes. Among other things, NamPower is committed to developing its workforce and continues to encourage its staff members to attend training related to their particular jobs. This is in line with the company's strategic objectives, and with the employees' personal development plans as contained in their performance agreements. Among the highlights of the developmental areas are the Graduate Development Programme, Middle Management Development Programme and the Employee Assistance Programme, all aimed at assisting employees to accomplish their qualifications.

NamPower recorded several highlights under its Wellness programme during the period under review. These included events such as the World Cancer Day Campaign, World No Tobacco Day, NamPower Shave-a-thon, Substance Abuse Awareness Campaign, Psycho support services and Peer Educator training.

The economy

The Government of the Republic of Namibia continues to explore ways of transforming the Namibian economy and reversing the negative effects of the country's political history in a sustainable manner. NamPower, being one of the key state-owned enterprises, recognises that it has a significant role to play beyond the reliable supply of energy to industries, mines and households in facilitating such transformation. In our last report we indicated that the company was working on a framework that was meant to increase the participation of local and previously disadvantaged groups in its procurement and service provision. This framework, finalised in December 2011, provides additional scope for the company to promote the advancement of these target groups through the procurement of selected goods and services from competent service providers located in Namibia or owned in substantial part by persons residing in areas where NamPower projects are executed, wherever possible. In doing business with local enterprises, NamPower is aware that it has the potential to impact employment creation, on a national, regional and local level.

During the year under review, an amount of approximately N$1.6 billion was injected into the economy in return for various services and products supplied by local suppliers. This amount excludes remittances for various taxes and payments to employees.

GOVERNANCE STRUCTURE

NamPower has a governance structure in place that consists of the Board of Directors, with four sub-committees to assist the directors in the execution of their responsibilities in delivering on NamPower's promises and mandate. The sub-committees are: the Audit and Risk Management Committee, Remuneration and Nomination Committee, Investment Committee and the Board Tender Committee. While each committee has four scheduled annual meetings, the frequency may vary depending on the task at hand.

INTEGRATED RISK MANAGEMENT

It is acknowledged that the new style of risk management addresses a much wider spectrum of risk than was addressed in the past. Today the Corporate governance drivers behind risk management require new ways of reporting and monitoring a company's exposure to risks. Such governance includes the internationally recognised framework ISO31000, which requires risk management to be integrated into all business operations.

The integrated risk management process supports the strategic objectives in NamPower's Business Plan. Progress is monitored on a monthly basis by the company's Executive Committee, and on a quarterly basis by the Audit and Risk Management Committee.

APPRECIATION AND CONCLUSION

Looking back at our achievements of the past year, I would like to take this opportunity to thank my fellow board members, management, and staff members of NamPower for their hard work and dedication. As indicated earlier in my report, the prevailing electricity shortage in the region, including in Namibia, will continue to be a challenge for the next three to four years. I am confident that NamPower will remain focused on its mission and will continue to take advantage of opportunities that guarantee security of electricity supply.

The year under review saw the transfer to another ministry of the Permanent Secretary of the Ministry of Mines and Energy, Mr Joseph Iita, with whom we worked for many years. I would like to take this opportunity to thank him and to express the gratitude and appreciation of the Board for the dedication and support he extended to NamPower over the years. At the same time I would like to welcome the new Permanent Secretary at the Ministry, Mr Kahijoro Kahuure.

In conclusion I would like to express our appreciation to our shareholder, the Government of the Republic of Namibia, for its support in all spheres of our operations, and particularly for the trust bestowed upon us to take care of a very critical sector of the Namibian economy.

“NamPower will continue to take advantage of opportunities that guarantee the security of electricity supply that meets the energy needs of its customers”

MANAGING DIRECTOR'S REPORT

INTRODUCTION

During the period under review, NamPower continued to deliver on its mandate of providing a cost-effective and reliable supply of energy through generation, transmission and energy trading in support of the realisation of the Vision 2030 and National Development Plan 4 goals.

Despite the challenging power-supply environment, characterised by regional power-supply shortages, below-cost electricity tariffs and the ongoing intensive capital-investment programme aimed at expanding our generation and transmission infrastructure to meet the growing demand for electricity, NamPower succeeded in ensuring a consistent and reliable supply of energy throughout the year, while at the same time recording a sound financial performance and maintaining a favourable investment rating.

The highlights of the year include the official commissioning of the ANIXAS diesel power station at Walvis Bay in November 2011, the Tsumkwe solar/diesel hybrid plant in January 2012, and the Fourth Unit at Ruacana in May 2012. Other important milestones include the effective and ongoing implementation of NamPower's five-year Strategy and Business Plan, the review of the 20-year Integrated Resource Plan (IRP), the commencement of the implementation of the Short Term Critical Supply (STCS) project, and the extensive work on the feasibility of the base-load power generation projects, namely Kudu Gas-To-Power and Erongo Coal projects.

The period under review marked the second-last year of the implementation of NamPower's current five-year Strategic and Business Plan, which provides an integrated strategic direction for the company. I am pleased to report that we have successfully delivered on the targets under the six strategic themes we promised to focus on starting in 2008, namely: security of supply, financial viability and sustainability, effective stakeholder relations, optimisation of resources, leadership and culture, and positive socio-economic and environmental impact.

I have no doubt that, with the passion and momentum created over the past few years, we will continue to deliver successfully on our mission and mandate, today and into the future.

Preparations for the development of the next five-year plan (2014–2018) commence shortly.

The next few years are going to prove challenging for NamPower, as the company has to address short-, medium- and long-term supply needs. To this end NamPower is in the process of developing an Integrated Resource Plan (IRP), which identifies demand-and-supply side options for meeting future growth on demand. The intention, furthermore, is that this plan will inform the National IRP that is being developed by the Electricity Control Board (ECB) and Ministry of Mines and Energy (MME). As such, the objectives of the NamPower IRP have been to take cognisance of the broader national objectives.

Resilient IRPs are ones that respond effectively to a wide range of scenarios, and that can adapt to uncertainties as they unfold. The IRP is being developed in an environment of change and uncertainty. Development of new step loads, the supply/demand outlook in the Southern African Power Pool (SAPP), regulatory changes, energy market reform, emerging new technologies, a changing climate and underlying macroeconomic conditions driving demand growth, foreign exchange-rate risk, fuel prices and capital costs, all influence investment-planning decisions for NamPower, but are inherently uncertain. It is therefore important for the NamPower IRP to be resilient and able to adapt as uncertainties unfold. It should accordingly include projects that will provide a flexible response to future market uncertainty, maintain NamPower as a financially strong organisation able to manage uncertainties, and co-optimise the opportunity of developing the mining sector during the current commodities boom and in the event that commodity prices fall.

NamPower is also facing an imminent supply shortage. Base-case projections of load growth assumes a compound average growth in demand of 6.6% per annum over the next four years, which will increase peak demand by nearly 30.0% to 729 MW by 2014. Therefore, parallel to this IRP, NamPower has been investigating short-term critical supply (STCS) options to address such a shortage in the near term.

Following is a summary of the performance of the company over the past financial year.

FINANCIAL PERFORMANCE OVERVIEW

The shortage of electricity in the region is real and remains a challenge. However, NamPower continues to focus on its mandate of guaranteeing security of electricity supply. We have concluded yet another financial period marked with consistent availability of power to our customers despite the persistent power shortages that are causing major load-shedding to some of our peers within the region. The electricity shortage is expected to prevail until a number of major new-generation sources are executed by various utilities in the region, and independent power producers are commercialised. We therefore achieved our financial performance goals, and our outlook is projected within this context.

Following the global economic crisis, growth in energy demand stagnated in 2009 and 2010. Since 2011, energy sales volumes have trended upwards with an increase of 5.2% from 3,543 GWh achieved in 2011 to 3,726 GWh in 2012. The hourly maximum demand (including Skorpion) increased by 5.9% to the 614 MW achieved in the month of June 2012 against the previous peak demand of 580 MW achieved in 2011.

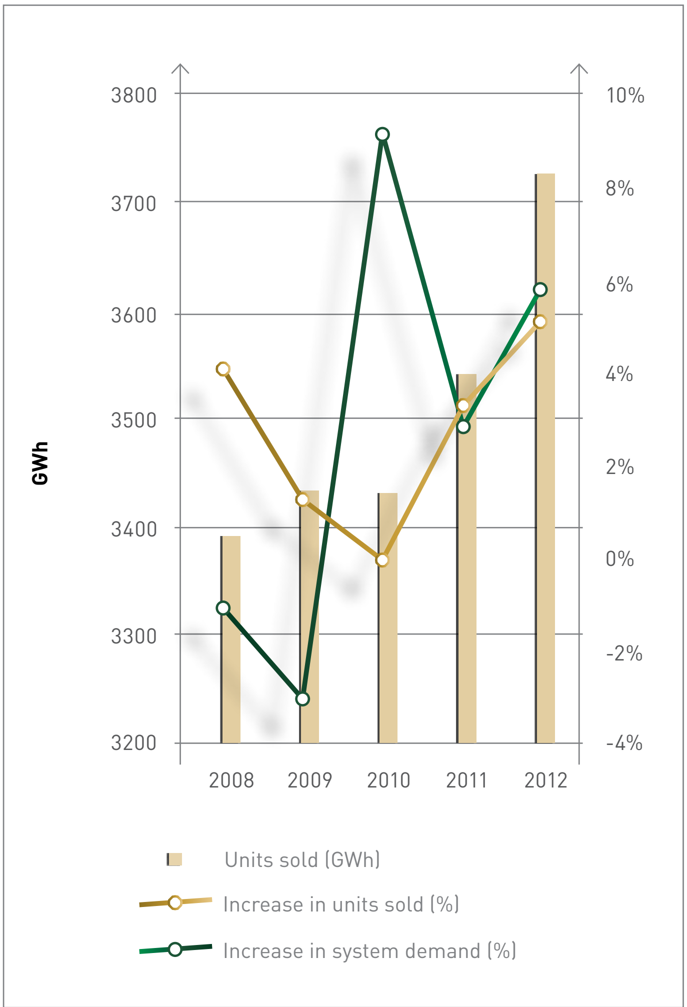
Total revenue increased by 10.7% from N$2.3 billion to N$2.5 billion. Revenue from customer contributions decreased from the N$175 million achieved in 2011 to N$4 million. Group revenue from the sale of electricity increased by 19.4% (19.6% in 2011) from N$2.0 billion to N$2.4 billion. During the year under review, the Ministry of Mines and Energy introduced a National Energy Fund (NEF) levy as part of the tariff increase, equivalent to 4.4%. This was included in the total tariff increase of 18.3% announced by the Electricity Control Board. The effective tariff increase awarded to NamPower excluding the levy was thus 13.9%. As a result of the delays experienced in announcing the tariff increase, the new tariffs came into effect only on 1 September 2011, impacting negatively on Group revenue.

The increase in the cost of energy over the last five years has, in most instances, exceeded the increase passed on to consumers through the tariff.

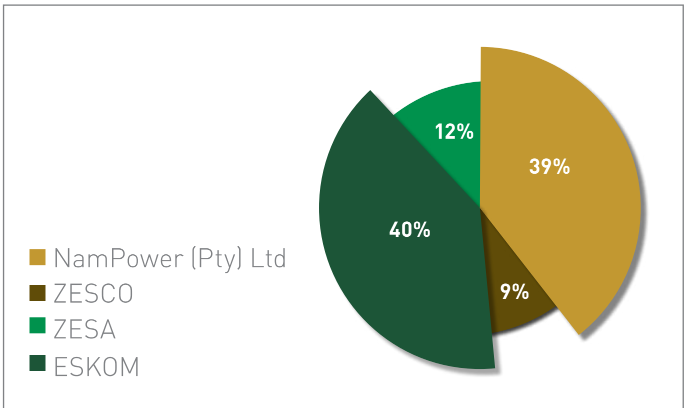
Almost 61.0% (2011 - 63.0%) of the units were imported into the system during the period under review, which is indicative of NamPower's continued reliance on its regional trading

MANAGING DIRECTOR'S REPORT (continued)

Units Sold (GWh)



Supply Mix 2012



partners to meet our energy demand. In my overview of the last financial period, I indicated that the focus of management was to ensure that we continue to receive a consistent supply of electricity from our trading partners at prices that are not only fair and reasonable to us, but that are also economically sustainable to our suppliers. This remains our guiding principle in our dealings with our counterparts within the region, as we believe the cost of blackouts to the economy far exceed the high import prices at which this energy can be availed at certain times. The cost of electricity increased by 10.6% from N$1.0 billion to N$1.1 billion. This increase compares favourably to that of the 32.1% experienced during the previous year.

The commissioning of the ANIXAS Power Station in December 2011 and Ruacana Fourth Unit that came into operation in March 2012 provided additional local generation capacity during the second half of the year. The decrease in electricity costs was thus achieved through the dispatch of local generation at appropriate times, especially of the Ruacana Power Station with the Fourth Unit, also aided by the general above-average flow of the river. The cost of electricity imports remain high due to tariff increases in the importing countries, and the trend is expected to continue, given the prevailing electricity shortages within the region. These costs are not expected to be reduced by the new builds.

Other income for the Group decreased by 1.9% from N$62.0 million to N$61.0 million. This includes the government grant of N$32.0 million as an energy subsidy, and fair-value adjustments of the coal inventory. In 2008, the Government committed N$360.0 million to subsidise energy over a period of three years. To date, N$218.0 million of this amount has been utilised. The remainder of N$142.0 million is expected to be used in the 2013 financial year, as the thermal power stations are employed to meet the energy requirements. The grant is recognised as income on a systematic basis, as the electricity-generation expenditure is incurred at these NamPower thermal power stations.

MANAGING DIRECTOR'S REPORT (continued)

The Energy White Paper and the Fourth National Development Plan (NDP 4) set out clear targets that must be met. The targets emphasise the development of own power-generation facilities and wider access to electricity by our people to promote economic growth. NamPower thus continues to investigate the development of a base-load power station within Namibian borders and has committed significant resources towards various options including Kudu Gas-to-Power and the Erongo Coal-Fired Power Station projects. In addition, the company set up a team to drive the short-term critical-supply project aimed at ensuring that electricity needs in the short-to-medium term are met while long-term options are being investigated.

These initiatives saw more resources being allocated for technical reviews, repairs and maintenance of our current generation facilities, the development of short-term options to meet the immediate requirements, conduct feasibility studies on the Erongo Coal-Fired Power Station, and further investigations as regards the Kudu Gas-to-Power project.

Significant maintenance work and repairs were also undertaken on certain parts of our transmission network. The Group furthermore committed funds to rural electrification projects across the country. With respect to projects within the Regional Electricity Distributors (REDs) establishments, the resulting assets created were donated to the respective REDs. These activities, as well as other normal operational activities, resulted in an increase in operating expenses of 25.0% (2011 - 3.7%) to N$650.0 million, compared to the previous year.

As indicated in the Chairman's Report, the Namibian repo rate was maintained for 19 consecutive months at record-low levels of 6.0%. The prime interest rate remained unchanged at 9.8% since December 2010. Investment income however, increased from N$276.0 million in 2011 to N$336.0 million in 2012. The increase was driven mainly by an increase in our average investments during the period under review. Net cash generated from operating activities increased by 43.4% (2011 - 10.3%) to N$1.2 billion. During August 2012, the Bank of Namibia decreased its repo rate with 50 basis points. With this interest rate cut and the company's expected capital expansion programme, investment income is expected to diminish significantly in the foreseeable future.

Group profit before tax for the year increased by 84.1% from the N$123.0 million achieved in 2011 to N$227.0 million for the period ended 30 June 2012. Included in the profit before tax is the depreciation charge for the year amounting to N$696.0 million (2011 - N$666.0 million). NamPower maintained its policy to hedge any significant foreign-currency exposure arising from imports of electricity and other supply contracts for capital goods and projects denominated in a foreign currency.

The changes in market conditions and the company's credit-risk impacted negatively on the profitability of the Group. The impact is as follows:

- Net fair-value loss on derivatives and foreign loans, N$58.0 million (2011 - N$79.0 million),
- Net fair-value loss on embedded derivatives, N$79.0 million (2011 gain of N$85.0 million),
- Net fair-value gain on firm commitments, N$3.0 million (2011 loss of N$38.0 million) and
- Net foreign exchange gains of N$117.0 million (2011 - N$16.0 million).

Capital expenditure for the Group amounted to N$347.0 million for the year under review. Total assets increased from N$20.5 billion to N$21.6 billion. Construction of the Ruacana Fourth Unit and ANIXAS Power Station have been completed and were commissioned during the year under review. The Company's shareholder, the Government of the Republic of Namibia, pledged a subsidy of N$250.0 million towards the construction of ANIXAS, an emergency power station in Walvis Bay. Of this pledge, N$240.0 million has been received to date, for which NamPower is grateful.

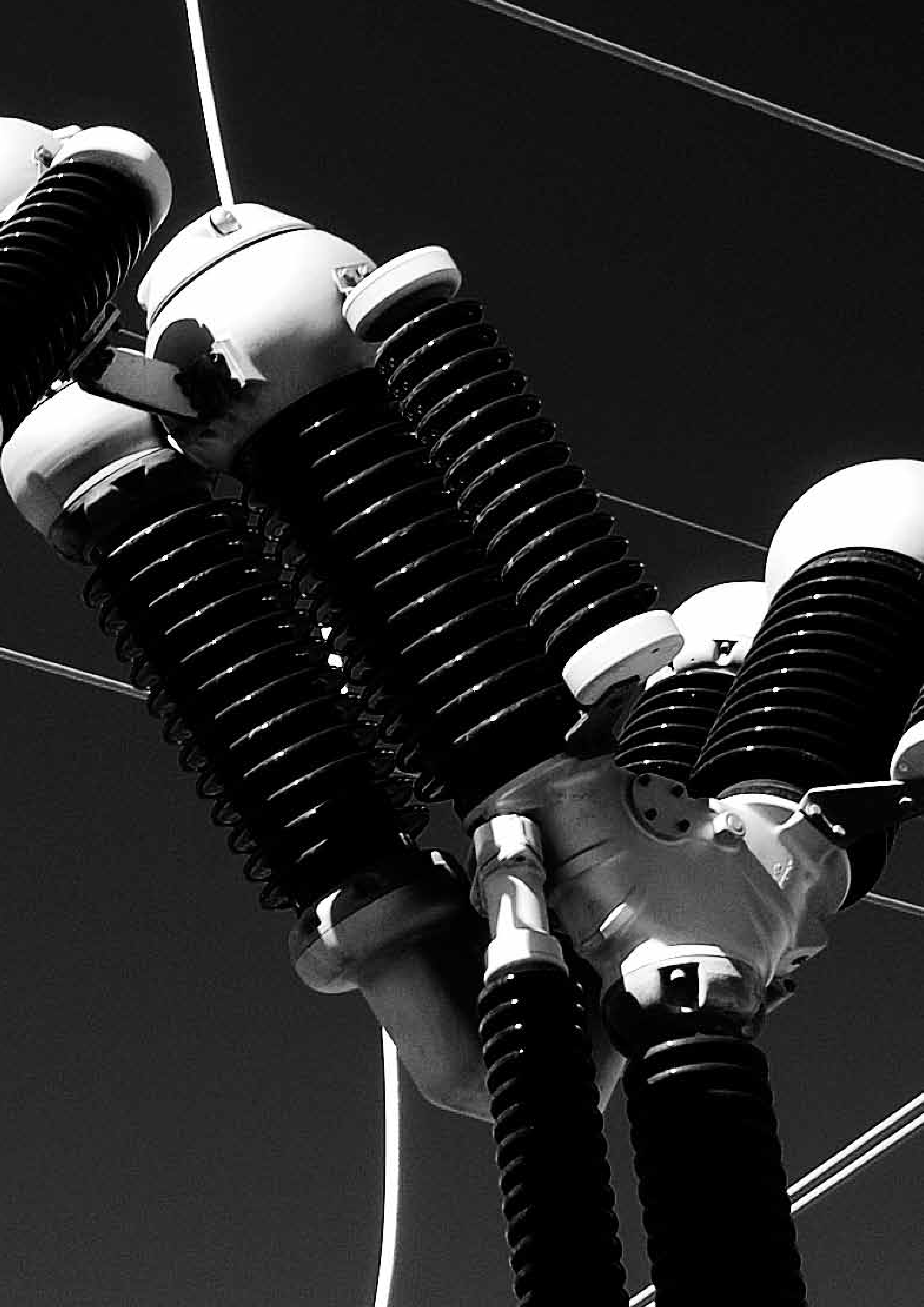
MANAGING DIRECTOR'S REPORT (continued)

"I have no doubt that, with the passion and momentum created over the past few years, we will continue to deliver successfully on our mission and mandate, today and into the future."

MANAGING DIRECTOR'S REPORT (continued)

The Ruacana Fourth Unit project was financed through a combination of a Development Finance Institution (DFI) loan amounting to N$342.0 million and own resources. Going forward, we expect to take a decision on the next base-load power station and commence with the procurement during the next two financial years. The construction of this power station is estimated to take between 36 and 48 months from the date of financial close. It gives me pleasure to report that environmental clearances have now been received for the two main options being investigated: Kudu Gas-to-Power and the Erongo Coal-Fired Power Station Projects.

The prevailing electricity shortage in the region remains a challenge that will certainly test us. Nevertheless, I am confident that NamPower will remain focused on its mission and will continue to take advantage of opportunities that guarantee the security of electricity supply that meets the energy needs of its customers, fulfils aspirations of its staff and answers to the expectations of stakeholders.



TECHNICAL PERFORMANCE

Transmission

Caprivi link performance overview

During the period under review, the link was operated for the first time in earth-return mode with parallel conductors. This took place in mid-February 2012, immediately after the successful commissioning of the test-earth electrodes at the Zambezi and Gerus substations. The Caprivi Link Interconnector's cumulative availability from 1 January 2012 to 31 August 2012 including external factors stands at 99.7%. Without external factors, it has attained an average availability of 99.7%. This indicates that the asset's availability is above the required performance expectation of 98.0%. It is also expected that an improvement in performance will take place during constant operation over the remaining months.

Transmission system performance overview

The NamPower grid did not experience any total system blackout during the year under review. However, one major system disturbance was recorded on 23 February 2012, when the Omburu–Ruacana 330kV line tripped during the commissioning of the Fourth Unit at Ruacana. During the year under review, a new maximum demand of 534 MW was recorded on 18 June 2012 without Skorpion Mine. With the load of Skorpion Mine, the total maximum demand was 614 MW. Transmission has adopted the philosophy: "If you do not measure, you cannot improve." System operation remains committed to reporting system performance in accordance with world best practices. Consequently, system performance parameters in Customer Average Interruption Duration Index (CAIDI), System Average Interruption Frequency Index (SAIFI), System Average Interruption Duration Index (SAIDI) and fault rate per 100 km are available on our records.

Scheduled system minute losses during the period under review were 584.2 compared to 420.6 last year. The higher scheduled minute losses can be attributed to system outages for maintenance, which are higher due to the growing network. On the other hand, unscheduled system minute losses have decreased from 420.6 to 361.6, demonstrating the results of the concerted efforts made to restore power supply in the shortest possible time and to practise preventative maintenance. Fault rates (that is faults/100 km) on our transmission network remained commendable on all voltage levels, with figures of 0.15, 0.02, 0.06 and 0.31 for the High Voltage Direct Current (HVDC), 400 kV, 330 kV and 220 kV lines respectively. The 132 kV transmission lines recorded an average of 0.7, while the 66 kV line recorded a rate of 1.4. The highest reduction in fault rates for the period under review was for the High Voltage Direct Current (HVDC) scheme, which showed a 40% reduction.

Investment in customer-related connection projects

During the year under review, NamPower committed N$131.7 million towards power-supply upgrades with a combined possible growth of 71.5 MVA.

	Total Installed Capacity	Total Estimated Investment (N$)
Mining	33	48.4 million
Pumping	5.5	53.1 million
Distribution	33	30.2 million
TOTAL	**71.5 MVA**	**131.7 million**

Energy Trading

NamPower/ESKOM Supplemental Agreement

Discussions with Eskom regarding the extension of the Supplemental Agreement are ongoing and positive. NamPower is cautiously optimistic that Eskom will continue to provide support to NamPower.

NamPower/ZESCO Power Supply Agreement

NamPower continues to receive a firm supply of 50 MW from ZESCO through the Caprivi Link Interconnector. The performance of this agreement is reliable and to date continues except during periods when transmission constraints are experienced.

NamPower/ZESA Power Supply Agreement

The NamPower/ZESA Power Supply Agreement on which NamPower embarked several years ago continues to supply a Firm Energy of 150 MW. This agreement has thus far been reliable and the supply is continuous except when there are wheeling constraints.

Power supply outlook for the period June 2011 to July 2012

The graphs indicate the supply mix over the period June 2011 to July 2012.

Figure 1: Total imports for the period June 2011 to July 2012

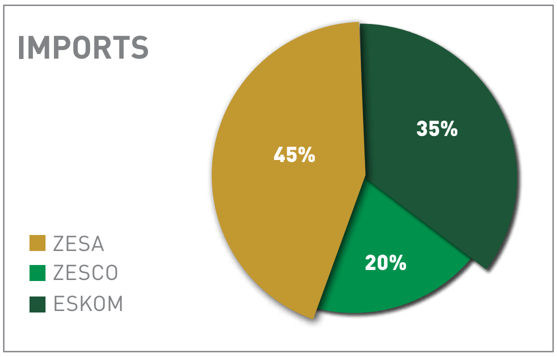


Figure 2: Total local generation for the period June 2011 to July 2012

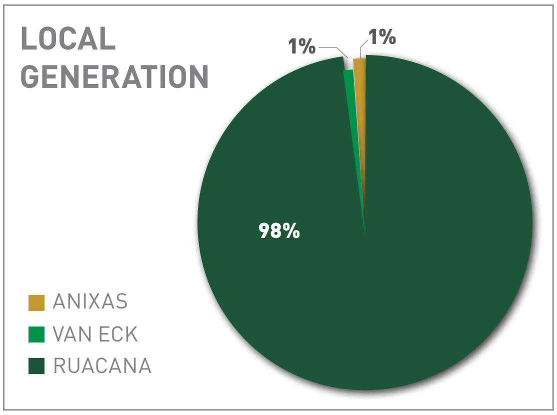
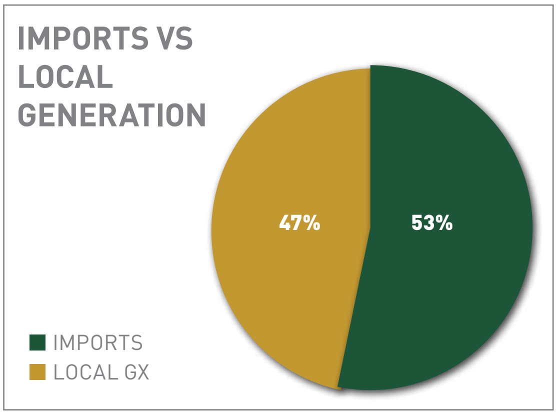


Figure 3: Total import vs local generation for the period June 2011 to July 2012



Rural Electrification

NamPower Fund

In line with its corporate social responsibility and within the parameters of its mandate, NamPower will continue to electrify localities in rural areas. Hence, NamPower budgeted N$15 million in the 2011–2012 financial year for electrification in rural areas. As the NamPower Rural Electrification Programme has to be implemented in accordance with the Rural Electrification Master Plan of the Ministry of Mines and Energy, the Ministry was requested to provide NamPower with a priority list of institutions/localities that are due for electrification during the 2011/2012 financial year. Almost all of the projects received are in RED areas, except the one to construct Helena and Oruaano MV Lines in the Omaheke Region.

The following projects are being implemented:

REGION	PROJECT	STATUS
1 Okathitu KaKamba	Omusati	Completed
2 Elamba	Omusati	Completed
3 Otshitudha	Omusati	In Progress
4 Ondiamande School	Oshana	Completed
5 Ekaha	Oshikoto	Completed
6 Ongonga	Ohangwena	Completed
7 Onangumbu	Ohangwena	Completed
8 Engungumano	Ohangwena	In Progress
9 Makambu	Kavango	In Progress
10 Epingiro	Kavango	In Progress
11 Sikayo	Caprivi	In Progress
12 Namalubi	Caprivi	In Progress
13 Police Road Block	Otjozondjupa	Completed

MANAGING DIRECTOR'S REPORT (continued)

European Investment Bank (EIB) FUND

The European Investment Bank (EIB) approved construction in the Caprivi, Omusati and Oshikoto regions. These projects are in progress, as per the table below.

REGION	SCHOOL/VILLAGE
Caprivi	Batubaja
	Bitto
	Kaenda
	Malanga
Omusati	Okalale
	Omadhiya
	Ontsinka
Oshikoto	Omwandigwelago
	Pukulukeni
	Othema

Update on commercial electrification projects during 2011/2012

Projects	Total
Total applications received	140
Applications processed	84
Projects completed	41
Projects in progress	15

Generation

Paratus Power Station

Reparation on the bund wall around the HFO/LFO bulk tanks at Paratus are currently in progress. After 36 years of service, the foundations need to be repaired, which will be done in sync with repairs on the bund wall.

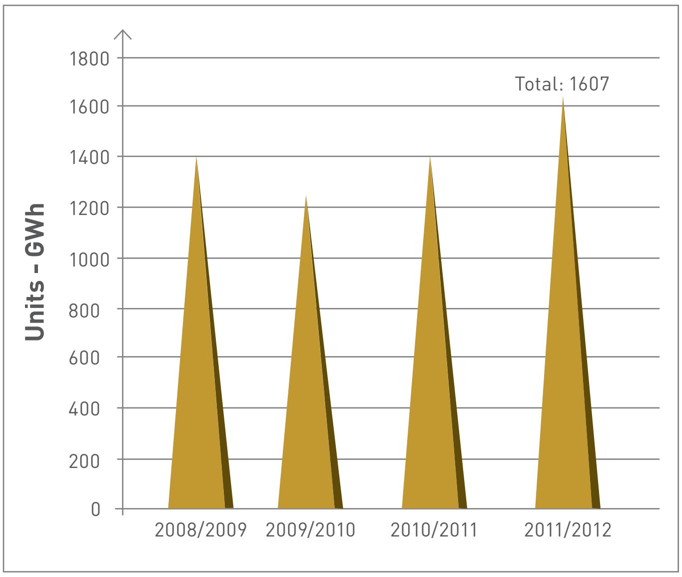
ANIXAS Power Station

After a year in service, ANIXAS proves to be reliable and available and should be for years to come. All associated site works have been completed to date.

Ruacana Power Station

The contribution by the Ruacana Power Station of the total units into the system increased with 14.2% year-on-year. The increase in energy into the system was driven mainly by the good Kunene River flow observed during the period December 2011 to June 2012 and the commissioning of Unit 4. While Unit 4 was officially handed over to the power station on 4 April 2012, it contributed to system demand during its reliability test run, which began in March 2012 and ended on commercial handover. The Ruacana Power Station continues to operate reliably, despite the failure of Unit 3, which was out of operation for nearly four months (July to November 2011). The effect of the Unit 3 failure to supply units into the system was largely negated by the increased utilisation of the other two units and Unit 4, which came online in April 2012. It is anticipated that Ruacana's contribution to the units fed into the system will increase with improved availability, reliability and river flow.

Ruacana Power Station: Units into System



Generation Projects

Ruacana Hydro Power Plant – addition of a fourth unit of 92 MW

The project to install a fourth turbine at the Ruacana Hydro Power Plant was concluded within budget and on time, and was officially inaugurated in May 2012. A consortium consisting of Alstom and Andritz Hydro was appointed for the electro-mechanical works and balance of the plant, Murray and Roberts for the civil works, Siemens for the gas-insulated switchgear extension and ABB/Powertech for the generator step-up transformer.

Erongo Coal-Fired Power Station (2 x 150 MW)

Having been unsuccessful in obtaining the site to build the power station north of Walvis Bay to enable seawater cooling and thereby increase efficiency and lower transportation costs of coal, it was decided to commence with a new scoping study to identify a different site. A site east of Arandis won the day. Many factors, especially support from the Arandis Town Council, were encouraging, and the Environmental and Socio-Economic Impact Assessment (ESEIA) and techno-economic studies were initiated and concluded. Environmental clearance has been obtained from the Ministry of Environment and Tourism. Geotechnical studies were concluded to enable proper ground formation studies, which will allow tenderers to provide decent bids based on the data that will be provided. The Circulating Fluidised Bed (CFB) technology was chosen, a technology that simplifies sulphur oxides emission control by injecting limestone. The CFB technology also allows a wide range of coal to be burned, including biomass product such as the Namibian invader bush. A pre-qualification process was followed to shortlist EPC contractors for the Boiler-Turbine-Generator (BTG), Balance-of-Plant and the railway works. All earthworks and the rest of civil works outside the BTG area will be reserved for Namibian contractors.

Orange River Hydros (LOHEPS)

The feasibility study on Phase 1 for the development of small-scale hydropower plants along the lower Orange River was put on hold, due to the delays experienced and because shareholding negotiations between NamPower and the co-developer were not conclusive. Grant funding had been obtained from a DFI to conclude the environmental and technical studies, which enabled NamPower and Clackson Power to firm up on the final project sites, the hydraulic potential of the Orange River, and the envisaged costs and tariffs required. The studies provided valuable information, but also revealed that the water runoff under a P90 scenario was challenging during the low-flow season. Bankability under a project finance scenario would have been difficult. The power delivered is too little to alleviate Namibia's energy shortages. It was therefore decided to halt further work and rather concentrate on other base-load projects such as Kudu and Erongo Coal.

Kudu Gas-to-Power Power Plant

The original concept of the Kudu Gas-to-Power Project was changed from treating gas onshore to the treatment offshore on a floating platform operation (FPO), enabling dry specification gas to be piped onshore. The concept of developing an 800 MW Combined Cycle Gas Turbine (CCGT) Power Station north of Oranjemund situated 170 km from the offshore Kudu Gas Field is still on the cards. To guarantee commercial viability of the upstream development, it is essential that gas equivalent to an 800 MW CCGT will be burnt in the power station. Progress has been made on some of the key issues, although issues around the US dollar-denominated gas price, third-party off-takers and government guarantees have not been finalised yet. Subsequent to year end, government reaffirmed its committment to see Kudu Gas-to-Power developed.

Baynes Hydro Power Plant Project

Indications are that this project is financially and technically viable, and that it is robust with regards to different sensitivities tested. A positive outcome is expected. The upstream water abstraction could play a critical role in the viability of the project. Consequently, the Permanent Joint Technical Committee (PJTC) is also working on a possible draft country-to-country agreement, should consensus be reached to pursue the project. Should it be agreed that the project be implemented, the appointment of responsible institutions to commence with the work and the search for appropriate funding will be pursued. The estimated project implementation is US$1.3 billion (including environmental mitigation costs, but excluding associated infrastructures such as transmission lines, roads, runways and telecommunications).

Renewable Energy Projects

NamPower is currently negotiating Power Purchase Agreements (PPAs) with three prospective wind-energy developers, one in Lüderitz and two in the Walvis Bay area. The ECB has issued all three parties with a conditional generation licence. The proposed installed capacities are still being negotiated. It was recently revealed that the wind-energy regime around Walvis Bay may not be sufficient to attract project financiers. Studies are, however, ongoing. The wind project at Lüderitz promoted by Diaz Power is progressing well. Some issues related to guarantees and risk allocation in general are still outstanding.

NamPower is furthermore providing technical advice to a PV/Diesel hybrid mini-grip installation in Tsumkwe. Such developments are seen as an intermediary step to provide remote locations with access to electricity. Once demand grows, a grid connection may become commercially viable, allowing the hybrid system to be placed at another remote location. The hybrid installation is performing to expectation and provides valuable data for similar future investments.

Private developers have commenced with a biomass project utilising invader bush to generate electricity. The project, known as C-Bend (Combating Bush Encroachment for Namibia's Development) is a pilot plant of 250 kW. NamPower is supporting the project through a PPA signed

with the developers solely on the basis of proving the concept. Technical advice to interconnect to the CENORED distribution network is also given. Some technical problems are being experienced, preventing the unit from going online.

Biomass feasibility study

NamPower was able to obtain a grant from KfW of Germany to conduct a biomass feasibility study into the utilisation of large-scale invader bush to fire a power station of 10 to 20MW. The final report is expected by October 2012. Emphasis was initially placed on the logistics to deliver either wood chips or wood chips already processed to regional locations. Provisional data indicated that the project is indeed feasible, and KfW agreed to extend the study to also include power-station technology.

Van Eck Rehabilitation Project

NamPower received a US$400 000 grant from the US Trade and Development Agency (USTDA) to conduct a study to determine the viability of rehabilitating the coal-fired Van Eck Power Station. Consequently a decision was made to refurbish the Van Eck Power Station. This refurbishment project to extend the life of the Van Eck Power Station by a further five years has commenced and will be carried out in-house by the Generation Division. Specialised services will be required throughout the project, sourced when necessary.

Transmission Projects

Caprivi Link Interconnector

To date the project has been completed within budget. The electrode stations design on either side, although not required for the initial operation, is currently being finalised. Studies need to be conducted on the pilot earth electrodes to determine the existence of any stray currents or other impacts currently not foreseen. The line is currently operated in earth-return mode, resulting in much lower transmission losses. The earth electrodes have to be upgraded to allow full power transfer of up to 300 MW.

ZIZABONA Interconnector

The ZIZABONA Transmission Project consists of the development, financing, construction and operation of new high-voltage transmission facilities in Zimbabwe, Zambia, Botswana and Namibia, with the view to facilitating the establishment of a 'western transmission corridor' in Southern Africa, ZESCO, ZESA, BPC and NamPower (ZIZABONA members of the utilities) signed a memorandum of understanding in December 2007, committing themselves to the development of the transmission infrastructure in their countries. The total debt-funding requirements of the project is currently estimated at approximately US$156 million, assuming a total funding requirement of US$223 million and a 70/30 debt to equity ratio. The planned project enjoys the necessary commitment and support from the governments of the participating countries (Zimbabwe, Zambia, Botswana and Namibia) and is ranked among the priority projects of the Southern African Power Pool (SAPP). The SAPP Coordination Centre was appointed as Project Coordinator/Promoter. The transmission assets created by the project will be used to wheel power (initially 300 MW, later potentially to be increased up to 600 MW), primarily from Zambia, through Zimbabwe, Botswana and Namibia to anchor customers in Namibia and in the Northern Cape Province in South Africa under long-term 'take-or-pay' wheeling agreements with the Project Company. The wheeling agreements will be backed by parallel long-term power-purchase agreements (PPAs) between ZESCO as seller and Eskom and NamPower as the anchor buyers of the energy. It is expected that the wheeling and PPA agreements will be for an initial term of 20 years. The project has been structured on a Build Transfer Operate (BTO) basis whereby the project company will construct the transmission infrastructure and transfer the assets on completion to the various utilities in the countries where infrastructure is being created. At the same time the project company will enter into long-term 'right of use' agreements for the infrastructure in each country for an initial duration of 20 years. The project company will ultimately be accountable for the operations and maintenance of the assets for the 20-year duration and is expected to enter into long-term operations and maintenance contracts with the respective utilities as the preferred approach to manage these obligations.

Rössing–Walmund 220 kV line

Since its inception in 1972, the existing 220 kV line has been exposed to severe marine pollution, and the integrity of the self-supporting steel pylons, the ACSR phase conductors and the earth wires are no longer sound. A project has been launched to replace the entire line section with a twin circuit 220 kV line to cater for future load growth in the West Coast. The line will also be equipped with an Optical Ground Wire (OPGW) conductor. The Environmental Impact Assessment (EIA) has been concluded, all environmental clearances have been obtained, and tenders for construction have been assigned to a Namibian company.

MANAGING DIRECTOR'S REPORT (continued)

Auas–Naruchas 132 kV Project

Continuous system improvements at transmission level have been planned and implemented to facilitate a reliable and continuous supply to all customers. To this effect, a new 80-km 132 kV transmission line has been completed to reinforce the supply to the central-southern area around Rehoboth. The cost for infrastructure developments that serve a whole area and not dedicated customers is born by NamPower alone. The line has been concluded and work is ongoing on the Naruchas substation located outside Rehoboth.

Omatando–Efundja 132 kV Project

The power utility company in Angola, Empresa Nacional de Electricidade (ENE), requested additional supply capacity at the Ondjiva town north of Oshikango. It is no longer possible to serve all the Namibian and Angolan loads with 66 kV line, so an upgrade has been commissioned for the building of a new 132/66 kV substation, Efundja, near Oshikango. The line was originally built to 132 kV specification, which necessitated the construction of some substation work at Omatando, and the new substation Efundja, including a short 132 kV line from Efundja to the border to connect up with ENE's 132 kV line.

Other transmission projects

Network extensions at 66 kV level to supply new villages such as Finke, Sungate, Namib Poultry, Sendelingsdrift (Namdeb) and the Von Bach Pumping scheme are under construction. Extensions at 132 kV level are under investigation or construction to supply Omuthiya, Namibia Custom Smelters, desalination at Mile 6 and an increased supply to Walvis Bay. Extension at a 220 kV level is being studied to provide Valencia, Husab Uranium and Erongo Coal Power Station at Arandis.

Optical Ground Wire (OPGW) Retrofits

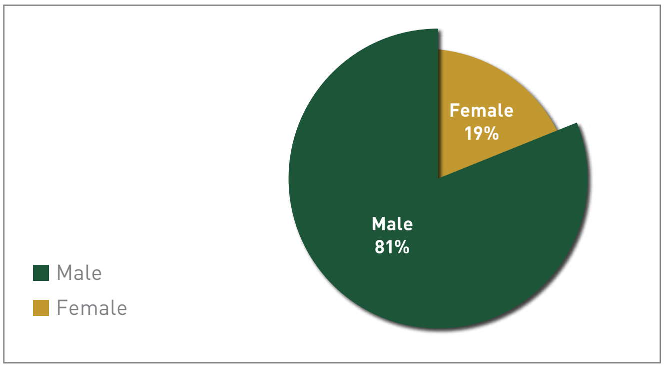
Negotiations between NamPower, Telecom Namibia and MTC for the lease of dark fibres have been concluded. Some routes are already being commercially utilised. The agreement also caters for retrofitting existing transmission lines with either an OPGW or MASS conductor on a capital cost-sharing basis. Projects completed include retrofitting Walmund–Swakopmund to accommodate the WACS connection; Gerus–Omburu to accommodate cross-border traffic across the Caprivi Link Interconnector; Regen Station 1 on the Caprivi Link to Kombat (Asis) to provide a route to the north and Auas–Van Eck to cater for traffic to the south. The retrofit of Otjikoto–Omatando (Oshakati)–Efundja (Oshikango)– Ruacana is currently under construction. Costs are being shared by NamPower and MTC for the Otjikoto–Omatando–Oshakati route. Once these connections are commissioned, Namibia will be well covered with fiber-optic routes on NamPower's transmission lines.

CORPORATE SERVICES BUSINESS UNIT

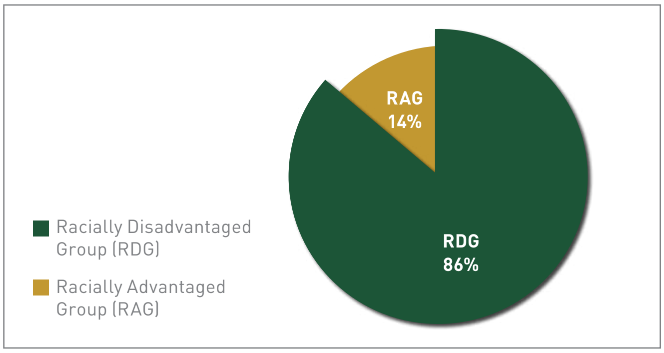
Human Resources Management

The total staff complement of NamPower by 30 June 2012 stood at 931. This figure included 50 fixed-term contract employees. The fixed-term contract employees include the NamPower graduates and vocational trainees on development programmes. The current NamPower employment profile is reflected by the diagrams and tables below:

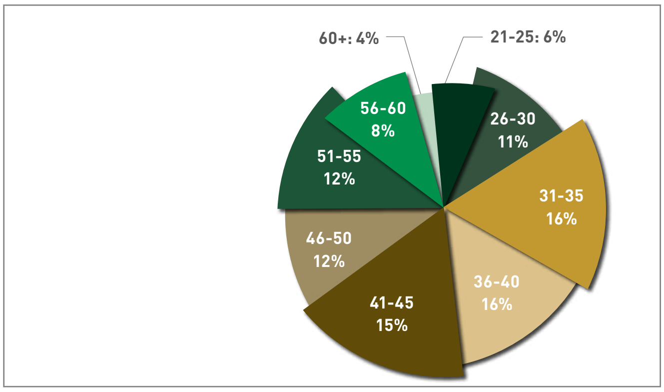
Gender



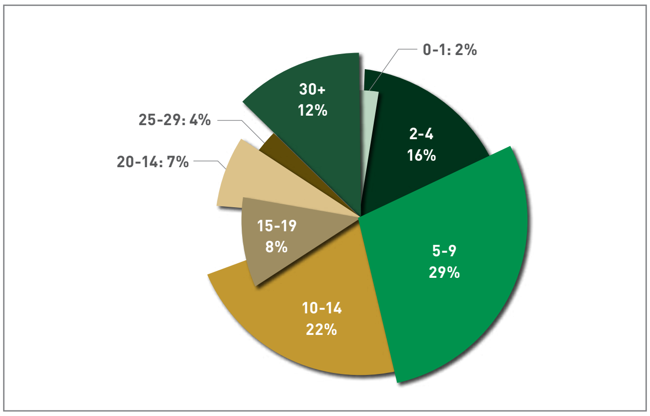
Diversity



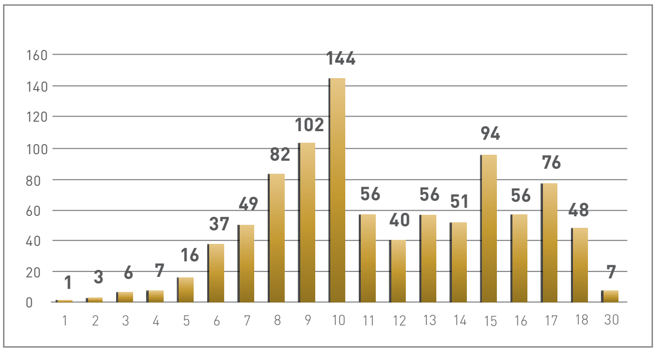
Average Age is 41.7 years



Average years with NamPower is 13.1 years



Grade Categories



*** Grading data includes both permanent and contract employees*

The Performance Management System (PMS) is well on track and NamPower has invested time to improve the design of the system. NamPower now uses the system as a tool to assess its performance. It is based on the balanced score card, with employees who have performed to the expected performance levels being rewarded accordingly. As an employer of choice, NamPower has been issued with an Affirmative Action Compliance certificate by the Employment Equity Commissioner. During the year under review, NamPower continued to monitor the progress that it had been making on affirmative action. The under-representation of women in the company and the representation of female staff members in Senior Management, Middle Management and Specialised/ Supervisory implement categories are some of the issues that the company has been monitoring. The NamPower/employee relations remained stable during the period under review. Measured at 4.4% (the allowable limit ranges from 6.0% to 10.0%), the company's labour turnover remained within the allowable limits. This staff turnover ratio runs parallel to the wellbeing of the employees.

Information Services (Iserv)

A total of 44 of NamPower servers run in a virtual environment. They were successfully upgraded from VMware vSphere 4.1 to VMware vSphere 5 during the period under review. The latest desktop operating system from Microsoft, Windows 7, was deployed throughout the company, while the latest Microsoft Office product, Microsoft Office 2010, is currently being deployed within the company. To save on printing costs, a project was initiated in conjunction with the Finance Department to replace individual printers and copiers at head office with a centrally managed solution. The core network infrastructure (Nortel 8600) was replaced with a resilient solution, AVAYA 8800 switches. This now provides all the switches at head office with dual connections to the core. NamPower's core storage systems (HP EVA 6000) had reached their end-of-life mark, so were successfully replaced with the latest technology storage systems from Hewlett Packard, 3PAR. All the equipment and links connecting NamPower to the Internet were made resilient. This was accomplished by registering NamPower's own Autonomous System Number (ASN) and Internet Protocol (IP) range with the Internet authorities.

Plans for the future

Part of NamPower's Information Services strategic plan is to implement a "greener" data centre. For the first phase, iServ will work with the Renewable Energy and Properties sections to implement a renewable energy source to feed power into the NamPower Control Building UPS system. One of the most important projects for the upcoming fiscal year is the replacement of the server infrastructure. The current core server infrastructure is more than five years old and requires an upgrade.

Internal Customer Surveys

As part of the Performance Management process, customer satisfaction was identified as a generic Key Performance Area (KPA) to be included in the employees' Performance Agreements. It was a challenge to manage this process and the PMS working group requested iServ to provide an automated solution. iServ developed and implemented an Intranet-based system whereby online surveys were populated and distributed with security tokens for completion. The tokens were meant to secure the online process, as only those with tokens could complete a valid survey. The results were aggregated automatically and presented in online reports, which served as evidence on KPI ratings of individual's year-end Performance Appraisals.

EHP2, EHP5, and SAP Netweaver 7.3 (Portal) Upgrades

In keeping with the SAP's strategy for incremental upgrades in the form of Enhancement Packages, iServ undertook to deploy the Enhancement Pack 2, Enhancement Pack 5 and an upgrade to Netweaver 7.3 for NamPower's BW, ECC (core SAP) and SAP Portal systems respectively. These exercises make new functionality available through the installed SAP systems. Most importantly, they keep the systems current (within a supported configuration) and easily serviceable.

ACKNOWLEDGEMENTS

I thank our Board for its visionary leadership, our staff members for their hard work and dedication, and our shareholder and all other stakeholders for the assistance and support, without which our performance would not have been possible.

VALUE ADDED STATEMENT
for the year ended 30 June 2012

	GROUP				COMPANY			
	2012 N$'000	%	2011 N$'000	%	2012 N$'000	%	2011 N$'000	%
VALUE ADDED								
Turnover	**2,555,559**		2,309,164		**2,555,559**		2,309,164	
Less: Cost of primary energy, materials and services	**1,940,469**		1,944,708		**1,940,341**		1,944,638	
Value added by operations	**615,090**	**60.78**	364,456	51.92	**615,218**	**60.70**	364,526	51.93
Interest and sundry income	**396,856**	**39.22**	337,437	48.08	**398,340**	**39.30**	337,437	48.07
	1,011,946	**100.00**	701,893	100.00	**1,013,558**	**100.00**	701,963	100.00
VALUE DISTRIBUTED								
To remunerate employees	**406,156**	**40.14**	355,327	50.62	**406,156**	**40.07**	355,327	50.62
To providers of debt	**255,246**	**25.22**	204,565	29.14	**255,246**	**25.18**	204,565	29.14
Taxation paid	**76,135**	**7.52**	(53,474)	(7.62)	**76,537**	**7.55**	(53,852)	(7.67)
	737,537	**72.88**	506,417	72.14	**737,939**	**72.80**	506,040	72.09
VALUE RETAINED								
To maintain and develop operations	**274,409**	**27.12**	195,475	27.86	**275,619**	**27.20**	195,923	27.91
	1,011,946	**100.00**	701,893	100.00	**1,013,558**	**100.00**	701,963	100.00

DIRECTORS' RESPONSIBILITY STATEMENT

The directors are responsible for the preparation and fair presentation of the consolidated and separate annual financial statements of Namibia Power Corporation (Proprietary) Limited, comprising the statements of financial position at 30 June 2012, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, and the directors' report, in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of Namibia.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the Group and the Company's ability to continue as going concerns and there is no reason to believe the businesses will not be going concerns in the year ahead.

The auditor is responsible for reporting on whether the consolidated and separate financial statements are fairly presented in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Namibia.

Approval of consolidated and separate annual financial statements

The consolidated and separate annual financial statements of Namibia Power Corporation (Proprietary) Limited, as identified in the first paragraph, were approved by the board of directors on 23 October 2012 and signed by:

AL HUNGAMO
CHAIRMAN

PI SHILAMBA
MANAGING DIRECTOR