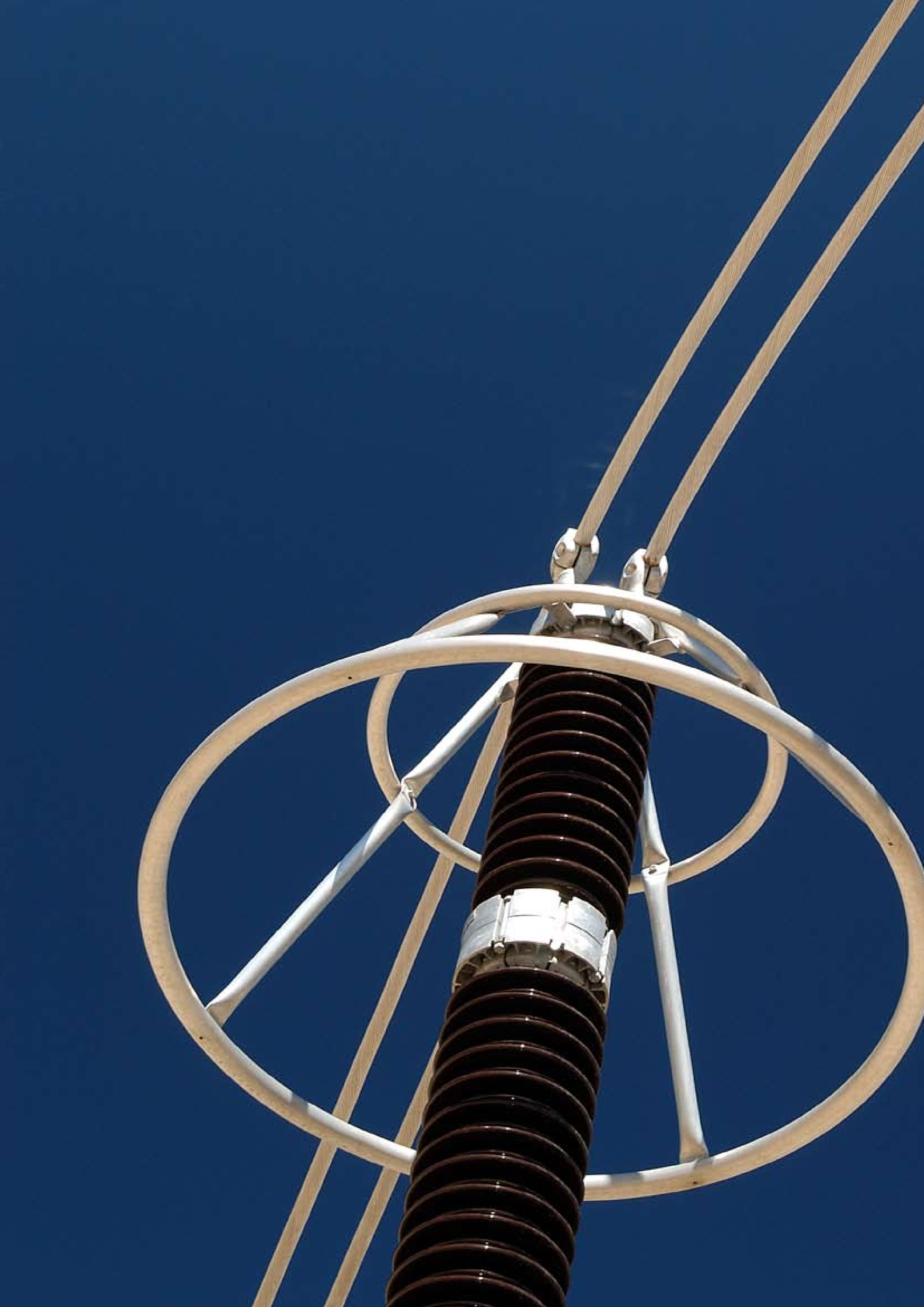
ANNUAL REPORT 30 JUNE 2011

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 and Environment (SHE)

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

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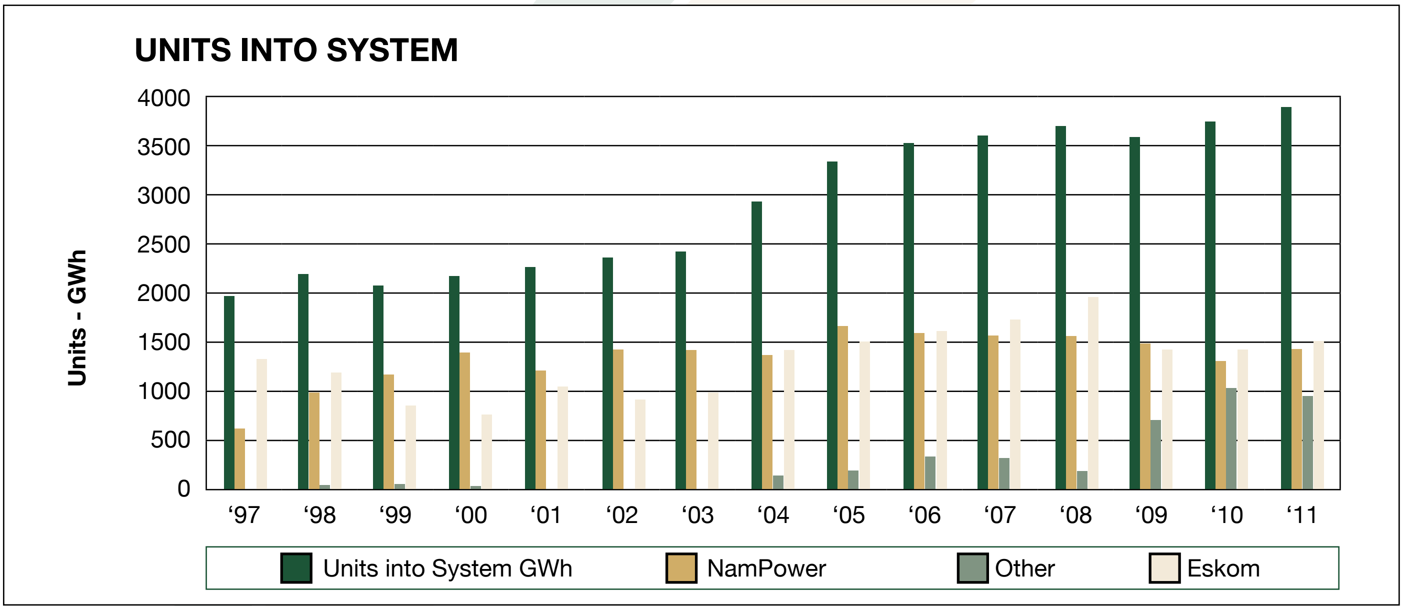
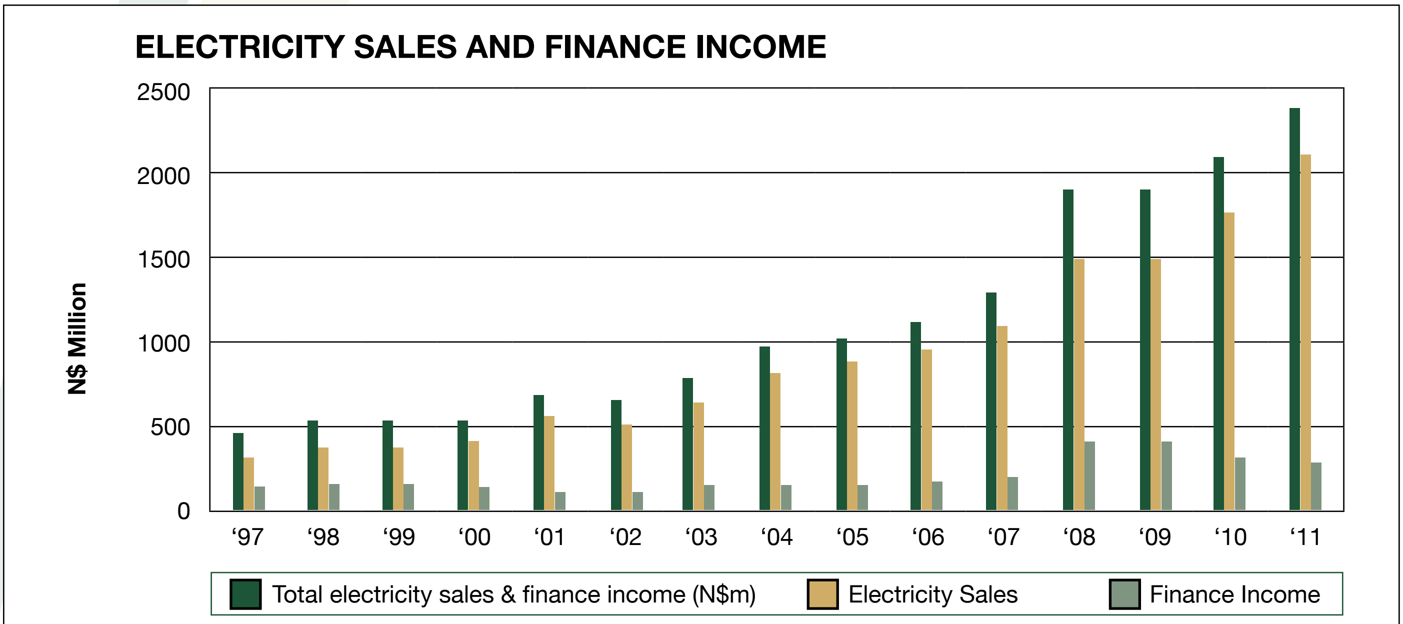
GROUP KEY STATISTICS

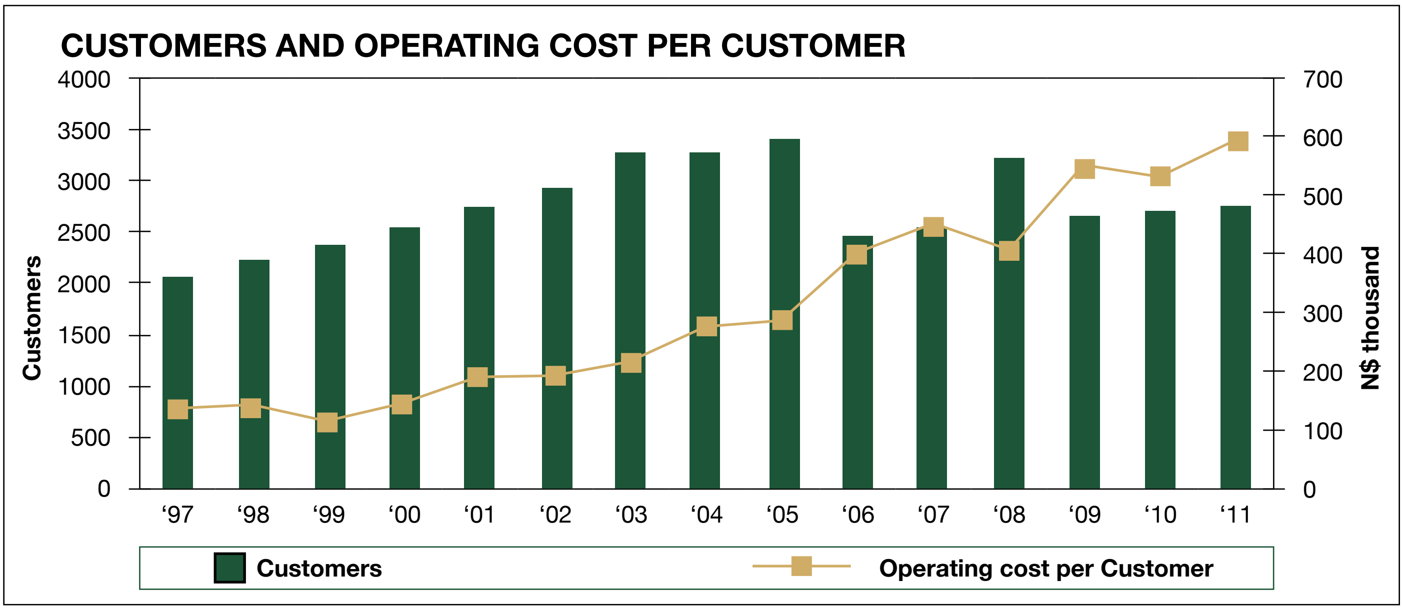
	2011	2010	2009
1. Total revenue (N$'000)	**2,309,164**	1,804,177	1,524,920
2. Taxation (N$'000)	**53,474**	(98,246)	(146,010)
3. Capital Expenditure (N$'000)	**909,601**	1,772,443	1,259,390
- Property, plant and equipment	**909,302**	1,772,295	1,257,651
- Intangible assets	**299**	148	1,739
4. Coal Cost - Per Ton (N$)	**1,297**	1,297	1,295
5. Average Price per unit sold (Cents)	**67.9**	58.9	51.5
6. Number of electricity customers	**2,738**	2,651	2,631
7. System Maximum (Hourly demand) (MW)			
- Excluding Skorpion	**498**	477	443
- Including Skorpion	**580**	564	517
8. Units into System (GWh)	**3,910**	3,767	3,618
- NamPower (Pty) Ltd	**1,430**	1,305	1,490
- ZESCO	**319**	47	29
- Eskom	**1,522**	1,429	1,427
- ZESA	**637**	891	648
- EDM	**2**	95	24
9. Units sold (GWh)	**3,543**	3,431	3,358
- Customers in Namibia	**2,650**	2,551	2,529
- Skorpion Zinc mine	**690**	673	639
- Orange River	**127**	130	122
- Exports	**76**	77	68
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	988
- 330 kV (km)	**521**	521	521
- 220 kV (km)	**2,800**	2,800	2,746
- 132 kV (km)	**2,092**	2,092	2,092
- 66 kV (km)	**3,648**	3,648	3,648
12. Distribution Lines			
- 33 kV (km)	**11,305**	11,305	10,866
- 22 kV (km)	**4,724**	4,724	4,610
- 19 kV (SWER) (km)	**4,329**	4,258	4,188
- 11kV (km)	**1,092**	1,092	1,092
13. Employees	**966**	910	888

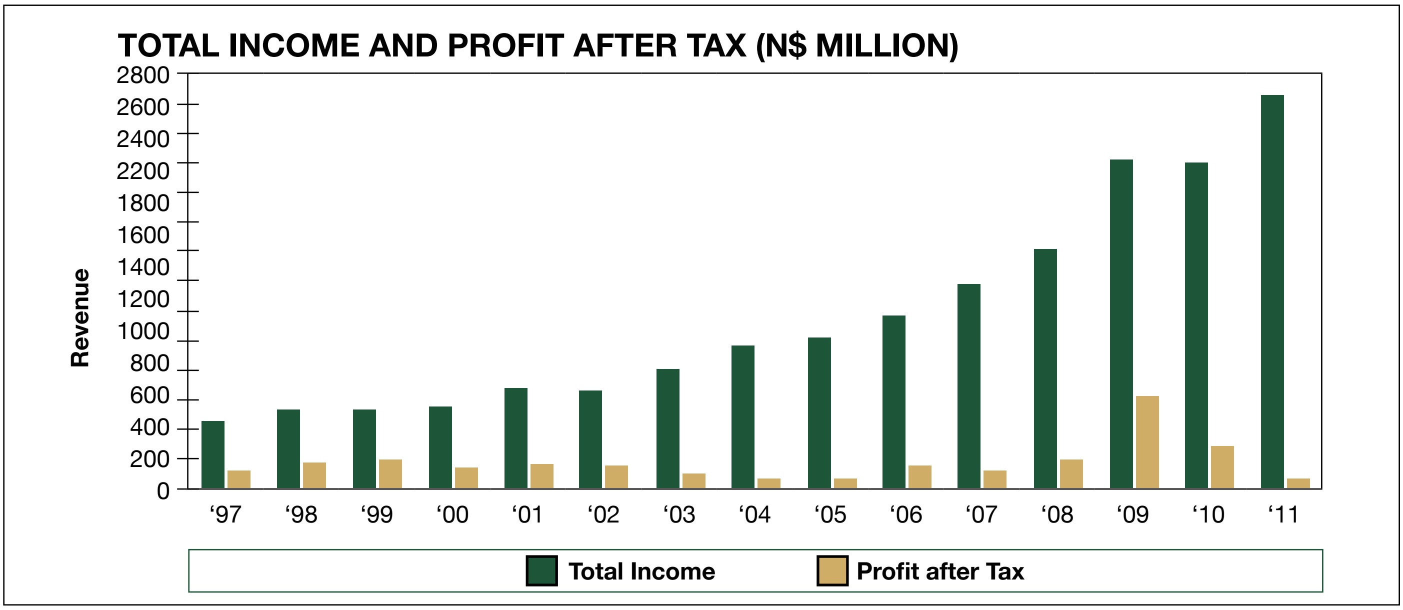
Abbreviations:

EDM: Electricidade de Mozambique
GWh: Gigawatt hour
kV: Kilovolts
Km: Kilometre
MW: Megawatt
MME: Ministry of Mines and Energy
MTC: Mobile Telecommunications
NNF: Namibia Nature Foundation
N$: Namibia Dollars
STEM: Short Term Energy Market
SWER: Single Wire Earth Return
ZESA: Zimbabwe Electricity Supply Authority
ZESCO: Zambia Electricity Supply Corporation
Eskom: Electricity Supply Commission

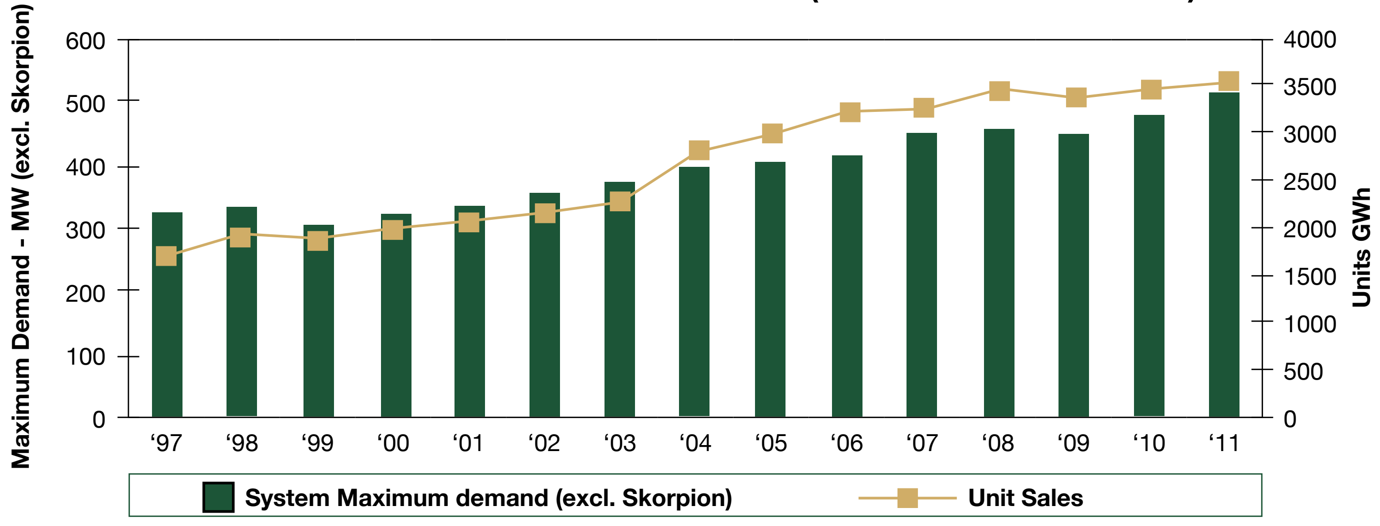

UNITS INTO SYSTEM
Units - GWh
4000
3500
3000
2500
2000
1500
1000
500
0
'97
'98
'99
'00
'01
'02
'03
'04
'05
'06
'07
'08
'09
'10
'11
Units into System GWh
NamPower
Other
Eskom


ELECTRICITY SALES AND FINANCE INCOME
N$ Million
2500
2000
1500
1000
500
0
'97
'98
'99
'00
'01
'02
'03
'04
'05
'06
'07
'08
'09
'10
'11
Total electricity sales & finance income (N$m)
Electricity Sales
Finance Income

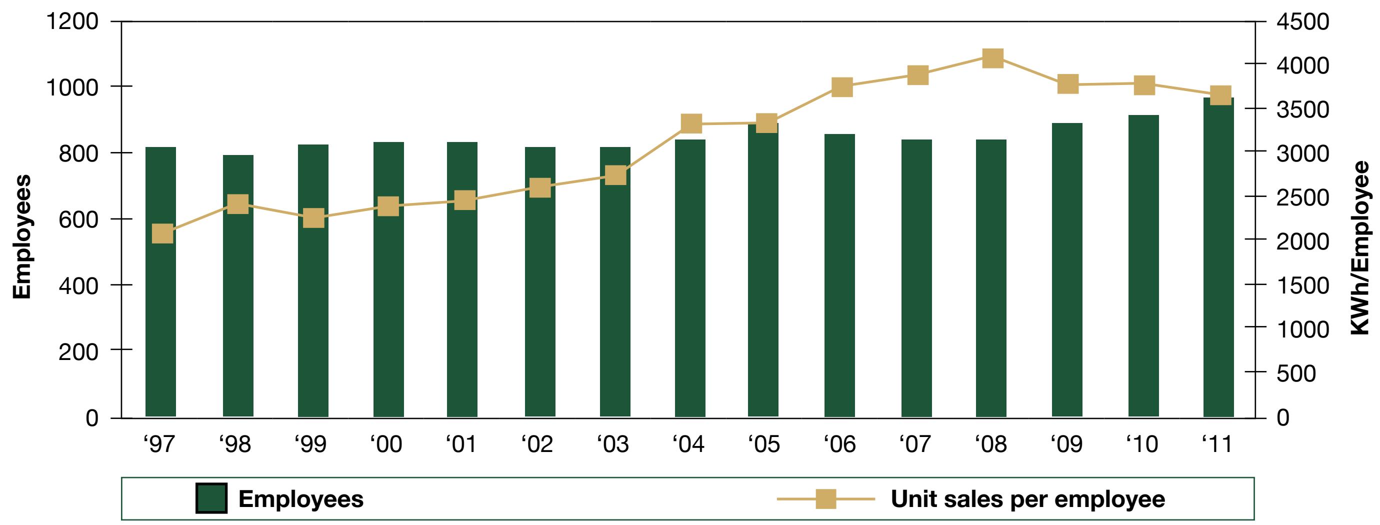

CUSTOMERS AND OPERATING COST PER CUSTOMER
Customers
4000
3500
3000
2500
2000
1500
1000
500
0
N$ thousand
700
600
500
400
300
200
100
0
'97
'98
'99
'00
'01
'02
'03
'04
'05
'06
'07
'08
'09
'10
'11
Customers
Operating cost per Customer


TOTAL INCOME AND PROFIT AFTER TAX (N$ MILLION)
Revenue
2800
2600
2400
2200
1800
1600
1400
1200
1000
800
600
400
200
0
'97
'98
'99
'00
'01
'02
'03
'04
'05
'06
'07
'08
'09
'10
'11
Total Income
Profit after Tax

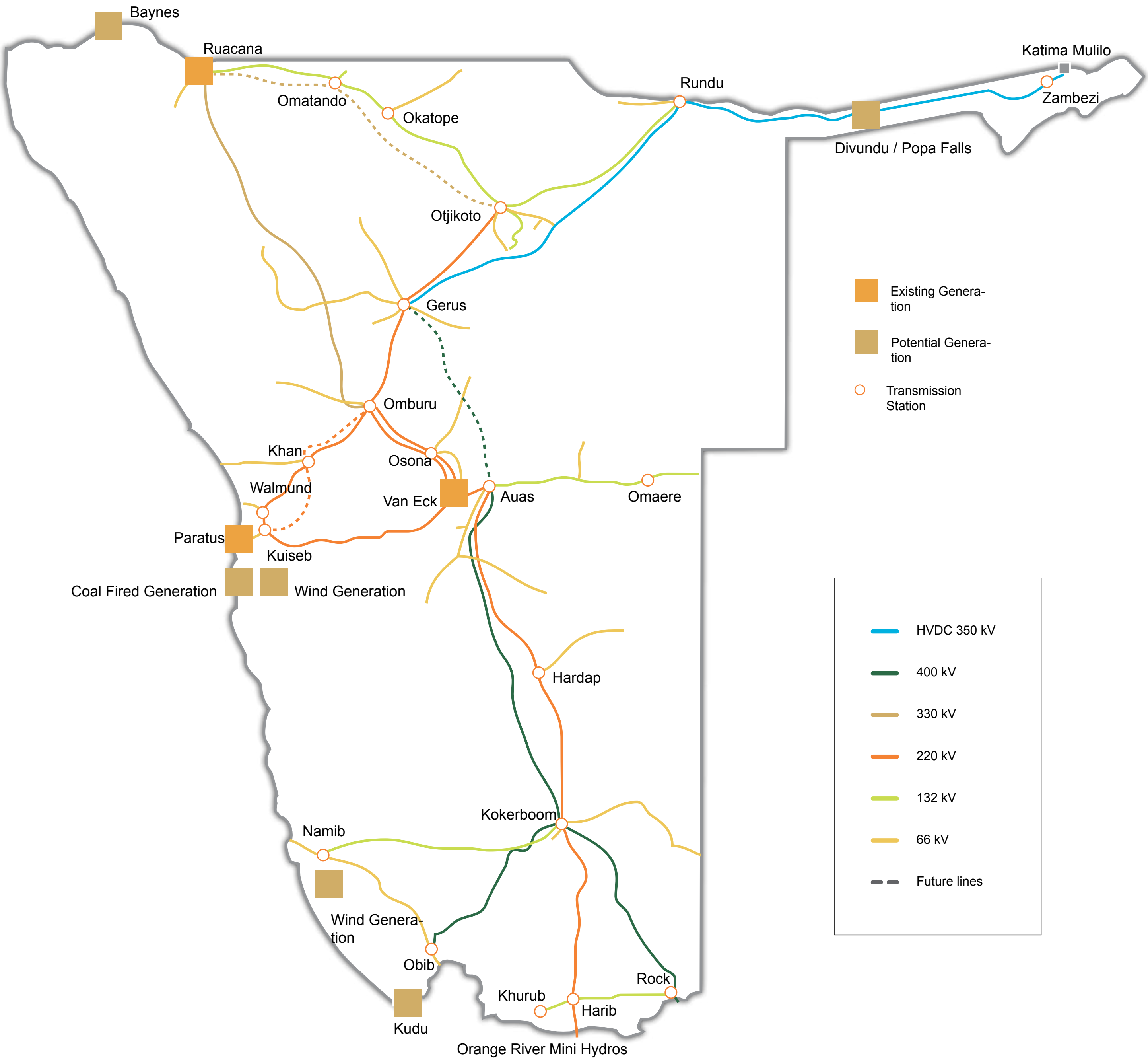
SYSTEM MAXIMUM DEMAND AND UNIT SALES (EXCLUDING SKORPION)



EMPLOYEE PERFORMANCE

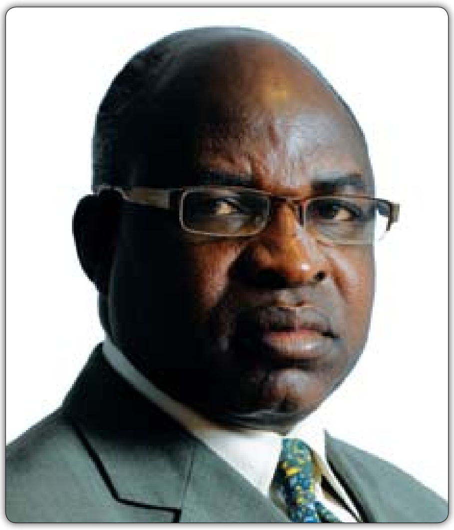


TRANSMISSION MAP



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. J Iita
Permanent Secretary
Ministry of Mines and Energy

CORPORATE STRUCTURE (CONTINUED)

NAMPOWER BOARD OF DIRECTORS

Mr. L A Hungamo

(Chairman)

Mr. P I Shilamba

(Managing Director)

Ms. S Mavulu

(Company Secretary)

Mr. P J Maritz

Ms. M M N Nakale

Mr. G Narib

Mr. P A Kiiyala

Ms. S T Hawala

CORPORATE STRUCTURE (CONTINUED)

MANAGEMENT COMMITTEE

Mr. P I Shilamba
MD: NamPower

Mr. R Jagau
CHIEF OFFICER:
Power System Development

Mr. M Gotore
CHIEF OFFICER:
Finance, Treasury &
Property Management

Amb. M N Nashandi
SENIOR MANAGER:
Strategy & Compliance

Mr. I Tjombonde
CHIEF OFFICER:
Corporate Services

Mr. A J Vermeulen
ACTING CHIEF OFFICER:
Technical Services

CHAIRMAN'S REPORT

INTRODUCTION

It is my privilege to deliver the first annual report in my third term as Chairman of the NamPower Board of Directors. This is perhaps the most exciting and challenging period of NamPower's history. This is also an exciting time for our democracy as our country makes significant progress in her national drive to address poverty and unemployment.

NamPower plays a central role as an enabler of national Development Programmes. Currently, as the provider of 100 % of Namibia's electricity, our contribution is quite fundamental in supporting economic growth in Namibia – another reason for the exhilaration and heightened sense of mission that has characterised NamPower's activities over the past year. The past year has seen numerous developments – internationally, regionally and locally – that have had a profound impact on the operations of this company. We are living in an increasingly interdependent world in several areas such as trade, investment, capital markets, and the power market – a situation which poses challenges to NamPower. Hence, the past year's global economic environment presented a challenging backdrop to our work and, in particular, our strategic planning environment.

INTERNATIONAL ENVIRONMENT

The world economy has been on a rollercoaster ride since the so-called credit crunch began in 2007. The year up to June 2011 saw confidence in the global recovery becoming less certain. The United States, the world's largest economy, witnessed employment growth slowing dramatically and the unemployment rate starting to rise as the effects of the second round of "quantitative easing" came to an end and the American politicians battled over fiscal policy and raising the US$14.3 trillion debt ceiling.

The Eurozone remained mired in a severe sovereign debt crisis after, first Greece, then Ireland and Portugal, sought external assistance from other Eurozone governments and the International Monetary Fund (IMF) to meet their international obligations. By May 2011, it had become clear that Greece would require a second round of assistance while it looked increasingly as if Spain and even Italy might end up taking the same path. The crisis challenges the existence of the Eurozone which may impact severely on European banks' balance sheets leading to another banking crisis.

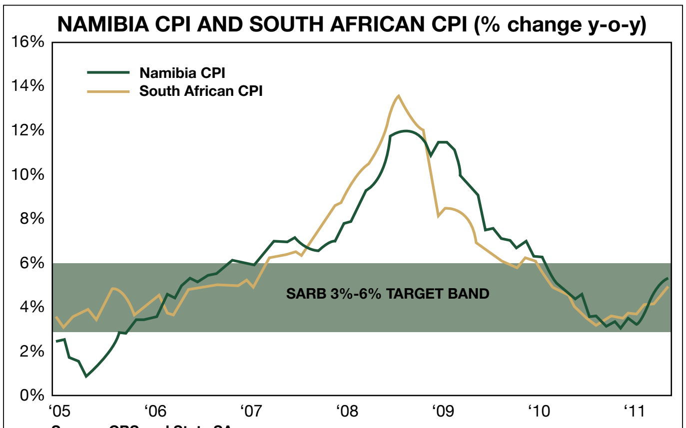
On 11 March 2011, Japan was battered by the strongest tsunami ever, leading to a tragic loss of lives, property and severe disruption of international supply chains given the critical role the Japanese economy plays in global manufacturing. A further consequence of the tsunami was the leakage of radioactive material from the 40-year-old Fukushima nuclear power plant as a result of back-up cooling systems being disrupted. The disaster has scarred Japan and taken a heavy toll on the international nuclear industry. The combination of the spot price of uranium falling dramatically and major industrial countries, such as, Germany and Italy rethinking their nuclear power strategies has cast a huge cloud of uncertainty over future uranium projects within Namibia thereby bringing more uncertainty to future electricity demand forecasting.

While most high-income countries continued to struggle with unsustainable levels of debt, anaemic growth and even, recession, the larger emerging markets of China, India and

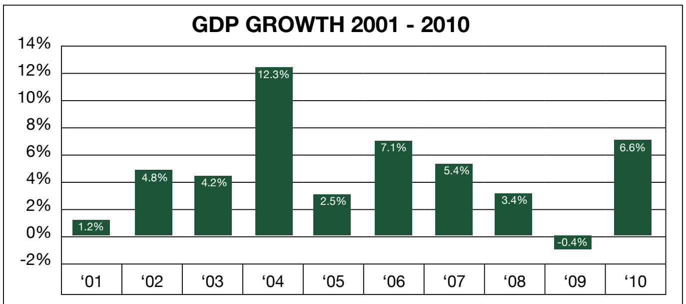
CHAIRMAN'S REPORT (CONTINUED)

Brazil experienced economic overheating and were forced to take monetary measures to slow growth and reduce inflation. Interest rates were raised and Brazil increased its tax on capital inflows.

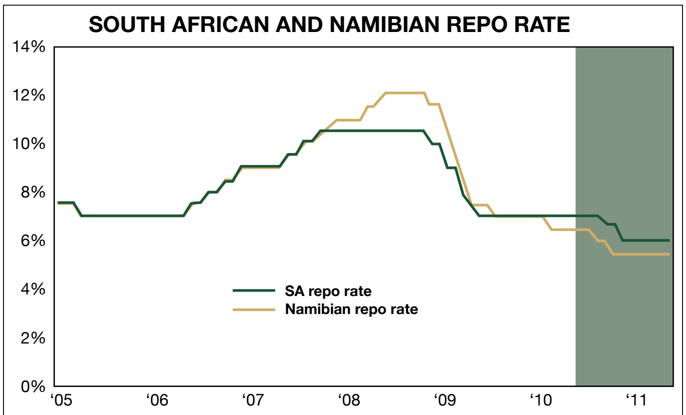
By the end of the first half of 2011, global economic uncertainty had risen, leading to downward revisions of growth in many countries by the IMF and a warning in June 2011 that "activity is slowing down temporarily, and downside risks have increased again. The global expansion remains unbalanced. Growth in many advanced economies is still weak, considering the depth of the recession. In addition, the mild slowdown observed in the second quarter of 2011 is not reassuring."



Source: CBS and Stats SA



Source: CBS



Source: Bank of Namibia, SARB

Namibia had fared relatively well throughout the global crisis although a number of sectors were badly hit, notably, the diamond and copper mining sectors. Official statistics showed that the Gross Domestic Product (GDP) shrank just by -0.4% in 2009, far less than in most industrialised countries and less than in South Africa. The Central Bureau of Statistics (CBS) estimated GDP growth in 2010 reached 6.6%. However, the year to June 2011 saw Namibia's economic recovery starting to slow down.

MONETARY AND FISCAL POLICY

The Bank of Namibia had already started bringing interest rates down in the last quarter of 2008. This trend continued into the second half of 2010 with two further interest rate cuts bringing the repurchase rate down to 6.0% at the end of 2010. Although the inflation cycle in South Africa and Namibia had clearly started to turn toward the end of 2010, both the Bank of Namibia and the South African Reserve Bank continued to maintain interest rates at historically low levels for fear of jeopardising the weaker-than-expected recovery. At the same time, the Bank of Namibia succeeded in pressurising Namibia's four commercial banks to narrow the spread between the repo and their prime lending rates, thus further helping consumers and businesses in a tough economic environment.

Namibia's Finance Ministry further ensured support for growth by tabling a highly expansionary budget in March 2011. A key component of the budget included a significantly enhanced development budget where spending was increased from N$5.8 billion in 2010/11 to N$8.6 billion in 2011/12 with further increases articulated for the two years thereafter. The Minister announced that the Targeted Intervention Programme for Employment and Economic Growth (TIPEEG) would help address the country's acutely high levels of unemployment estimated at 51.2% in the latest Labour Force Survey conducted in 2008. Of significance to the power sector is that the budget contained N$100 million for further rural electrification in accordance with Government's commitment to increasing access to electricity by bringing power to rural Namibia.

TRENDS IN OTHER ECONOMIC SECTORS

Despite the fact that Namibia's mining sector had taken quite a battering during the world economic crisis, its diamond industry emerged leaner, fitter and more profitable. Diamond production and sales in the first half of 2011 looked to be on par with 2010. With uranium, the overall production was significantly down for the first half of the year compared to 2010. It is yet to be seen what long-term impact Fukushima will have on the on-going development of Namibia's uranium sector which would, in turn, affect electricity demand. Weatherly Mining reported it was slowly re-starting production at Matchless and Otjihase

CHAIRMAN'S REPORT (CONTINUED)

copper mines after they were placed on "care and maintenance" at the end of 2008. Namibia's resuscitated copper sector was rescued by sustained high copper prices which topped a record of US$10,000 per tonne in February 2011.

Fuel prices rose during five of the first six months of 2011 as a result of political turmoil in the Middle East and the civil strife in Libya and then fell as the outlook for the world economy weakened and strategic reserves became available. Petrol ended the first half of 2011 at N$8.92/l for 93 LRP, N$8.99/l for 95 ULP and N$9.40/l for diesel at Walvis Bay.

CAPITAL PROJECTS

Namibia's big investment projects emerged unscathed from the world economic crisis. The year 2011 commenced with the inauguration of a new state-of-the-art cement manufacturing plant north of Otavi by His Excellency, President Hifikepunye Pohamba on 3 February. The on-going exploration boom in the mining sector continued at a fast pace during the past year. Discussions intensified between operational and development uranium mines, Namwater and Government on the supply of water to the industry with a second desalination plant at Mile 6 north of Swakopmund looking increasingly likely.

Excitement in the oil and gas sector also mounted as a range of newcomers declared their intention to participate in the wave of offshore exploration due to take place over the coming two years.

Outside the mining sector, a number of positive developments that took place include the completion of a new five star Hotel in Windhoek, the new West Africa Coastal Submarine cable (WACS), which was brought ashore at its landing point in Swakopmund, a new brewery being built in Okahandja and a new chicken farm outside Windhoek.

NamPower continued to play its part of ensuring security and reliable supply of electricity by officially inaugurating the N$3.2 billion Caprivi Link Interconnector on 12 November 2010 and completing its new 22.5MW peaking power station, ANIXAS, at Walvis Bay in the first half of 2011. Meanwhile, work continues on the installation of the fourth turbine at Ruacana which will add a further 92MW to the installed capacity.

INTERNATIONAL RANKINGS

Namibia continued to score well in international rankings of competitiveness. In 2010/11, the World Economic Forum ranked Namibia 74th out of 139 countries, the same as in 2009/10. When it comes to infrastructure, Namibia comes in at a much higher 54th, a ranking for which NamPower can surely take a share of the credit. In the widely respected 2010/11 Fraser Institute rankings of Mining Policy Potential, Namibia was ranked 30th out of 79 mining jurisdictions, up from 37th the year before.

In December 2010, Fitch Ratings affirmed Namibia's Long-term foreign currency Issuer Default Rating (IDR) at 'BBB-' and Short-term IDR at 'F3'. At the same time, Fitch affirmed Namibia's National Long-term rating at 'AA-(zaf)' and its National Short-term rating at 'F1+(zaf)'. Both Long-term ratings had Stable Outlooks.

NamPower's ratings remain aligned with that of the sovereign rating. In April 2011, Fitch Ratings affirmed Namibia Power Corporation (Pty) Ltd's (NamPower) Long-term foreign currency Issuer Default Rating (IDR) at 'BBB-' and Short-term IDR at 'F3'. NamPower's National Long-term rating at 'AA-(zaf)' and National Short-term rating at 'F1+(zaf)' were also affirmed. Both long-term ratings had positive outlooks.

These results help explain why Namibia continues to attract a wide range of investment from a broad spectrum of investors.

ABRIDGED SUSTAINABILITY REPORTING

The abridged sustainability report forms part of the annual report for the second consecutive year and aims to highlight the areas that are important to NamPower as a responsible corporate citizen. Despite challenges of making huge capital investments to ensure security of supply, NamPower as a responsible corporate citizen does not turn a blind eye to the needs of the Namibian nation. NamPower has, over the years, continued to invest significantly in the Namibian society by supporting a number of social projects, which include giving financial and material support to various initiatives and projects in the areas of education, Information and Communication Technology (ICT), sports, the environment, and in social upliftment through the NamPower Foundation, the Sponsorship Committee and the Bursary Scheme. Indeed, we can proudly say that we have an established footprint in the social investment sphere in the country.

OUR ENVIRONMENT

We are cognisant of the impact our generation, transmission and distribution activities have on the environment. Hence all generation and transmission projects in NamPower are preceded by environmental impact assessment studies. The assessment evaluates the impact such projects would have on the environment, people, cultural values and the economy as a whole. This all-inclusive engagement process is aimed at preserving the environment by minimising, and mitigating the impact of our activities on cultural heritage, fauna and flora. NamPower continued its strategic partnership with the Namibia Nature Foundation. The NamPower/NNF Strategic Partnership project was launched in October 2008 and is one of the few great wildlife conservation initiatives worth mentioning in Namibia. The role of this partnership is generally to assist NamPower to manage the conflict between birds/wildlife and power lines, and to develop a biodiversity information resource that will assist Namibian environmental and industry role players to protect Namibia's biodiversity.

CHAIRMAN'S REPORT (CONTINUED)

OUR SOCIAL RESPONSIBILITY

In an effort to address the demands and expectations of our stakeholders, NamPower has established in-house structures to adequately deal with its responsibility towards the Namibian society. During the year under review the NamPower Foundation granted funding amounting to N$1.7 million in total to the Ruacana High School (Omusati Region), Reho Sign Factory (Khomas Region), Caprivi Organisation for Community Development (COSAD, Caprivi Region) and Vaalgras Women's Association (Karas Region). These initiatives were aimed at the upliftment of our communities, and particularly targeted children and women.

In addition, the NamPower Foundation launched an employee Corporate Social Involvement programme called PowerCare. PowerCare is a project through which employees voluntarily contribute their time, cash or materials to identified institutions with Kindergartens being the focus area currently. The PowerCare project has, to date, made donations to Kindergartens in the Khomas and Hardap regions. In addition, the Foundation continues to proactively identify, screen and approve credible projects deserving NamPower's support.

Financial and material support to the value of N$3.7 million was donated to various projects and initiatives in the areas of Information and Communication Technology (ICT), education, sports projects focusing on the environment and social upliftment among others through the Sponsorship Committee. One of the projects sponsored by NamPower during the period under review is the donation of N$3 million to the UNAM northern campus on 13 April 2011 for the procurement and installation of equipment for the High Voltage and Power System laboratory of the Faculty of Engineering and Information Technology. The donation also covers the installation of a non-live mini substation on site for practical training thus providing a much needed opportunity for people to obtain such critical training.

NamPower has long realised the importance of investing in human capital and has for the past 12 years continued to support deserving young Namibians to pursue tertiary studies at institutions of higher learning in the SADC region through its bursary scheme. NamPower provided 14 bursaries to young aspiring students (8 females and 6 males) during the year under review to study in fields most relevant to its operations. This number adds to a total of 76 students that NamPower is extending funding to with a budget of over N$2.6 million per year.

In addition, NamPower is committed to employee development and as a result, the company continues to encourage employees to attend training related to their particular jobs in alignment with their **Personal Development Plans** contained in their Performance Agreements and to stay abreast of developments in disciplines related to their work. The total spent on staff training was N$5.6 million for the year that ended.

OUR CUSTOMERS

Being the bulk supplier of electricity supply in Namibia, there is a need to constantly engage with our stakeholders who include our customers, for feedback and to look at opportunities for improvement. Our transmission customers are Regional Electricity Distribution companies (REDS), Mines, Industrial customers, Namwater, municipalities and commercial farmers (the latter are supplied by NamPower in areas where REDs are not yet operational). Stakeholder engagement forums are scheduled to interact with customers in a structured way and on a regular basis.

OUR PEOPLE/ASSOCIATES

Growth is not only driven by new installations and higher levels of investment, but is also measured by people. NamPower is fortunate to have dedicated and professional employees who are the most important internal drivers of our success. We have over 950 associates that NamPower treats with dignity and respect.

In recent years, the staff dealt with growing demands with minimum additions to the staff complement. This will change in the years ahead. Such significant operational and organisational growth cannot be achieved without creating more jobs at NamPower. We foresee a gradual increase in employee numbers while still achieving efficiency and productivity gains. NamPower is a critical player in the achievement of Vision 2030 and each employee has a part to play through the internal change initiative called "Charged for Action". "Charged for Action" underpins the Corporate Strategy and Business Plan, 2009 – 2013, and is the slogan which will be driving our actions for the next two years.

Realising the challenges facing the industry, NamPower developed a Corporate Strategy and Business Plan 2009-2013 to provide focus and direction to business. This five-year plan provided the context for strategic planning in the business units and was the impetus for all Business Units to renew their past performance and realign their strategies and corporate objectives. A performance management system was implemented to the satisfaction of various stakeholders in the organisation.

During the year under review, the performance management system was refined to accommodate areas that needed improvement. As NamPower's strategy to attract, retain and motivate human talent, the NamPower Remuneration Policy was formulated and approved by the Board of Directors.

As part of its employee wellness, NamPower staff has been attending to a number of initiatives to ensure wellness at work among employees. NamPower also attended to relevant health and safety and environmental issues pertaining to the organisation.

CHAIRMAN'S REPORT (CONTINUED)

OUR ECONOMY

The past year has once again been an incredibly exciting and dynamic one for the Namibian economy. In the midst of rising global economic uncertainty, hardly any sector remained untouched by new developments. Within this environment, NamPower has continued to play its part in ensuring that growth and development are maintained and accelerated. As one of the key corporate players in Namibia, NamPower recognises its role in stimulating economic activity and has been working on a framework that, once finalised, will increase participation of local and previously disadvantaged groups in its procurement and service provision. During the year, a total amount of approximately N$1.2 billion was injected into the economy in return for various services and products supplied by local suppliers. This amount excludes remittances for various taxes.

The high levels of global uncertainty have a direct impact on the planning of future generation and transmission projects and make strategic decision-making even more challenging than usual. However, NamPower remains focussed on playing its role in fulfilling the energy demands of the country.

GOVERNANCE STRUCTURE

Our financial strength built over the years, is anchored on effective risk management, integrity and ethical behaviour. NamPower has a governance structure in place consisting of a Board of Directors, with sub committees (with unique capabilities) that assist the Board of Directors to execute their responsibilities of delivering on NamPower's promises and mandate. The existing sub committees are: Audit and Risk Management Committee, Remuneration & Nomination Committee, Investment Committee and the Board Tender Committee. Each committee has four (4) scheduled meetings per year, but the frequency may vary depending on the task at hand.

BOARD CHANGES

NamPower is fortunate that it continues to attract and harness considerable talent at board level. I want to thank my colleagues on the board for their wisdom, their time and their unstinting efforts. The board was further strengthened during the year and I am delighted to welcome the following new members to the team: Ms Saima Hawala and Ms Maria M N Nakale.

Mr Gotlieb Amanyanga and Ms Rauna Hanghuwo, board members for the past 3 and 6 years respectively ended their terms at the end of December 2010. Their contribution to NamPower has been huge. I salute them for their work and vision and wish them success in their future endeavours.

The Managing Director, Mr Paulinus Shilamba's employment contract was extended by another five years effective from 1 May 2011. I congratulate him on his re-appointment and look forward to working with him in future.

APPRECIATION

Let me take this opportunity to pay a special tribute to the people of NamPower – the women and men of NamPower who take to the trenches ensuring that the lights in Namibia continue burning. Such loyalty, dedication and selfless contributions must be commended.

NamPower is led by a dedicated team with a long track record of excellent service to the company. I would therefore like to thank each of the people who served in the NamPower executive leadership team personally: Mr Paulinus Shilamba, Mr Reiner Jagau, Amb Monica Nashandi, Mr Isac Tjombonde, Mr Michael Gotore and Mr Braam Vermeulen.

I would also like to thank my fellow board members for their counsel over the past years and wish them well in the continued provision of guidance and assurance to this important national asset. They have spent an enormous amount of additional time in special board meetings this year to address the various challenges and I thank them for their invaluable time. The Government of the Republic of Namibia as the sole shareholder, through the Ministry of Mines and Energy, played a critical role and deserves a special word of appreciation.

CONCLUSION

Finally, it is my sincere wish that Namibia as a nation will also become an integral part of the solution to the challenges at hand and will work with NamPower.

Let us all conserve our vital energy sources – the lifeblood of our economy.

Together, let's build the power base for sustainable growth and development for Namibia and the region.

MANAGING DIRECTOR'S REPORT

INTRODUCTION

I must admit that the past five years have been an exciting journey for me as a Managing Director and this annual report, the first one in my second term, comes in the aftermath of one of the most challenging periods of NamPower's history.

From the early days of my tenure, it was clear that NamPower was confronted by power shortage and particularly our inability to meet the ever increasing national power demand. This came to a head in 2007 when the regional demand for electricity (as forecasted) exceeded the available generation capacity. Shortly after my appointment, the process of corporate strategy and business plan development started addressing the very crucial issue of power shortage. I am happy to report that this process is on track and, during the period under review, a dedicated team was appointed in my office to pay particular attention to this portfolio.

Recent review of the corporate strategy and business plan revealed that the company is on track as evidenced by the achieved milestones. In NamPower there is a sense of urgency and anxiety to act – and act decisively if we want to be on a sustainable path as far as sufficient power supply is concerned. NamPower delivered the following three major projects during the period under review:

- Inauguration of the Caprivi Link Interconnector in November 2010 by Their Excellencies the Heads of State of Namibia, Zimbabwe, Zambia and Botswana;
- The technical commissioning of the 22.5MW ANIXAS Power Station in June 2011 and
- The commissioning of the first Phase of the West Coast Transmission upgrading in November 2010.

For many years NamPower has been a jewel in the crown among the Namibian state-owned enterprises. The following awards and honours were bestowed on the utility, which bears testimony to this fact:

- The Deal Makers Country Award for the investment made in the rehabilitation of the Hwange Power Station in Zimbabwe and
- Caprivi Link Interconnector: The Best Fast-tracked project in the region from Energy Africa in March 2011.

Following is the summary of the performance during the past financial year.

FINANCIAL PERFORMANCE OVERVIEW

The shortage of electricity in the region remained a challenge during the year. NamPower however kept a strong focus on the goal of "electricity first". Over the last few years, I have spoken strongly about NamPower's cost of electricity when compared to the tariffs we charge our customers. Given the increasing demand for electricity within the region, limited new generation capacity as well as the fact that Namibia's own generation capacity remains insufficient to meet local demand, management has, in the short-term, focussed its attention on ensuring 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 sustainable to our suppliers whilst long and lasting solutions are being investigated. Many a time we find ourselves having to negotiate lower and staggered adjustments to the cost at which we import electricity from our trading counter parties' to ensure that we remain financially sustainable. The increase in the import prices of electricity is expected to continue given the prevailing electricity shortages within the region.

Despite our best efforts, the cost of electricity increased by 32.06% from N$765 million (representing 42.39% of revenue) to N$1 billion (representing 43.73% of revenue) during the financial year ended June 2011 (an increase of 11.67% was experienced during the financial year ended June 2010). The regulator, the Electricity Control Board (ECB) granted NamPower a tariff increase of an average of 18% for the financial year 2010/11. The resultant tariffs were, however, still not cost reflective. I am, therefore, pleased that the Group still managed to report a profit before tax, interest, depreciation and amortisation of N$704 million, an increase of 57% over that achieved in the previous year. Group profit before tax, after accounting for interest, depreciation and amortisation, was however N$123 million, 66.86% lower than that achieved in the prior year of N$371 million. These financial results are indicative of the significant strain that the sub-economic tariffs, if allowed to continue, may have on the financial sustainability of the business in the long-term.

Energy sales volumes increased by 3.26% (2010 – 2.17%) from 3,431GWh to 3,543GWh, as a result of an increase in the customer base. Maximum demand increased by 2.84% (2010 – 9.09%) to 580MW (including Skorpion Mine demand) achieved in the month of June 2011 against the previous peak demand of 564MW achieved in 2010. The total revenue for the Group increased by 27.99% (2010 – 18.31%) to N$2.3 billion from N$1.8 billion. The Group revenue from sales of electricity increased by 19.58% (2010 – 18.13%) to N$2.1 billion from N$1.7 billion. Increase in revenue was driven by a combination of increases in sales volumes, contributions by customers and the annual tariff increase granted for the financial period ended June 2011.

Other income for the Group decreased by 13.15% from N$71 million to N$62 million which includes the government grant of N$24 million (2010 – N$57 million) for energy subsidy and coal survey adjustment. In 2008, the Government committed N$360 million in energy subsidy over a period of three years. A final tranche of N$50 million to complete the N$360 million committed, was received during the year under review. The grant is recognised as income on a systematic basis as the electricity generation expenditure is incurred at the Van Eck and Paratus Power Stations.

The Group's management remained focussed on cost containment without negatively impacting on the high quality of our service delivery to customers. Other operating expenses,

MANAGING DIRECTOR'S REPORT (CONTINUED)

including employee related costs, increased by only 3.68% to N$520 million compared to N$502 million achieved in 2010. This still remains lower than the N$566 million incurred in 2009. I am pleased with this achievement realised through the combined efforts of management and the entire NamPower team. Going forward, cost containment remains a key focus area of the Group.

The impact of the low interest rate regime alluded to by the Chairman earlier in this report were significantly felt by the Group as investment income reduced from N$317 million achieved in 2010 to N$276 million for the year under review as a result of the reduced returns offered on money market investments despite the Group's strong growth in cash generation and an increase in the average investments held over the year. Whilst the yields achieved were lower than last year, these still exceeded our internal benchmark that is linked to average returns on money market investments set in line with our investment policy and risk appetite. Finance costs increased by 21.27% (2010 - 34.38%) from N$169 million to N$205 million. No new loans were raised during the year. The prime interest rate remained unchanged at 9.75% since December 2010 and the Group does not expect any increase in the near future.

In line with the Group's accounting policies, the Company's power stations, transmission systems, machinery and equipment were re-valued effective from 1 July 2010 by independent valuers namely, Merz and McLellan of South Africa, on the basis of their replacement value as adjusted for the remaining useful lives of the assets. Similar revaluations were also performed on properties. The revaluation resulted in an increase in the value of these assets of N$5.5 billion and an impairment loss of N$ 120 million. This increase in the carrying amount of the property, plant and equipment as a result of the revaluation had an effect of significantly increasing the Group depreciation and amortisation costs to N$666 million from N$239 million (2010), an increase of 178.57% (2010 - 4.85%). The impairment loss was also charged against income in arriving at the profit before tax whilst the revaluation surplus and associated tax charge of N$1.9 billion is disclosed under other comprehensive income.

It is NamPower's policy to hedge committed foreign currency exposures. Net fair value gain on derivatives and foreign loans was N$79 million (2010 - loss N$113 million) as a result of volatility of financial markets.

Group profit after tax for the year decreased by 35.36% from N$273 million last year to N$177 million for the year ended 30 June 2011. In addition to the above, changes in market conditions and the company's credit risk rating impacted on the profitability of the Group. The impact is as follows:

- Net fair value gain on embedded derivatives was N$85 million (2010 – N$59 million).
- Net fair value loss on firm commitments N$38 million (2010 - N$211 million).

Taxation credit for the year ended 30 June 2011 was N$53 million compared to N$98 million charged for the previous year. Net cash generated from operating activities increased to N$909 million (2010 – N$824 million), up 10.33% from last year.

MANAGING DIRECTOR'S REPORT (CONTINUED)

Capital expenditure for the Group amounted to N$909 million for the year under review (2010 – N$1.8 billion). Total assets increased from N$14.5 billion to N$20.5 billion of which 38.77% is attributable to the revaluation of the core categories of property, plant and equipment discussed above. The Group also received a donation of transmission assets from a customer amounting to N$427 million (2010 – N$12.6 million). The construction of the Caprivi Link Interconnector has been completed and the asset was commissioned during the year under review. An emergency power station, ANIXAS, was constructed at Walvis Bay and commissioned subsequent to year end. The Company's shareholder, being the Government of the Republic of Namibia, committed a subsidy of N$250 million towards the realisation of the ANIXAS Power Station, while NamPower contributed over N$100 million to the project. Part of the amount committed by Government, amounting to N$50 million was received during the year under review with the balance scheduled to be remitted over the next two years in equal instalments.

The work on the Ruacana Fourth Unit is nearing completion and it is expected to be completed by early 2012. As the custodian of national power supply, NamPower remains focused on its mission and continues to actively explore opportunities that will guarantee security of electricity supply in order to meet the energy needs of its customers, fulfil aspirations of its staff and the expectations of the stakeholders. It is encouraging that a cost reflective tariff was approved for NamPower for the coming financial year. However, as we investigate future projects aimed at providing electricity generation self-sufficiency, it is becoming evident that increases in tariffs will have to continue to make these projects commercially viable as well as attract private investors and independent power producers into the electricity sector.

TECHNICAL PERFORMANCE

GENERATION

Baynes Hydro Power Project

As expected, the reports on techno-economic and environmental studies were delivered by the Cunene Consortium (CC) during the first half of 2011 and were discussed at the Baynes Committee and Permanent Joint Technical Committee (PJTC) meeting held in Windhoek on 29 June to 1 July 2011.

Based on the techno-economic and environmental studies presented, it was decided to accept the following plant configuration as recommended by the consultants, i.e., the Cunene Consortium (CC):

- installed capacity: 600 MW;
- maximum reservoir drawdown with two stage inlet levels: 30 m;
- Minimum outflow releases from Baynes: 50 m³/s and
- Real Internal Rate of Return (RIRR) – 10,6%.

Currently the Cunene Consortium is busy with the following final studies which include:

- Hydrological Studies
- General arrangement
- Electro-mechanical systems and equipment
- Sensitivity model runs
- Cost & risk estimates
- Substation
- Construction planning and performance schedules.

Upon completion of the Feasibility Studies and the consequent submission of the final Techno-economic and ESHIA reports, the governments of Namibia and Angola will take a decision through the "Permanent Joint Technical Committee for the Cunene River" (PJTC) on the way forward for the implementation of the project.

Feasibility Study for the Van Eck Rehabilitation

Van Eck Power Station remains a critical component of NamPower's generation capacity despite its age and perceived environmental concerns. During the year, NamPower received a US$400 000 grant from the US Trade and Development Agency (USTDA) for the purposes of performing a study to determine the viability of rehabilitating this Power Station. This comes at a time when our company and country need to urgently address security of supply of electricity to Namibia which is presently heavily dependent on imports.

It is anticipated that the study will be completed by March 2012.

Paratus/Anixas Diesel Generator Power Station

I am happy to report that after the major maintenance work at Paratus Power Station Diesel No.1 at the end of July 2011, the output increased by over 100% from 2.4MW to 5.8MW. Plans are underway to carry out extensive maintenance on Diesel No. 2 which will after completion increase the output of Paratus Power Station.

Summary of Ruacana Power Station:

- A relatively high river flow was experienced at the Ruacana Power Station as from middle December 2010 to 30 June 2011 with an average flow of 902 m3/s and a peak of 1695 m3/s.
- All three Units at the Power Station were running at a base load mode during this financial year and a load factor of 59% was achieved compared to 52% in the previous financial year.
- Annual planned maintenance was conducted during the low river flow period as from 25 September to 21 November 2010.
- Unit 3 started to experience excessive vibrations as from 26 June 2011 and was taken off load for the problem to be assessed.

MANAGING DIRECTOR'S REPORT (CONTINUED)

The table below shows the Key Performance Indicators for the power station for the period under review:

Plant KPI's July 2010 - June 2011	
Availability	97%
Reliability	99%

GENERATION PROJECTS

Anixas - Short-term Emergency Generation: 22.5MW

The ANIXAS HFO (heavy-fuel oil) power plant project which was executed by Barloworld Namibia commenced commercial operations on 21 July 2011 and has been in operation ever since. Additional land adjacent to the existing Paratus diesel power plant was acquired from the Municipality of Walvis Bay. The site is large enough to accommodate an additional 20 to 30MW of a similar plant if required. The capital cost is estimated at N$320 million of which N$250 million was committed by the Namibian Government.

Ruacana Hydro Power Plant: Addition of a 4th Unit of 92MW

The project to install a 4th turbine at the Ruacana Hydro Power station is on-going. The contractual completion date to bring 92MW on stream is March 2012. A consortium consisting of Alstom and Andritz Hydro was appointed for the electro-mechanical works and balance of the plant, and Murray and Roberts for the civil works. Siemens was appointed for the gas-insulated switchgear extension and ABB/Powertech for the step-up transformer. All civil works have been completed, the turbine has been installed and the generator including balance of plant is being installed. The project is still within time and budget.

Erongo Coal-Fired Power Station (250 - 400MW)

Following the completion and submission of the Environmental Social Economic Impact Assessment study (ESEIA) which identified two sites in the vicinity of Walvis Bay, no further progress was recorded as NamPower was unable to obtain approval from key stakeholders on the preferred site next to the ocean (Bird Island). This site would enable seawater cooling to take place.

However, in an effort to fulfil its mandate of self-sufficiency, NamPower took a stance to move away from sites in proximity of the ocean and to rather study a site at Arandis. Support from Arandis Town Council is encouraging, and the ESEIA and techno-economic studies have commenced.

Orange River Hydros (LOHEPS)

The environmental and hydrology studies on Phase 1 for the development of small scale hydro power plants along the lower Orange River will be completed by the end of 2011. The lower Orange River holds the potential for an additional generation of up to 120MW.

Grant funding was obtained from Developmental Financial Institutions (DFI) to conclude the environmental study which will enable NamPower and Clackson Power to firm up on the final project sites as well as envisaged costs and tariffs required.

Kudu Gas-to-Power Power Plant

The original concept of the Kudu-Gas-to-Power Project was changed from treating gas on-shore to the treatment off-shore on a floating platform operation (FPO) enabling dry specification gas to be piped on-shore. The concept of developing an 800MW CCGT Power Station north of Oranjemund situated 170km from the offshore Kudu Gas Field has remained.

Good progress has been made by the upstream parties (Gas Field Developers: Tullow Oil, NamCor, Gasprom Neftegas and Itochu) and NamPower (Power Station developer). Negotiations on the Project Development Agreement (PDA) have proceeded with the target being to sign the same after the conclusion of the Petroleum Agreement by the upstream parties. The PDA outlining agreed action of all parties can be signed as soon as the Petroleum Agreement between the upstream developers and the Namibian Government has been finalised. The gas supply agreement (GSA) is in its final draft stage and could be signed soon.

Renewable Energy

NamPower is currently negotiating Power Purchase Agreements (PPA) with three prospective wind energy developers, one in the Lüderitz and two in the Walvis Bay area. The Electricity Control Board (ECB) has issued all three parties with a conditional generation licence. The proposed installed capacities are still being negotiated. Despite the alleged insufficient wind energy regime around Walvis Bay to attract project financiers, feasibility studies are on-going.

NamPower continues to provide technical advice to a PV/Diesel hybrid mini-grid installation in Tsumkwe. Such projects should be seen as interim solutions to accelerate rural electrification. Once demand is recorded and grid connection is commercially viable, the hybrid system can be relocated to another remote location.

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 250kW. NamPower is supporting the project through a PPA it has signed with the developers to encourage Independent Power Producers (IPP) participation. Technical advice to interconnect with the Cenored distribution network has also been provided by NamPower.

MANAGING DIRECTOR'S REPORT (CONTINUED)

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 between 10 to 20MW. The final report is expected by mid 2012 with emphasis on the process to deliver either unprocessed wood chips or wood chips already processed to regional locations, rather than the power station itself.

TRANSMISSION

Technical Performance and Projects

Transmission Section continues to maintain its high standard of technical excellence through innovation, customer focus and pro-activeness. NamPower grid did not experience any major system blackout during the year under review. A new maximum demand of 498MW was recorded on 28 June 2011. With Skorpion Zinc Mine included, the total maximum demand was 580MW.

The NamPower Transmission and Distribution systems are operated in strict adherence to the following aspects:

- Safety of operating personnel;
- Safety of equipment and
- Continuity of supply to customers.

This includes the operations of the NamPower system on a least cost resource planning principle without sacrificing any reliability criteria. This involves risk assessment, energy, capacity, reserve trading and co-ordination of planning and operations with other utilities in the Southern African Power Pool (SAPP).

Caprivi Link Interconnector HVDC Scheme

The 951km 350kV HVDC line linking the far north-east with central Namibia has been commissioned in time to reinforce and stabilise supplies to Namibia. The Caprivi Link provides a second north-south interconnector within the Southern African Power Pool, which forms a part of the SAPP vision to interconnect the region and will, due to its nature of setting power flows, add to the energy trading potential within the region, and improve dynamic stability of the SAPP transmission network. Interest has been shown by neighbouring countries to utilise the link to wheel power between SAPP member countries.

The Project to date was 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 not foreseen at present. Utilising earth electrodes will result in the reduction of transmission losses during monopole operation, and consequently, an increase in the energy being delivered.

The replacement of the Insulated Gate Bipolar Transistor (IGBTs) and the annual maintenance of the Caprivi Link Interconnector took place in June 2011, with Transmission taking a leading role in this project.

A number of live tests were carried out on the AC and DC systems as required, to test the performance and system response of the HVDC scheme. The Caprivi Link Interconnector HVDC scheme reliability and availability is currently rated at 98.98%.

West Coast Developments

NamPower successfully completed the first phase, of the 220kV West Coast developments and upgrades, initiated by the need to supply power to the new Trekkopje Uranium Mine. On 24 and 25 November 2010 the new Khan Substation, 220kV line to Trekkopje, Trekkopje Transmission Station and 132kV line and substations related to the desalination plant near Wlotzkasbaken, were commissioned.

NamPower also commissioned system upgrades in support of power supply to new mining customers. These included the second 220kV line between Omburu and Khan Substations, 220kV line feeder bay development and upgrades at Omburu, and 220kV 40MVAr capacitor filter bank at Omburu Substation. The last of these deep connection upgrades were completed during April 2011.

Additional upgrade of the west coast network to facilitate supply to new mines, load increases of existing mines and towns, as well as connection of proposed generation stations in the area, will be required and the phasing thereof will be determined by when these developments come to fruition.

Ohorongo Cement Plant

The power supply to the new Ohorongo Cement plant near Otavi was commissioned on 21 July 2010. In addition to the dedicated infrastructure required to supply power to the cement plant, upgrades were also required at Otjikoto Transmission Station near Tsumeb – 220kV 20MVAr capacitor filter bank and replacement of the two 220/132kV 40MVA transformers with 120MVA units. The last of the Otjikoto upgrades were commissioned in January 2011.

220kV Auas/Van Eck Capacity Upgrade

This project was commissioned to increase the thermal rating of the 220kV Auas – Van Eck 3 line. It was necessitated by the load growth, especially driven by the mushrooming uranium mines at the coast. The project comprises the replacement of the single goat conductor on the Auas/Van Eck 3 line with a high thermal conductor of similar dimensions as goat, as well as Optical Ground Wire (OPGW) retrofitting for increased communication requirements.

MANAGING DIRECTOR'S REPORT (CONTINUED)

Ondjiva Cross-border Supply

ENE, the Angolan Power Utility, applied for an upgrade to the existing cross-border supply to Ondjiva from 33kV to 132kV. To facilitate this upgrade a new 132/66kV Transmission Station (called Efundja) just south of the existing Onuno Transmission Station will be constructed, as well as a dedicated 132kV line from Efundja to the border with Angola will be established. It is anticipated that the line will be completed by end 2011 and the new Efundja Transmission Station by March 2012.

Naruchas

The existing 66kV network originating at Van Eck Transmission Station and extending eastwards and southwards to Witvlei/ Omaheke and Rehoboth/Klein Aub Transmission Stations, is over 500km in total length. Due to load growth on this network and other technical constraints, a construction of a 132/66kV Transmission Station just north of Rehoboth town lands, supplied from Auas Transmission Station through an 80km 132kV line, thus splitting the load between Auas and Van Eck was considered to be technically the most feasible option. The 132kV line has been commissioned and energised, and the new Naruchas 132/66kV Transmission Station is expected to be completed by mid 2012.

Otjikoto 20MVAR 220kV Filter bank

Commissioned during December 2010, this project was managed by the Power System Development Business Unit while all technical input and high level harmonic integration studies were done by the Transmission division.

Omburu 40MVAR 220kV Filter bank

Transmission initiated this project to improve the voltage support and subsequently, the system performance in the Omburu load centre in order to facilitate better transfer to the various feeders. Programming of the Omburu SVC to incorporate this new filter bank into the external devices switching scheme and new IEC61850 bus zone signals was done and Transmission is continuing to track the performance in order to advise on the efficient operating regime in conjunction with other external devices. This project was commissioned in April 2011.

Zizabona

ZESCO of Zimbabwe, ZESA of Zambia, BPC of Botswana and NamPower of Namibia signed an Inter-Utility Memorandum of Understanding (IUMOU) for co-operation in new transmission infrastructure investment. The project is planned to be commissioned in two phases, namely the Hwange/Livingstone (Phase 1) and Victoria Falls – Pandamatenga – Zambezi Transmission Stations (Phase 2).

Due to challenges encountered with regards to the financing of the ZIZABONA Project, it was decided to engage a consultant to repackage the project. The scope of the consultant is to conduct market studies, transmission pricing and system studies in support of the realization of the project. The request for proposals to solicit the services of a transaction advisor to expedite the development of the ZIZABONA project was called in May 2010.

Rössing – Walmund 220kV line

The existing 220kV line has, since its inception in 1972, been exposed to severe marine pollution and the integrity of the self-supporting steel pylons, the ACSR phase conductors and earth wires can no longer be guaranteed. A project has been launched to replace the entire line section with a twin circuit 220kV line to cater for future load growth in the West Coast. The EIA has been concluded and awaits environmental clearance before the tenders for construction can be issued.

Other Transmission Projects

The Power System Development and Technical business units tasked with the planning and execution of all large capital projects continues to fulfil their mandate as expected. Human resources to execute all these projects are limited, and programmes have been put in place to train and mentor young, upcoming engineers to be able to take over these functions. Project management, site supervision and equipment specific operations and maintenance are an excellent training ground for young technical people.

ENERGY TRADING

Renewal of the ESKOM/NamPower Supplemental Agreement

The Supplemental Agreement concluded with Eskom on 1 June 2008 was renewed with effect from 1 July 2011 and will reign up to 31 March 2012.

NamPower/ZETDC Power Supply Agreement

NamPower continues to receive a firm supply of 150MW from ZETDC. The performance of this agreement is reliable and to date, continues except during periods when there are wheeling constraints.

NamPower/ZESCO Power Supply Agreement

The NamPower-ZESCO Power supply agreement came into effect on 16 of January 2010 and it has been performing very well. In terms of this agreement, NamPower is receiving 50MW through the recently completed Caprivi Link Interconnector.

MANAGING DIRECTOR'S REPORT (CONTINUED)

These agreements will ensure a substantial degree of security of supply to Namibia and will deliver the bulk of energy into the Namibian system.

Power Supply Outlook (July 2010-June 2011)

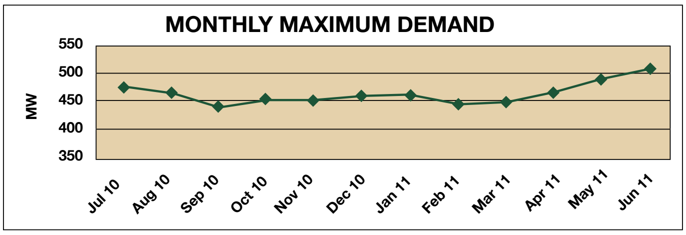


Figure 1: Monthly Maximum Demand for 2010/2011 Financial Year

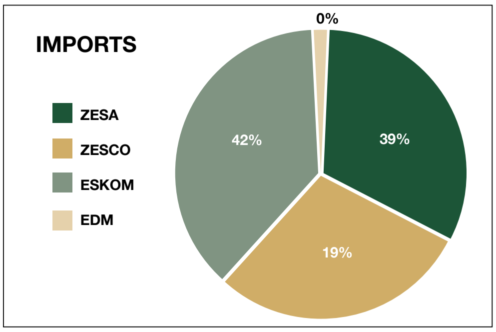


Figure 2: Total Imports for 2010/2011 Financial Year

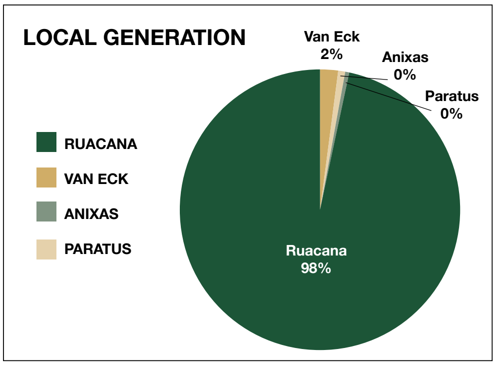


Figure 3: Local Generation for 2010/2011 Financial Year

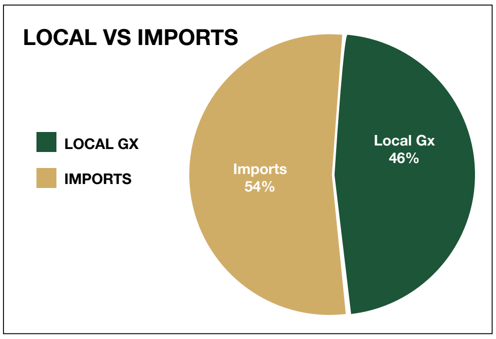


Figure 4: Total Imports vs Local Generation for 2010/2011 Financial Year

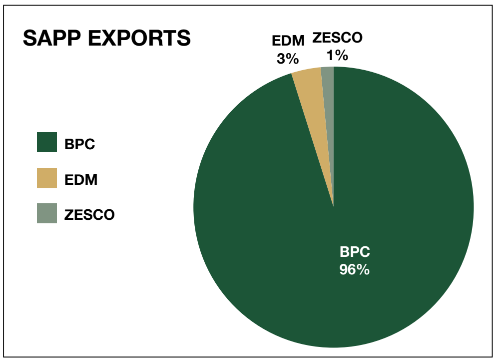


Figure 5: SAPP Energy exported during 2010/2011 Financial Year

Energy Trading Platform

The Energy Trading Platform project has been successfully implemented. Most of the current daily energy trading activities are performed on this system which is quite reliable. This platform covers all spans of trading with more emphasis on Load forecasting, Market Scheduling, Energy Settlement, Financial Settlement and Reporting.

The Southern African Power Pool (SAPP)

As part of regional integration and in the collective pursuit of energy growth and development in the region, NamPower remains active in and continues to play a pivotal role in the SAPP.

Short Term Critical Supply Project

Namibia is facing a critical supply situation in the next 2-5 years as regional power demand is set to put strain on regional power supply. In Namibia, until a long term solution is found in the form of a base-load generation plant, NamPower will be required to import power from the region that already has insufficient power. In response to this, NamPower has initiated the Short Term Critical Supply (STCS) project. This project will be led by the Energy Trading division and will focus on providing a short to medium term suite of power supply and demand management solutions to address the problem.

The Intergrated Resources Plan (IRP)

The Integrated Resources Plan (IRP) review process commenced with the consultation of major stakeholders, i.e., Electricity Control Board, the Ministry of Mines and Energy and NamPower discussing, modifying and enhancing a number of straw-man scenarios developed by NamPower appointed consultants. These scenarios were an outcome of feedback obtained from stakeholders through a survey conducted during 2010/11. The technical information gathered will be used in modelling each one of the scenarios. A model will be developed for the capturing of critical energy values of mines in order to better integrate mining and supply options in the

MANAGING DIRECTOR'S REPORT (CONTINUED)

IRP and review of the appropriate renewable energy targets as well as the management and integration thereof.

However, it was realised that most of the technical information on some critical projects will only become available after completion of studies:

- Kudu – end 2011
- Baynes – end 2011
- LOHEPS – end 2011
- Erongo Coal – no costing available until mid 2012.

Rural Electrification

SIDA Funds

There is a balance of N$4.5 million in this portfolio which can be committed to Rural Electrification projects subject to the approval of the Minister of Mines and Energy.

The following projects were identified and approval was granted for them by the Minister of Mines and Energy:

- Pendukeni Ivula Ithana School, Omusati Region;
- Okanghudhi Police Station, Ohangwena Region and
- Mpezo, Caprivi Region.

All three projects were completed successfully.

Update on commercial electrification projects during 2010/2011

Projects	**Total**
Total applications received	192
Applications processed	109
Jobs completed	59
Jobs in progress	24

CORPORATE SERVICES BUSINESS UNIT

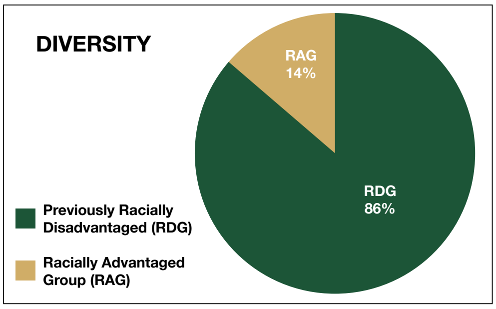
The ever-increasing challenge for NamPower to meet the expectations of both stakeholders and customers requires NamPower to continuously reposition itself as a regional competitor with adequate internal technical capacity and with the essential skilled resources to operate within this dynamic environment. Therefore, our Human Resource Management has a strong focus on building and growing this valuable resource.

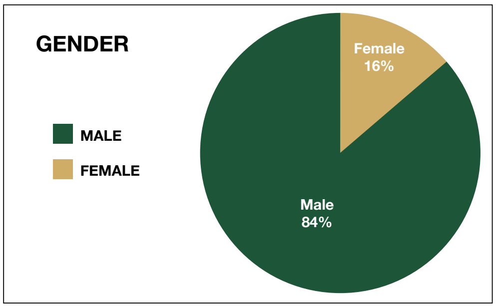
After a number of structural realignment changes in the company, NamPower undertook a strategic process and compiled a Corporate Strategy and Business Plan 2009-2013 to provide focus and direction to the business. This provided the context for strategic planning in the business units, and was the impetus for the HR Business Division to review past performance and realign its strategies with corporate objectives.

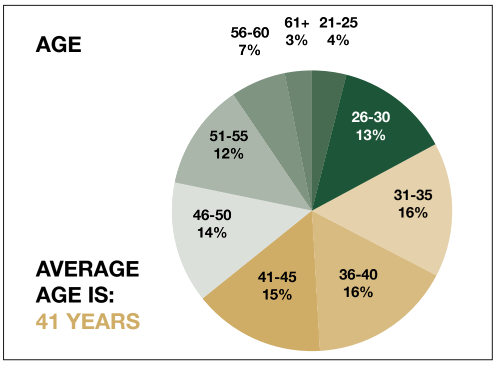
NamPower has a critical role to play in the achievement of Vision 2030 and each employee has a part to play through the "Charged for Action" process. Charged for Action is the rallying cry underpinning the Corporate Strategy and Business Plan, 2009 – 2013, and is the NamPower slogan for the next five years.

The total staff complement of NamPower by 30 June 2011 was 966. This figure includes 78 fixed term contract employees. The current **NamPower employment profile** is reflected by the diagrams and tables below:

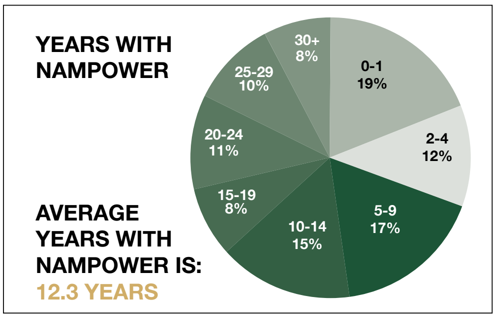
	2007	2008	2009	2010	2011
Number of Permanent Employees	796	785	813	845	888
Number of Temporary Employees	47	59	75	65*	78*
Total Number of Employees	843	844	888	910	966

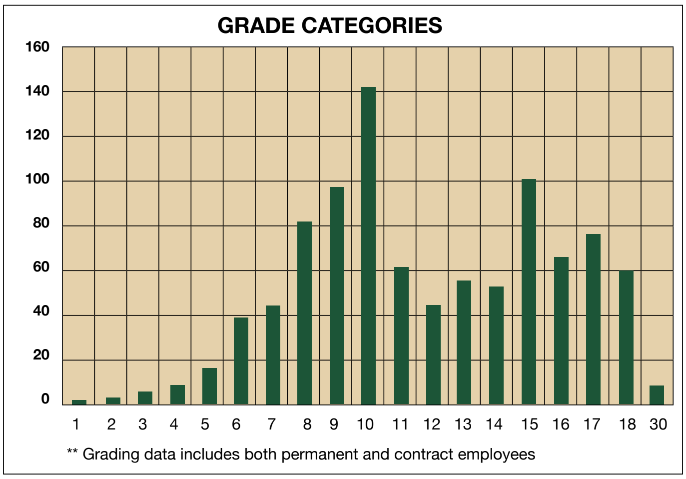






MANAGING DIRECTOR'S REPORT (CONTINUED)





AA CATEGORY	RDG	RAG	PWD
Senior Management	4	2	0
Middle Management	30	11	0
Specialised/Supervisory	67	53	0
Skilled	262	51	2
Semiskilled	174	3	2
Unskilled	227	0	0
Total Permanent	764	120	4
On Short Contract	75	2	1
TOTAL	839	122	5

RDG: Racially Disadvantaged Group
RAG: Racially Advantaged Group
PWD: People With Disabilities

The **Performance Management System** was implemented to the satisfaction of various stakeholders in the organisation. During the year under review, the Performance Management System was refined to accommodate areas that needed improvement. The guidelines for reward and recognition of performance were partially approved by the Board of Directors, and formed the basis on which the performance bonus was paid out to employees in December 2010.

As NamPower's strategy to attract, retain and motivate human talent, the NamPower **Remuneration Policy** was formulated and approved by the Board of Directors. Within the framework of this Policy, the remuneration levels within the Peromnes band were converted to the total guaranteed package.

INFORMATION SERVICES (iServ)

iServ embarked on a project in conjunction with Brighthouse SA to implement **SAP R/3 for CENORED**. The project kicked off in September 2010 and went live in December – a very short project time-frame. Key factors were the re-use of the NamPower template (baseline configuration) and training material. CENORED is successfully running on SAP R/3 and we have had very positive feedback from them. After the completion of the project, NamPower signed an agreement with CENORED to assist with on-going support as required. Most of the support is accomplished through a direct link between NamPower and CENORED.

iServ managed to implement a **fully load balanced BGP** internet feed between MTN and ITN Namibia. To accomplish the load balancing NamPower had to register its own IP address range with AfriNIC International and had to move all outward facing equipment and services to the new range.

The **Windows 7** implementation project is in its final stages. Overall, the project was a major success. Some minor incompatibility issues were experienced with older peripherals, but we managed to find workarounds for most of them. To improve on availability of the **SAP R/3 system**, SAP was implemented in a clustered environment (ServiceGuard Cluster). This enables an automatic, as well as, controlled failover of the Production SAP systems from Head Office to the Disaster Protection Site in case of a disaster or because of maintenance.

Most of the Microsoft servers run in a virtual environment - 38 servers are run on six virtual hosts. These host servers were upgraded to the latest version of **VMware, version 4.1 ESXi**.

In line with best practice it is envisaged to centralise our logon authentication store through the use of the **Microsoft Active Directory** and related software. This will enable users in NamPower to use just one password to access configured systems, especially the SAP systems, the ESS Portal, as well as the network.

International trends in ICT show that people are increasingly accessing information from anywhere and everywhere. This is enabled by the advent of **smart mobile devices** (smart cell phones and tablet computers, e.g. iPad). NamPower has the base technology which, with minimal additions, can enable our own workforce to access information from wherever and whenever. The process in rolling out this technology within the company has already started.

In an effort to change to the way NamPower manages its paper-based and electronic documents and records, a company-wide Documentation and Records Management Programme was embarked upon.

MANAGING DIRECTOR'S REPORT (CONTINUED)

The main objectives of the **Document and Records Management (DRM) Project** were to assess the current state and the development of a functional subject based File Plan with the business has been achieved. The DRM Project was completed at the end of March 2011 with a clearly defined and documented strategy. Also the "draft" File Plan was well received by the National Archives.

The current focus area is the establishment of Registries and a functioning Records Centre with the necessary policies and procedures in place. This is required in order to have a structured and organised movement and storage of organisational records. The next step will be to implement the file plan in a phased manner throughout the company. The file plan will be utilised for a pilot period of two years during which time necessary changes will be made and retention periods allocated to files to allow the manual systems to stabilise.

ACKNOWLEDGEMENTS

I would like to join the Chairman of the NamPower Board of Directors to, both welcome the new members to the board and bid farewell to those that stepped down. Our Minister, Honourable Isak Katali, and his capable team in the Ministry of Mines and Energy deserve our gratitude for the leadership, support and direction during this critical time. Other stakeholders who played a crucial role are: The Electricity Control Board and our customers who are the reason for our existence as a company. Thank you so much for your support. Our valued stakeholders and customers can be assured of continued excellent service delivery.

Of course, the greatest thanks must go to the more than 950 men and women whose names are too numerous to itemise here. Any such itemisation would in any case diminish the unique contribution that each and every one of our employees made, many of them for the tenth, twentieth and even thirtieth year in a row. You have not only made NamPower the best employer place to work for in Namibia; you have given Namibians new cause for pride in this institution.

VALUE ADDED STATEMENT

for the year ended 30 June 2011

	GROUP				COMPANY			
	2011		2010		2011		2010	
	N$'000	%	N$'000	%	N$'000	%	N$'000	%
VALUE ADDED								
Turnover	**2,309,164**		1,804,177		**2,309,164**		1,804,177	
Less: Cost of primary energy, materials and services	**2,111,908**		1,082,738		**2,111,838**		1,082,690	
Value added by operations	**197,256**	**36.87**	721,439	66.64	**197,326**	**36.88**	721,487	66.34
Interest and sundry income	**337,682**	**63.13**	361,201	33.36	**337,682**	**63.12**	366,151	33.66
	534,938	**100.00**	1,082,640	100.00	**535,008**	**100.00**	1,087,638	100.00
VALUE DISTRIBUTED								
To remunerate employees	**347,028**	**64.87**	318,479	29.42	**347,028**	**64.86**	318,479	29.28
To providers of debt	**204,565**	**38.24**	168,692	15.58	**204,565**	**38.24**	168,692	15.51
Taxation paid	**(53,474)**	**(10.00)**	98,246	9.07	**(53,852)**	**(10.07)**	98,213	9.03
	498,119	**93.11**	585,417	54.07	**497,741**	**93.03**	585,384	53.82
VALUE RETAINED								
To maintain and develop operations	**36,819**	**6.89**	497,223	45.93	**37,267**	**6.97**	502,254	46.18
	534,938	**100.00**	1,082,640	100.00	**535,008**	**100.00**	1,087,638	100.00

DIRECTORS' RESPONSIBILITY STATEMENT

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements of Namibia Power Corporation (Proprietary) Limited, comprising the statements of financial position at 30 June 2011, 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 a going concern 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 financial statements of Namibia Power Corporation (Proprietary) Limited, as identified in the first paragraph, were approved by the board of directors on 1 December 2011 and signed by:

AL HUNGAMO
CHAIRMAN

PI SHILAMBA
MANAGING DIRECTOR

INDEPENDENT AUDITOR'S REPORT

To the member of Namibia Power Corporation (Proprietary) Limited

We have audited the consolidated and separate financial statements of Namibia Power Corporation (Proprietary) Limited, which comprise the consolidated and separate statements of financial position at 30 June 2011, and the consolidated and separate 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 directors' report, as set out on pages 36 to 113.

Directors' Responsibility for the Financial Statements

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Namibian Companies Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the consolidated and separate financial position of Namibia Power Corporation (Proprietary) Limited at 30 June 2011, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Namibian Companies Act.

KPMG
Registered Accountants and Auditors
Chartered Accountants (Namibia)

10 January 2012
30 Schanzen Road, Klein Windhoek, Windhoek, Namibia

DIRECTORS' REPORT

The directors have pleasure in presenting their report for the year ended 30 June 2011.

1. Principal Activities

The Company is responsible for generation, transmission, energy trading and to a lesser extent the distribution of electricity in Namibia.

The activities of the subsidiaries and associates comprise:
- The provision of technical, management and other related services;
- The sale and distribution of electricity; and
- Property investment.

2. Operating Results

The operating results of the Group and Company for the year under review are set out in the Statements of Comprehensive Income.

Units into the system and sold:

	GROUP AND COMPANY	
	2011 GWh	2010 GWh
Units into the system and sold:		
Ruacana Hydro Power Station	**1,404**	1,247
Van Eck Power Station	**20**	55
Eskom	**1,522**	1,429
ZESCO	**319**	47
Paratus Power Station	**4**	3
Anixas	**2**	-
EDM	**2**	95
ZESA	**637**	891
Total units into system	**3,910**	3,767
To customers in Namibia	**2,650**	2,551
Exports	**76**	77
Orange River	**127**	130
To Skorpion Zinc Mine ^	**690**	673
Total units sold	**3,543**	3,431

^ Skorpion Zinc Mine is a customer situated in the Republic of Namibia but is supplied directly by Eskom via a back to back agreement whereby Eskom bills Nampower for the units consumed by Skorpion, then NamPower bills Skorpion for those units sold by Eskom.

Transmission losses	**10.4%**	9.8%

Growth

During the year under review there was an increase of 3.9% in units sold to customers in Namibia excluding Skorpion (2010: increase of 1.1%). The power imported by the Company during the year under review increased by 18 million units (2010: increase of 261 million units).

3. Dividend

No dividend was declared in respect of the year under review and the prior year.

4. Subsidiaries and Associates

Relevant information is disclosed in notes 7 & 11 to the financial statements.

5. Capital Expenditure

The expenditure on property, plant and equipment during the financial year amounted to: Group N$909 million (2010: N$1.8 billion), Company N$909 million (2010: N$1.8 billion). The expenditure on intangible assets during the financial year amounted to: Group N$299 thousand (2010: N$148 thousand), Company N$299 thousand (2010: N$148 thousand). This expenditure is mainly attributable to:

DIRECTORS' REPORT (CONTINUED)

5.1 Electrification:

- Farm Bergland No.473
- NNF/NamPower Wildlife Conflict Project
- NamPower Performance Agreement: LV and MV Grid
- Farm Haigamas 447 Omeya Trust
- Upgrade Old Actaris System
- Okanghudi Police Station
- Kalkrand, Schlip, Rusplaas and Gurus Reclosers
- Farm Sonderwater No. 687
- Cell One: Several Tower Lines
- MTC: Several Tower Lines
- Noordoewer Border Post Ministry of Finance
- Grid Connection – Kavango Region
- Grid Connection – Kunene Region
- Grid Connection – Caprivi Region
- Grid Connection – Hardap Region
- Grid Connection – Ohangwena Region

5.2 Substation Development:

- Gerus Converter Station – Caprivi Link Inter-connecter
- Zambesi Converter Station – Caprivi Link Inter-connecter
- West Coast Uranium Substation Projects
- Naruchas Substation
- Finke Substation
- Kunene Substation

5.3 Refurbishment and Upgrading:

- Indoor Substations: SERGI transformer protection
- Omburu Transmission Station: Transformer 12 66/22kV 10 MVA
- Omburu Transmission Station: New Office Building
- Ruca, Opuwo, Otjongava and Etunda Substations: Yard Stones
- Central Substations: Install Earthing Equipment
- Southern Substations: Install Earthing Equipment
- Otjikoto Substation: Communication upgrade

5.4 Transmission System:

- Gerus Earth Electrode Line
- Zambesi Earth Electrode Line
- West Coast Uranium Project: Lines
- Auas-Naruchas 132kV Line
- Van Eck - Auas 3 220kV Transmission Line Capacity Upgrade
- Regen Station 1 - Asis OPGW Line
- Walmund - Swakopmund 66kV OPGW Retrofit
- Omburu - Gerus 220kV OPGW Retrofit
- Onuno - Ondjiva 132kV Line

5.5 Power Station Development:

- Anixas Power Station-Walvis Bay
- Ruacana Power Station-Unit No.4

6. Foreign Assets

The valuation of the diversion weir situated in Angola amounts to N$47.0 million based on replacement value. NamPower has granted a N$3.7 million loan in respect of the Gove dam to the Angolan authorities. The recovery of this loan depends on the rehabilitation of the Gove dam by the Angolan Authorities and the implementation of the principles embodied in the 1969 agreement.

The assets and the loan granted are currently reflected in the Company's books at nil carrying amount. These assets and the loan were initially recognised in the books of NamPower and then subsequently impaired to nil during the 2003 financial year.

7. Shareholder

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

8. Subsequent events

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

9. Corporate Governance

NamPower is committed to achieving high standards of corporate governance. The Board has developed self – governance principles over the years which are applied transparently and consistently. The Board also recognises that compliance with legislation is an important component of good governance. In this regard, the directors are satisfied with actions that management has taken to ensure compliance with all relevant legislation.

DIRECTORS' REPORT (CONTINUED)

9. Corporate Governance (continued)

Full compliance has not been practically possible with respect to certain provisions of the State-Owned Enterprises Governance (SOEG) Act of 2006. Management has and continues to engage the SOEG Council with the aim of achieving full compliance. The discussions are aimed at ensuring that full compliance does not negate achievements already attained prior to the Act becoming effective.

The Group continues to apply and comply with the provisions of the Companies Act and its internal governance procedures in directing and managing the business. Certain exceptions as provided within the SOEG Act were also processed. The matters dealt with through the Company's internal governance procedures and subject to the board's approval include development and implementation of the Company's strategic and financial plan, determination and approval of the remuneration of the board and senior management and management of the Company's investment portfolio. The SOEG Act does not apply to the subsidiaries and associates, but only to the Company.

9.1 Directorate

LA Hungamo	Chairman
PI Shilamba	Managing Director
MMN Nakale	Appointed 1 January 2011
ST Hawala	Appointed 1 January 2011
RN Hanghuwo	Term ended 31 December 2010
G Amanyanga	Term ended 31 December 2010
G Narib	
PA Kiiyala	
PJ Maritz	

9.2 Board Committees

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

9.2.1 Audit and Risk Management Committee

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

MMN Nakale	Chairperson; Appointed 1 January 2011
PA Kiiyala	Chairman till 31 December 2010
ST Hawala	Appointed 1 January 2011
RN Hanghuwo	Term ended 31 December 2010
G Narib	

9.2.2 Remuneration and Nomination Committee

The members of the Remuneration and Nomination Committee for the year under review were;

PJ Maritz	Chairman
PI Shilamba	Managing Director
MMN Nakale	Appointed 1 January 2011
G Amanyanga	Term ended 31 December 2010
PA Kiiyala	

9.2.3 Board Tender Committee

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

G Narib	Chairman
ST Hawala	Appointed 1 January 2011
RN Hanghuwo	Term ended 31 December 2010
PJ Maritz	

DIRECTORS' REPORT (CONTINUED)

9.2.4 Investment Committee

The members of the Investment Committee for the year under review were;

PA Kiiyala	Chairman
G Narib	Chairman till 31 December 2010
MMN Nakale	Appointed 1 January 2011
ST Hawala	Appointed 1 January 2011
RN Hanghuwo	Term ended 31 December 2010
G Amanyanga	Term ended 31 December 2010

9.3. Board and board committee meetings

Board of Directors	Board	Audit and Risk Management Committee	Remuneration and Nomination Committee	Board Tender Committee	Investment Committee
Meetings held:	10	7	6	2	3
Attendance:					
L A Hungamo	6	n/a	n/a	n/a	n/a
P I Shilamba	10	n/a	5	n/a	n/a
G Narib	10	6	n/a	2	1
R N Hanghuwo	6	2	n/a	0	0
P A Kiiyala	8	4	5	n/a	2
P J Maritz	10	n/a	5	2	n/a
G Amanyanga	3	n/a	3	n/a	1
M M N Nakale	4	3	3	n/a	2
S T Hawala	4	3	n/a	2	2

10. Secretary

Ms S Mavulu held office as Company Secretary for the year under review. The business and postal addresses are shown on page 114.

STATEMENTS OF FINANCIAL POSITION

at 30 June 2011

	NOTE	GROUP 2011 N$'000	GROUP 2010 N$'000	COMPANY 2011 N$'000	COMPANY 2010 N$'000
Assets					
Total non-current assets		**16,963,861**	10,691,632	**16,748,084**	10,591,771
Property, plant and equipment	6	**15,391,213**	9,248,035	**15,380,233**	9,245,284
Investment properties	8	**15,479**	10,040	**15,479**	10,040
Intangible assets	9	**12,449**	6,739	**12,449**	6,739
Interest in subsidiaries	7.1	**-**	-	**7,377**	7,186
Investment in associates	7.2	**385,406**	277,528	**173,232**	173,232
Investments	12	**894,019**	574,948	**894,019**	574,948
Derivative assets	22.1	**142,377**	389,729	**142,377**	389,729
Loans receivable	10	**122,918**	184,613	**122,918**	184,613
Total current assets		**3,501,734**	3,790,332	**3,501,815**	3,790,416
Inventories	13	**168,931**	169,911	**168,931**	169,911
Trade and other receivables	14	**485,997**	482,828	**485,997**	482,811
Investments	12	**1,705,696**	2,885,591	**1,705,696**	2,885,591
Cash and cash equivalents	15	**1,067,962**	189,252	**1,067,962**	189,252
Loans receivable	10	**72,883**	62,505	**72,883**	62,505
Assets held for sale	11	**265**	245	**346**	346
Total assets		**20,465,595**	14,481,964	**20,249,899**	14,382,187
Equity					
Total equity attributable to equity holders		**11,906,789**	7,947,634	**11,688,404**	7,842,118
Issued share capital	17.2	**165,000**	165,000	**165,000**	165,000
Share premium	17.3	**900,000**	900,000	**900,000**	900,000
Reserve fund		**1,321,591**	1,273,885	**1,321,591**	1,273,885
Development fund		**2,399,891**	2,271,085	**2,343,263**	2,227,533
Capital revaluation reserve		**7,056,121**	3,326,952	**6,894,364**	3,264,988
Strategic inventory revaluation reserve		**63,856**	10,487	**63,856**	10,487
Available for sale fair value adjustment reserve		**330**	225	**330**	225
Total equity		**11,906,789**	7,947,634	**11,688,404**	7,842,118
Liabilities					
Total non-current liabilities		**7,626,432**	5,772,564	**7,622,593**	5,771,924
Interest bearing loans and borrowings	18	**2,591,523**	2,706,645	**2,591,523**	2,706,645
Deferred revenue liabilities	19	**569,640**	108,396	**569,640**	108,396
Provisions	23	**150,339**	137,740	**150,339**	137,740
Retention creditors	21.3	**7,047**	46,712	**7,047**	46,712
Derivative liabilities	22.2	**97,906**	382,119	**97,906**	382,119
Deferred tax liabilities	20	**4,209,977**	2,390,952	**4,206,138**	2,390,312
Total current liabilities		**932,374**	761,766	**938,902**	768,145
Trade and other payables	21	**621,424**	503,263	**621,568**	503,258
Loans due to subsidiaries	7.1	**-**	-	**6,384**	6,384
Derivative liabilities	22.2	**8,744**	26,343	**8,744**	26,343
Interest bearing loans and borrowings	18	**100,644**	65,790	**100,644**	65,790
Deferred revenue liabilities	19	**201,562**	166,370	**201,562**	166,370
Total liabilities		**8,558,806**	6,534,330	**8,561,495**	6,540,069
Total equity and liabilities		**20,465,595**	14,481,964	**20,249,899**	14,382,187

STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 30 June 2011

	NOTE	GROUP 2011 N$'000	GROUP 2010 N$'000	COMPANY 2011 N$'000	COMPANY 2010 N$'000
Continuing operations					
Revenue	26	**2,309,164**	1,804,177	**2,309,164**	1,804,177
Cost of Electricity		**(1,009,909)**	(764,762)	**(1,009,909)**	(764,762)
Gross profit		**1,299,255**	1,039,415	**1,299,255**	1,039,415
Net treasury (expense)/income		**(143,014)**	104,642	**(143,014)**	104,642
Depreciation and amortisation		**(665,970)**	(239,064)	**(665,900)**	(239,016)
Impairment of property, plant and equipment		**(119,546)**	-	**(119,546)**	-
Other operating expenditure		**(520,496)**	(502,032)	**(520,496)**	(502,032)
Other income		**61,991**	71,376	**61,991**	76,326
Operating (loss)/profit before net fair value adjustments and net finance income		**(87,780)**	474,337	**(87,710)**	479,335
Net fair value gain/(loss) on derivatives and foreign loans through profit or loss		**79,329**	(112,703)	**79,329**	(112,703)
Net fair value gain on embedded derivatives		**84,674**	58,505	**84,674**	58,505
Net fair value loss on firm commitments		**(37,835)**	(211,267)	**(37,835)**	(211,267)
Operating profit before net finance income		**38,388**	208,872	**38,458**	213,870
Net finance income		**71,126**	148,266	**71,126**	148,266
Finance income	25	**275,691**	316,958	**275,691**	316,958
Finance costs	25	**(204,565)**	(168,692)	**(204,565)**	(168,692)
Share of profit of associates net of tax	7.2	**13,562**	14,277	**-**	-
Profit before taxation	27	**123,076**	371,415	**109,584**	362,136
Taxation	16	**53,474**	(98,246)	**53,852**	(98,213)
Profit for the year from continuing operations		**176,550**	273,169	**163,436**	263,923
Discontinued operations					
Loss for the year from discontinued operations	11	**(38)**	(84)	**-**	-
Profit for the year		**176,512**	273,085	**163,436**	263,923
Profit attributable to:					
Owners of the Company		**176,512**	273,085	**163,436**	263,923
Profit for the year		**176,512**	273,085	**163,436**	263,923
Other comprehensive income					
Net change in fair value of available-for-sale financial assets		**105**	155	**105**	155
Revaluation of property, plant and equipment		**5,507,702**	-	**5,499,055**	-
Revaluation of strategic inventory		**53,369**	-	**53,369**	-
Share of other comprehensive income of associates		**142,902**	-	**-**	-
Taxation on other comprehensive income	16	**(1,921,205)**	-	**(1,869,679)**	-
Other comprehensive income for the year, net of taxation		**3,782,873**	155	**3,682,850**	155
Total comprehensive income for the year		**3,959,385**	273,240	**3,846,286**	264,078
Total comprehensive income attributable to:					
Owners of the Company		**3,959,385**	273,240	**3,846,286**	264,078
Total comprehensive income for the year		**3,959,385**	273,240	**3,846,286**	264,078

STATEMENTS OF CHANGES IN EQUITY

for the year ended 30 June 2011

GROUP	Share Capital N$'000	Share Premium N$'000	Reserve Fund N$'000	Development Fund N$'000
Balance at 1 July 2010	**165,000**	**900,000**	**1,273,885**	**2,271,085**
Total comprehensive income for the year				
Profit for the year	-	-	-	-
Other comprehensive income				
Revaluation of property plant and equipment, net of taxation	-	-	-	-
Revaluation of strategic stock	-	-	-	-
Net changes in fair value of available - for sale financial assets	-	-	-	-
Share of other comprehensive income of associates, net of taxation	-	-	-	-
Total other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	-	-
Allocation from retained earnings	-	-	47,706	128,806
Transfer to reserve fund	-	-	47,706	-
Funds for capital expenditure requirements	-	-	-	128,806
Balance at 30 June 2011	**165,000**	**900,000**	**1,321,591**	**2,399,891**

GROUP	Share Capital N$'000	Share Premium N$'000	Reserve Fund N$'000	Development Fund N$'000
Balance at 1 July 2009	165,000	900,000	1,218,678	2,053,207
Total comprehensive income for the year				
Profit for the year	-	-	-	-
Other comprehensive income				
Net changes in fair value of available - for sale financial assets	-	-	-	-
Total other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	-	-
Allocation from retained earnings	-	-	55,207	217,878
Transfer to reserve fund	-	-	55,207	-
Funds for capital expenditure requirements	-	-	-	217,878
Balance at 30 June 2010	165,000	900,000	1,273,885	2,271,085

Capital Revaluation Reserve N$'000	Strategic Inventory Revaluation Reserve N$'000	Available for sale Fair value adjustment Reserve N$'000	Retained earnings N$'000	Total equity N$'000
3,326,952	**10,487**	**225**	**-**	**7,947,634**
-	**-**	**-**	**176,512**	**176,512**
3,634,853	**-**	**-**	**-**	**3,634,853**
-	**53,369**	**-**	**-**	**53,369**
-	**-**	**105**	**-**	**105**
94,316	**-**	**-**	**-**	**94,316**
3,729,169	**53,369**	**105**	**-**	**3,782,643**
3,729,169	**53,369**	**105**	**176,512**	**3,959,155**
-	**-**	**-**	**(176,512)**	**-**
-	**-**	**-**	**(47,706)**	**-**
-	**-**	**-**	**(128,806)**	**-**
7,056,121	**63,856**	**330**	**-**	**11,906,789**

3,326,952	10,487	70	-	7,674,394
-	-	-	273,085	273,085
-	-	155	-	155
-	-	155	-	155
-	-	155	273,085	273,240
-	-	-	(273,085)	-
-	-	-	(55,207)	-
-	-	-	(217,878)	-
3,326,952	10,487	225	-	7,947,634

STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

for the year ended 30 June 2011

COMPANY	Share Capital N$'000	Share Premium N$'000	Reserve Fund N$'000	Development Fund N$'000
Balance at 1 July 2010	**165,000**	**900,000**	**1,273,885**	**2,227,533**
Total comprehensive income for the year				
Profit for the year	-	-	-	-
Other comprehensive income				
Revaluation of property plant and equipment, net of taxation	-	-	-	-
Revaluation of strategic stock	-	-	-	-
Net changes in fair value of available - for sale financial assets	-	-	-	-
Total other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	-	-
Allocation from retained earnings	-	-	**47,706**	**115,730**
Transfer to reserve fund	-	-	**47,706**	-
Funds for capital expenditure requirements	-	-	-	**115,730**
Balance at 30 June 2011	**165,000**	**900,000**	**1,321,591**	**2,343,263**

COMPANY	Share Capital N$'000	Share Premium N$'000	Reserve Fund N$'000	Development Fund N$'000
Balance at 1 July 2009	165,000	900,000	1,218,678	2,018,817
Total comprehensive income for the year				
Profit for the year	-	-	-	-
Other comprehensive income				
Net changes in fair value of available - for sale financial assets	-	-	-	-
Total other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	-	-
Allocation from retained earnings	-	-	55,207	208,716
Transfer to reserve fund	-	-	55,207	-
Funds for capital expenditure requirements	-	-	-	208,716
Balance at 30 June 2010	165,000	900,000	1,273,885	2,227,533

Capital Revaluation Reserve N$'000	Strategic Inventory Revaluation Reserve N$'000	Available for sale Fair value adjustment Reserve N$'000	Retained earnings N$'000	Total equity N$'000
3,264,988	**10,487**	**225**	**-**	**7,842,118**
-	**-**	**-**	**163,436**	**163,436**
3,629,376	**-**	**-**	**-**	**3,629,376**
-	**53,369**	**-**	**-**	**53,369**
-	**-**	**105**	**-**	**105**
3,629,376	**53,369**	**105**	**-**	**3,682,850**
3,629,376	**53,369**	**105**	**163,436**	**3,846,286**
-	**-**	**-**	**(163,436)**	**-**
-	**-**	**-**	**(47,706)**	**-**
-	**-**	**-**	**(115,730)**	**-**
6,894,364	**63,856**	**330**	**-**	**11,688,404**

3,264,988	10,487	70	-	7,578,040
-	-	-	263,923	263,923
-	-	155	-	155
-	-	155	-	155
-	-	155	263,923	264,078
-	-	-	(263,923)	-
-	-	-	(55,207)	-
-	-	-	(208,716)	-
3,264,988	10,487	225	-	7,842,118

STATEMENTS OF CASH FLOWS

for the year ended 30 June 2011

	NOTE	GROUP 2011 N$'000	GROUP 2010 N$'000	COMPANY 2011 N$'000	COMPANY 2010 N$'000
Cash flows from operating activities					
Cash receipts from customers		**3,062,925**	1,880,502	**3,062,925**	1,880,502
Cash paid to suppliers and employees		**(2,254,725)**	(1,386,981)	**(2,254,184)**	(1,386,975)
Cash generated from operations	A	**808,200**	493,521	**808,741**	493,527
(Decrease)/increase in retention creditors		**(39,665)**	24,542	**(39,665)**	24,542
Finance income		**211,742**	235,124	**211,742**	235,124
Finance cost		**(121,448)**	(79,494)	**(121,448)**	(79,494)
Government grant received		**50,000**	150,000	**50,000**	150,000
Discontinued operations	11	**(46)**	6	**-**	-
Net cash from operating activities		**908,783**	823,699	**909,370**	823,699
Cash flows from investing activities					
Proceeds from the sale of property, plant and equipment		**3,461**	1,830	**3,461**	1,830
Acquisitions of intangible assets	9.1	**(299)**	(148)	**(299)**	(148)
Extension and replacement of property, plant and equipment to maintain operations	6.1	**(909,302)**	(1,772,295)	**(909,302)**	(1,772,295)
Dividend received	D	**-**	4,950	**-**	4,950
Government grant received		**50,000**	-	**50,000**	-
Increase in loans to subsidiaries		**-**	-	**(587)**	-
Proceeds from the de-registration of subsidiary	B	**141**	-	**141**	-
Increase in investments		**(318,966)**	(77,396)	**(318,966)**	(77,396)
Decrease/(increase) in short term investments		**1,179,895**	(815,776)	**1,179,895**	(815,776)
Decrease in loans receivable		**51,317**	32,654	**51,317**	32,654
Net cash generated by/(used in) investing activities		**56,247**	(2,626,181)	**55,660**	(2,626,181)
Cash flows from financing activities					
Loans raised		**-**	1,162,029	**-**	1,162,029
Settlement of derivative contracts		**(6,956)**	-	**(6,956)**	-
Interest rate subsidy received		**-**	65,977	**-**	65,977
Proceeds from bonds issue		**-**	250,000	**-**	250,000
Repayment of interest bearing loans and borrowings		**(79,364)**	(60,265)	**(79,364)**	(60,265)
Net cash (used in)/generated from financing activities		**(86,320)**	1,417,741	**(86,320)**	1,417,741
Net increase/(decrease) in cash and cash equivalents		**870,205**	(393,784)	**870,205**	(393,784)
Cash and cash equivalents at 1 July		**189,252**	573,993	**189,252**	573,993
Effect of exchange rate fluctuations on cash held		**8,505**	9,043	**8,505**	9,043
Cash and cash equivalents at 30 June	C, 15	**1,067,962**	189,252	**1,067,962**	189,252

NOTES TO THE STATEMENTS OF CASH FLOWS

for the year ended 30 June 2011

	GROUP		COMPANY	
	2011 N$'000	2010 N$'000	**2011 N$'000**	2010 N$'000
A. CASH GENERATED FROM OPERATIONS				
Operating profit before net finance income	**38,388**	208,871	**38,458**	213,869
Adjustments for:				
- Dividend received	**-**	-	**-**	(4,950)
- Net accrued interest	**(22,616)**	(3,088)	**(22,616)**	(3,088)
- Fair value movements of financial liabilities at fair value through profit or loss	**2,544**	(69,610)	**2,544**	(69,610)
- Fair value movements on derivative contracts	**(7,620)**	(5,826)	**(7,620)**	(5,826)
- Fair value movements on firm commitments	**37,835**	211,267	**37,835**	211,267
- Fair value movements on embedded derivative - Power Purchase Agreement (PPA)	**(22,723)**	(179,097)	**(22,723)**	(179,097)
- Fair value movements on embedded derivative - Power Sales Agreement (PSA)	**(54,996)**	120,591	**(54,996)**	120,591
- Coal survey adjustment	**(12,176)**	-	**(12,176)**	-
- Fair value movements on investment properties	**(5,435)**	(918)	**(5,435)**	(918)
- Depreciation on property, plant and equipment	**662,752**	235,914	**662,682**	235,866
- Amortisation on intangible assets	**3,217**	3,150	**3,217**	3,150
- Impairment of property, plant and equipment	**119,546**	-	**119,546**	-
- Impairment of strategic stock items	**15,531**	1,363	**15,531**	1,363
- (Gain) / Loss on de-registration of subsidiary	**(141)**	-	**255**	-
- Government grant recognised in income	**(64,808)**	(56,762)	**(64,808)**	(56,762)
- Movement in the long term deferred revenue liability	**461,244**	595	**461,244**	595
- Property, plant and equipment donated	**(441,605)**	-	**(441,605)**	-
- Movement in the short term deferred revenue liability	**-**	366	**-**	366
- Transfer to operating project from machinery and equipment	**-**	-	**17**	-
- Transfer to strategic inventory from inventory	**(38,317)**	(137,567)	**(38,317)**	(137,567)
- Increase in provisions	**12,599**	26,670	**12,599**	26,670
- (Gain) / loss on realisation of property, plant and equipment	**(3,170)**	1,474	**(3,170)**	1,474
Operating profit before working capital changes	**680,049**	357,393	**680,461**	357,393
Decrease in inventories	**13,155**	59,423	**13,155**	59,423
(Increase) / decrease in trade and other receivables	**(3,167)**	119,386	**(3,187)**	119,393
Increase / (decrease) in trade payables	**118,163**	(42,681)	**118,312**	(42,682)
	808,200	493,521	**808,741**	493,527
B. DISPOSAL OF INTEREST IN SUBSIDIARY - NAMPOWER INTERNATIONAL				
Cost of investment - shares at cost	**-**	-	**66**	-
Loan to subsidiary	**-**	-	**330**	-
Net interest in subsidiary at date of disposal	**-**	-	**396**	-
Proceeds received on disposal	**141**	-	**141**	-
Profit / (loss) on disposal of subsidiary	**141**	-	**(255)**	-

C. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand and cash held at banks. (Refer to note 15).

D. DIVIDEND RECEIVED

The dividend received amounting to Nil (2010: N$4.9 million) has been reclassified from cash flows from operating activities to cash flows from investing activities. The dividend was received from an associate that is held as an investment, hence the reclassification.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

1. REPORTING ENTITY

Namibia Power Corporation (Proprietary) Limited is the holding company of the Group and is incorporated and domiciled in Namibia. The consolidated financial statements for the year ended 30 June 2011 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associate and jointly controlled entities.

2. BASIS OF PREPARATION

(a) Statement of compliance

The separate and consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations issued by the International Accounting Standards Board (IASB) and the requirements of the Namibian Companies Act.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated and separate financial statements except for IAS 24: Related party disclosures.

The accounting policies have been applied consistently by all Group entities.

(b) Basis of measurement

The financial statements are prepared on the historical cost basis, except for financial instruments, property, plant and equipment and investment properties which are measured at fair value.

Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell, with the exception of the following items that are carried in terms of their individual standard.

- Deferred tax assets;
- Financial assets within the scope of IAS 39: Financial instrument: Recognition and Measurement; and
- Investment properties.

(c) Functional and presentation currency

These consolidated and separate financial statements are presented in Namibia Dollars (N$), which is the Company's functional and presentation currency and are rounded to the nearest thousand.

(d) Use of estimates and judgements

The preparation of the separate and consolidated financial statements in conformity with International Financial Reporting Standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect in the amounts recognised in the financial statements is included in the following note:

Note 30 - valuation of financial instruments - loans and derivatives

In particular, information about assumptions and estimation uncertainties in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are included in the following notes :

Note 6 - revaluation of property, plant and equipment;
Note 8 - valuation of investment property;
Note 20 - utilisation of tax losses;
Note 23 - provisions

(e) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments has been identified as the Executive Committee (EXCO).

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's results are reviewed regularly by EXCO to make decisions about resources to be allocated to the segment and assess performance, and for which separate financial information is available.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company, its subsidiaries, associates and jointly controlled entities. The Company measures its investments in subsidiaries, associates and joint ventures at cost less accumulated impairment in its separate financial statements.

(i) Subsidiaries

Subsidiaries are those entities 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 existence and effect of potential voting rights that

(a) Basis of consolidation (continued)

are currently exercisable or convertible, are considered when assessing whether the Group controls another entity. 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.

Loss of control

Upon loss of control, the Group derecognises, the assets and liabilities of the subsidiary, any non-controlling interests and the other components of any equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(ii) Investments in equity-accounted investees

The Group's share of its associates and joint ventures post acquisition profits or losses is recognised within share of profit of equity-accounted investees, and its share of post-acquisition movement in reserve is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associates or joint venture.

Associates

Associates are those entities in which the Company has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Company's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases.

Joint ventures

Joint ventures are those entities over whose activities the Company has joint control, established by a contractual agreement. The Group recognises its interest in a jointly control entity by using the equity method from the date the joint control commences. The Group discontinues the equity method from the date on which it ceases to have joint control over jointly controlled entity.

(iii) 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 and transaction with associates 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.

(iv) Business combinations

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Acquisition related costs are recognised in profit or loss as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date, which is the date that control is transferred to the Group. The excess of the cost of acquisition over fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in profit or loss as a bargain purchase gain.

(b) Property, plant and equipment

(i) Owned assets

Property, plant and equipment is initially recognised at cost. Cost include any costs directly attributable to bringing the asset to the location and condition necessary to be capable of operating in the manner intended by management, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which one entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for the purpose other than to produce inventory during that period and borrowing cost. Subsequently property, plant and equipment is measured at revalued amounts less accumulated depreciation (see below) and accumulated impairment losses (see accounting policy 3 (e)).

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate components of property, plant and equipment.

Plant and equipment is revalued at the estimated replacement cost thereof as adjusted in relation to the remaining useful lives of these assets. Property is revalued to its market value. Valuations of property, plant and equipment are determined from market-based evidence by appraisals undertaken by professional valuers. Revaluations are performed every five years such that the carrying amount does not differ materially from that which would be determined using fair values at the reporting date. Between formal valuations, the revalued amounts are reassessed at each reporting date by professional valuers.

Any revaluation increase arising on the revaluation of such property, plant and equipment is recognised in other comprehensive income and presented in equity in the capital revaluation reserve, except to the extent that it reverses a revaluation decrease for the same assets previously recognised as an expense, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in the carrying amount arising on the revaluation of such property, plant and

(b) Property, plant and equipment (continued)

(i) Owned assets (continued)

equipment is recognised in other comprehensive income, but charged as an expense to the extent that it exceeds the balance, if any, held in the capital revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of an item of revalued property, plant and equipment, the attributable revaluation surplus remaining in the capital revaluation reserve is transferred directly to retained earnings.

Assets under construction are not revalued as the cost of construction is assumed as the fair value.

(ii) Subsequent costs

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the profit or loss as expenses are incurred.

(iii) Strategic inventory

Spares that would normally have been classified as inventory but are major spare parts and/or stand-by equipment are classified as strategic stock and included as property, plant and equipment, as the entity expects to use them during more than one period. Spare parts and servicing equipment that can be used only in connection with an item of property, plant and equipment are also included in property, plant and equipment. This asset class is accounted for in terms of the accounting policy for property, plant and equipment and is revalued every five years.

(iv) Assets under construction

Assets under construction are measured at cost which includes costs of materials and direct labour and any cost incurred in bringing it to its present location and condition for their intended use, the cost of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Materials used in the construction of property, plant and equipment are valued at weighted average cost.

(v) Depreciation

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, to its residual value.

Leased assets are depreciated over the shorter of the lease term and their useful lives if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Land and assets under construction are not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

Category	
• Power Stations	
- Ruacana Power Station (Plant & Civil Works)	1 - 120 years
- Van Eck Power Station	1 - 35 years
- Paratus Power Station - Plant	1 - 35 years
• Transmission System	8 - 60 years
• Machinery & Equipment	1 - 35 years
• Buildings	23 - 50 years

The depreciation methods, useful lives and residual values are reassessed annually.

Strategic inventory

The Company depreciates strategic inventory if the stock is unique and specific to items of property, plant and equipment. The strategic stock is depreciated at the same rate as the main item of property, plant and equipment as these assets will be simultaneously retired with the main asset. Interchangeable strategic stock items are not depreciated.

Disposal

Gains or losses are determined by comparing proceeds with the carrying amount. The gains or losses are included in profit or loss.

(vi) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. The owner-occupied property acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses (see accounting policy 3(e)). The property held under finance leases and leased out under operating lease is classified as investment property and is measured using the fair value model. Lease payments are accounted for as described in the accounting policy on expenses (see accounting policy 3(q)). Property held under operating leases that would otherwise meet the definition of investment property may be classified as investment property on a property-by-property basis. If it is, such investment property interest is accounted for as if it were a finance lease and the recognised asset is measured using the fair value model.

(vii) Reclassification to investment property

If an owner occupied property becomes an investment property that will be carried at fair value, any difference at that date between the carrying amount of the property in accordance of IAS 16 and its fair value is treated in the same way as a revaluation in accordance with IAS 16.

(c) Intangible assets

(i) Research and development costs

Expenditure on research activities, undertaken with the prospect of gaining new technical or scientific knowledge and understanding, is recognised in profit or loss as an expense when incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the costs of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in profit or loss as an expense when incurred. Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses (see accounting policy 3(e)).

Costs that are directly associated with development of identifiable and unique software products controlled by the Group and that it will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets and amortised as below. Costs include employee costs incurred as a result of developing software and an appropriate portion of relevant overheads.

(ii) Computer software

Acquired computer software is capitalised on the basis of costs incurred to acquire and bring to use a specific software. These costs are amortised over their estimated useful lives. If software is integral to the functionality of related equipment, then it is capitalised as part of the equipment.

(iii) Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

(iv) Amortisation

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of the intangible assets unless such lives are indefinite. Intangible assets are amortised from the date they are available for use. The estimated useful life for the current and comparative periods is as follows:

- Computer software 5 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(d) Investment properties

Investment properties are properties held to earn rental income and/or for capital appreciation purposes but not for sale in the ordinary course of business, use in production or supply of goods or services or for administrative purposes. Investment properties are measured initially at cost and subsequently at fair value with any change therein recognised in profit or loss. Cost includes: expenditure that is directly attributable to acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour and other costs directly attributable to bringing the investment property to a working condition for their intented use and capitalised borrowing costs.
When the use of the investment property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

(e) Impairment of assets

(i) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories, deferred tax assets and investment properties are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

Calculation of recoverable amount

The recoverable amount of the Group's investment in held-to-maturity securities and loans and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short maturity are not discounted.

The recoverable amount of other non-financial assets is the greater of their fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit (CGU). For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. All impairment losses, except for property, plant and equipment accounted for under the revaluation model, are recognised in profit or loss.

Reversals of impairment

In respect of non-financial assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying

(e) Impairment of assets (continued)

amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(ii) Financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised in other comprehensive income is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

(iii) Reversals of impairment

An impairment loss in respect of a held-to-maturity security or loans and receivables carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of an investment in an equity instrument classified as available-for-sale is reversed through other comprehensive income. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognised in profit or loss.

(f) Inventories

Fuel, coal, maintenance spares and consumable stores are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated cost necessary to make the sale. 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 weighted average cost method.

(g) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will occur to settle the obligation, and where a reliable estimate can be made of the amount of the obligation.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as finance cost. Provisions are not recognised for future operating losses.

(i) Decommissioning

The Group recognises decommissioning obligations raised only on notification to the Electricity Control Board of a planned decommissioning. When a decommissioning notification is given by the Group five years prior to the plant decommissioning, the decommissioning plan is approved and consequently the arising of the obligation. No decommissioning notifications have been given by the Group to date and therefore no provision for decommissioning has been raised.

(ii) Site restoration

The Group has no legal obligation to restore contaminated land or related expenses and thus recognised no provision for site restoration.

(iii) Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

(h) 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. The capitalisation rates applied are the weighted averages of the borrowing costs applicable to the borrowings of the respective entities in the Group unless an asset is financed by a specific loan, in which case the specific rate is used.

(i) Financial Instruments

(i) Initial recognition

Financial instruments are recognised when, and only when, the Group becomes party to the contractual provisions of the particular instrument at trade date. The Group recognises loans and receivables and deposits, on the date that it originated. The Group classifies non-derivative financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets. The Group classifies non-derivative financial liabilities into the other financial liabilities at amortised cost category. The Group has also designated some loans and borrowings at fair value through profit or loss.

(ii) Derecognition

A financial asset is derecognised when, and only when:

- the contractual rights to the cash flows arising from the financial asset have expired or been forfeited by the Group; or
- The Group transfers the financial asset including substantially all risks and rewards of ownership of the asset; or

(i) Financial Instruments (continued)

- The Group transfers the financial asset, neither retaining nor transferring substantially all risks and rewards of ownership of the asset, but no longer retains control of the asset. Any interest in the transferred financial assets that is created or retained is recognised as a separate asset or liability.

The difference between the carrying amount of a financial asset (or part thereof) derecognised and consideration received, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

A financial liability is derecognised when, and only when:
- the liability is extinguished, that is, when the obligation specified in the contract is discharged,
- cancelled,
- or has expired.

The difference between the carrying amount of a financial liability (or part thereof) derecognised and consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(iii) Offset

Financial assets and liabilities are offset against each other only when a legally enforceable right exists to set off the recognised amounts, and the Group intends to either settle on a net basis, or to realise the assets and settle the liability simultaneously.

(iv) Held-to-maturity investments

If the Group has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses. Any sale or reclassification of a more than insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Group from classifying investment securities as held-to-maturity for the current and the following two financial years. Held-to-maturity investments comprise Namibian government bonds and treasury bills, Namibian commercial banks bonds and South African zero coupon bonds. Held-to-maturity investments are classified as investments on the statement of financial position.

(v) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the other categories of financial assets. The Group's investments in equity securities and certain debt securities are classified as available-for-sale financial assets. The Group initially recognise the financial asset at fair value plus transaction cost that are directly attributable to the acquisition of the financial asset. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see note 3(e)) and foreign currency differences on available-for-sale monetary items, are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss. Available-for-sale financial assets comprise investments in listed equity. Available-for-sale financial assets are classified as investments on the statement of financial position.

(vi) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market, such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans and receivables comprise cash and cash equivalents, trade and other receivables and other loans and receivables. Cash and cash equivalents comprises cash balances, call and fixed deposits with original maturities of three months or less.

(vii) Financial assets and financial liabilities at fair value through profit or loss

A financial asset and financial liability is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial assets and financial liabilities are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Attributable transaction costs are recognised in profit or loss as incurred. Financial assets and financial liabilities at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss (see note 30).

(viii) Non-derivative financial liabilities

Other financial liabilities comprises loans and borrowings, trade and other payables and retention creditors.

Non-derivative financial liabilities are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, financial liabilities are measured at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings on an effective interest basis.

(ix) Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks 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. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at fair value, attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivative financial instruments are

(i) Financial Instruments (continued)

measured at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the profit or loss. However, where derivatives qualify for hedge accounting, any resultant gain or loss is recognised in terms of the hedging policy (see (x) below).

An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract, with the effect that some of the cash flows of the combined instrument vary in a way similar to those of a standalone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, or other variable. The hybrid contract is the entire contract and the host contract is the main body of the contract excluding the embedded derivative.

An embedded derivative is separated from the host contract and accounted for as a derivative if:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative and
- the combined instrument is not measured at fair value with changes in fair value recognised in profit or loss.

The determination of the value of the host contract of a hybrid electricity contract (which includes an embedded derivative) is based on the standard electricity tariff specified in the contract and where no standard tariff is specified, the tariff that would normally apply to such a customer.

The changes in fair value are included in net fair value gain/(loss) on embedded derivatives in profit or loss. The impact of the fair value gains or losses is taken into account in the calculation of current and deferred taxation.

Embedded derivatives that are not separated are effectively accounted for as part of the hybrid instrument.

The value at initial recognition is adjusted for cash flows since inception. The value of the embedded derivatives which involve a foreign currency is first determined by calculating the future cash flows and then discounting the cash flows by using the relevant interest rate curve and only then is the net present value of the cash flows converted at the relevant Namibia dollar/foreign currency spot rate to the reporting currency.

The fair value of the embedded derivative is determined on the basis of its terms and conditions. If this is not possible, then the value of the embedded derivative is determined by fair valuing the whole contract and deducting from it the fair value of the host contract. If the Group is unable to determine the fair value of the embedded derivative using this method then the entire hybrid contract is designated as at fair value through profit or loss.

Where there is no active market for the embedded derivatives, valuation techniques are used to ascertain their fair values. Financial models are developed incorporating valuation methods, formulae and assumptions. The valuation methods include the following:

- forwards: electricity tariff or other revenue or expenditure is based on the foreign currency.

The fair value of embedded derivatives is adjusted, where applicable, to take into account the inherent uncertainty relating to the future cash flows of embedded derivatives such as liquidity, model risk and other economic factors.

(x) Hedging

The Group holds derivative financial instruments to hedge its foreign currency and interest rate exposures.

On the initial designation of the hedge, the Group formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be 'highly effective' in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 percent.

The Group designates certain derivatives as a hedge of the exposure in the fair value of recognised assets or liabilities or unrecognised firm commitments as fair value hedges.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

The Group derecognise the fair value hedge if the hedge no longer meets the criteria for hedge accounting, or the hedging instrument is sold, terminated or exercised or the entity revokes the designation.

(j) Foreign currency transactions

Transactions in foreign currencies of Group entities are translated to Namibia dollars (N$) at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Namibia dollars (N$) at the exchange rate ruling at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to Namibia dollars (N$) at the exchange rates ruling at the date that the fair value was determined. Foreign exchange differences arising on translation are recognised in profit or loss.

(k) Non-current Assets held for Sale and Discontinued Operations

Immediately before classification as held for sale, the measurement of the assets (or all assets and liabilities in a disposal group) is brought up-to-date in accordance with the Group's accounting policies. Then, on initial classification as held for sale, non-current assets and disposal groups are recognised at the lower of carrying amount and fair value less costs to sell, with the exception of the following assets whose carrying amounts are determined in terms of their individual standard:

- deferred taxation asset;
- financial assets within the scope of IAS 39 - Financial instruments: Recognition and Measurement; and
- investment property.

Impairment losses on initial classification as held for sale are included in profit or loss, even when there is a revaluation. The same applies to gains and losses on subsequent remeasurement.

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.
Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. A disposal group that is to be abandoned may also qualify.

When an operation is classified as a discontinued operation, the comparative statement of comprehensive income and statement of cash flows are represented as if the operation had been discontinued from the start of the comparative period.

(l) Deferred income

(i) Government grants

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant. Government grants received relating to the creation of electricity assets are included in non current liabilities as deferred income and are credited to profit or loss on a systematic basis over the useful lives of the assets. Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis in the same periods in which the expenses are recognised.

(ii) Payments received in advance

Payments received in advance consists mainly of upfront capital contributions for the construction of assets. From 1 July 2009, upfront capital contributions are recognised in profit or loss when all performance obligations have been performed by the Group e.g. when the customer is connected to the network (see accounting policy 3(o)).

(iii) Transfers of assets from customers

The Group recognises assets transferred by customers as an item of property, plant and equipment in accordance with IAS 16 at the fair value of the asset transferred on the date of transfer. The fair value of the asset transferred is initially recognised as deferred revenue and recognised as income in profit or loss over the useful life of the asset transferred in accordance with IFRIC 18.

(m) Appropriation of Funds

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

- Reserve Fund - to be utilised to fund cost associated with potential energy crises. 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. The interest earned is calculated on the outstanding balance of the reserve fund at a monthly average interest rate earned on the current account.
- 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 profit after the interest allocation to the reserve fund will be transferred to this fund.

(n) Taxation

Taxation on the profit or loss for the year comprises current and deferred tax. Taxation is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income, in which case it is recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using the tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of 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: taxable temporary differences arising from the initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. 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 substantively enacted at the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and it is the Group's intention to settle on a net basis or to realise their tax assets and settle their tax liabilities simultaneously.

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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

(o) Revenue

(i) Electricity Sales

Revenue comprises electricity sales, STEM sales, Paratus contribution, extension charges and contributions received or receivable excluding value added tax. Paratus contribution comprises of a monthly contribution by the municipality of Walvis Bay as per take over contract of the Enclave. Electricity revenue is recognised when the electricity is consumed by the customer.

Capital contribution constitutes cash transferred by a customer to the company for the construction of power supply. Revenue received for the construction of an asset is recognised in profit or loss after the asset has been constructed and the customer is connected to the network (see accounting policy 3(l)).

(ii) Finance income

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, increases in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognised in profit or loss and gains on hedged items that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established.

(p) Expenses

(i) Operating lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense on a systematic basis.

(ii) Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(iii) Finance expenses

Finance costs comprise interest expense on borrowings, decreases in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss and losses on hedged items that are recognised in profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.Foreign currency gains and losses are reported on a net basis and reported in profit or loss.

(q) Employee benefits

(i) Short-term employee benefits

The cost of all short term employee benefits is recognised in profit or loss during the period in which the employee renders the related service. The accruals for employee entitlements to leave and bonuses represent the amount which the Group has a present obligation to pay as a result of employees' services provided to the reporting date. The accruals have been calculated at undiscounted amounts based on current wage and salary rates.

(ii) Retirement Benefits

The Group contributes to a defined contribution plan. A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(iii) Post-Retirement Medical Benefits

The Group subsidises part of the contributions by retired employees to the medical aid fund. An obligation is recognised for the present value of post retirement medical benefits.

The net obligation in respect of defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods that benefit is discounted to determine its present value, and any unrecognised past service costs and the fair value of any plan assets are deducted. The calculation is done by a qualified actuary using the projected unit credit method. The discount rate is the yield of the 186 South African government bond as at 31 May 2011.

When benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in profit or loss on a straight line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss. Unrecognised actuarial gains and losses are recognised immediately in profit or loss.

(iv) Other long-term employee benefits

Severance Pay Retirement Benefits

The Group recognises an obligation for statutory severance benefits, in accordance with the Namibia Labour Act 2007. The liability is discounted to account for the present value of the future benefits payable on resignation or retirement of employees on reaching the age of 65. The cost of providing the benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period. The movement for the year including actuarial gains and losses is recognised in profit or loss in the year in

(q) Employee benefits (continued)

which it occurs. The discount rate is the yield of the 186 South African government bond as at 31 May 2011.

(v) Housing subsidy

The company subsidises interest on home loans at a rate of prime rate minus 3.5% to employees who joined the company before 1 March 2005. The home loan amount is limited to 5 times the annual basic salary of the employee.

4. DETERMINATION OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the reporting date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair value of forward exchange contracts is their quoted market price at the reporting date, being the present value of the quoted forward price.

The more important assumptions, which include the following, are obtained either with reference to the contractual provisions of the relevant contracts or from independent market sources where appropriate:

- spot and forward foreign currency exchange rates;
- forecast sales volume purchases;
- spot and forward consumer and foreign production price indices (PPI's);
- spot and forward electricity prices and
- liquidity, model risk and other economic factors.

(i) Property, plant and equipment

The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly. The fair value of items of plant and equipment, is based on the market approach and cost approaches using market prices for similar items when available and depreciated replacement cost when appropriate.

(ii) Investment property

An external, independent valuer, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Group's investment property portfolio annually. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly.

In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows then is applied to the net annual cash flows to arrive at the property valuation.

(iii) Investments in equity and debt securities

The fair value of financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets is determined by reference to their quoted closing bid price at the reporting date. The fair value of held-to-maturity investments is determined for disclosure purposes only. The investments in unlisted equity are measured at cost.

(iv) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. The carrying value of trade and other receivables is assumed as the fair value due to the short-term nature of the instruments.

Foreign debtors are translated at a spot rate of exchange on reporting date.

(v) Derivatives

The fair value of forward exchange contracts is based on their quoted price, if available. If a quoted price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

Fair values of interest rate swaps reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty when appropriate.

(vi) Non-derivative financial liabilities

Fair value, is determined based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. The carrying value of short-term non-derivative financial instruments is assumed as the fair value due to the short-term nature of the instruments. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

5. STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

At the date of authorisation of the financial statements of NamPower (Pty) Ltd and the Group for the year ended 30 June 2011, the following Standards and Interpretations which affects the Group and Company were in issue but not yet effective:

Standard/Interpretation early adopted	***Effective date****
IAS 24: *Related Party disclosures - Revised definition of related parties*	Annual periods commencing on or after 1 January 2011
Standards/Interpretations not early adopted	***Effective date****
IAS 1: Presentation of Financial Statements: Presentation of Items of Other comprehensive Income	Annual periods beginning on or after 1 July 2012
IAS 12: Deferred Tax: Recovery of Underlying Assets	Annual periods beginning on or after 1 January 2012
IAS 19: Employee Benefits: Defined benefit plans	Annual periods beginning on or after 1 January 2013
IAS 27: Separate Financial Statements (2011)	Annual periods beginning on or after 1 January 2013
IAS 28: Investments in Associates and Joint Ventures (2011)	Annual periods beginning on or after 1 January 2013
IFRS 7: Disclosures - Transfers of Financial Assets	Annual periods beginning on or after 1 July 2011
IFRS 9: Financial instruments - Classification and Measurement	Annual periods commencing on or after 1 January 2013
IFRS 10: Consolidated Financial Statements	Annual periods beginning on or after 1 January 2013
IFRS 11: Joint Arrangements	Annual periods beginning on or after 1 January 2013
IFRS 12: Disclosure of Interests in Other Entities	Annual periods beginning on or after 1 January 2013
IFRS 13: Fair Value Measurement	Annual periods beginning on or after 1 January 2013
IFRIC 14: The limit on a defined benefit asset, minimum funding requirements and their interaction (amended)	Annual periods beginning on or after 1 January 2011

* All standards will be adopted at their effective date.

5. STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE (CONTINUED)

The directors are of the opinion that the impact of the application of the standards will be as follows:

IAS 24: Related Parties - Revised definition of related parties

The revised IAS 24 Related Party Disclosures amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. The revised standard still requires disclosures that are important to users of financial statements but eliminates requirements to disclose information that is costly to gather and less valuable to users. The standard only requires disclosure if transactions are individually or collectively significant. This standard was early adopted during the year ended 30 June 2011.

IAS 1: Presentation of financial statements: Presentation of Items of Other comprehensive Income

The amendments to IAS 1 require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss; do not change the existing option to present profit or loss and other comprehensive income in two statements; and change the title of the statement of comprehensive income to the statement of profit or loss and other comprehensive income. However, an entity is still allowed to use other titles. The amendment is not expected to have an impact on the Group's financial statements.

IAS 12: Income taxes

The amendment to IAS 12 introduces a rebuttable presumption that an investment property measured at fair value will be recovered in its entirety through sale. The amendment is not expected to have an impact on the Group's financial statements.

IAS 19: Employee Benefits: Defined benefit plans

The amended IAS 19 includes the following requirements: actuarial gains and losses are recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The amendment is not expected to have an impact on the Group's financial statements.

IAS 27: Separate Financial Statements (2011)

IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. IAS 27 (2011) supersedes IAS 27 (2008). The amendment is not expected to have an impact on the Group's financial statements.

IAS 28: Investments in Associates and Joint Ventures (2011)

IAS 28 (2011) makes the following amendments: IFRS 5 applies to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture or vice versa, the entity does not remeasure the retained interest. The amendment is not expected to have an impact on the Group's financial statements.

IFRS 7: Disclosures - Transfers of Financial Assets

The amendments introduce new disclosure requirements about transfers of financial assets including disclosures for: financial assets that are not derecognised in their entirety; and financial assets that are derecognised in their entirety but for which the entity retains continuing involvement. The amendment is not expected to have an impact on the Group's financial statements.

IFRS 9: Financial Instruments

IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The Group is still determining the impact of the standard on the financial statements.

IFRS 10: Consolidated Financial Statements

IFRS 10 introduces a new approach to determining which investees should be consolidated and provides a single model to be applied in the control analysis for all investees. An investor controls an investee when it is exposed or has rights to variable returns from its involvement with that investee; it has the ability to affect those returns through its power over that investee; and there is a link between power and returns. Control is reassessed as facts and circumstances change. The amendment is not expected to have an impact on the Group's financial statements.

IFRS 11: Joint Arrangements

IFRS 11 focuses on the rights and obligations of joint arrangements, rather than the legal form (as is currently the case). It distinguishes joint arrangements between joint operations and joint ventures; and always requires the equity method for jointly controlled entities that are now called joint ventures; they are stripped of the free choice of using the equity method or proportionate consolidation. The amendment is not expected to have an impact on the Group's financial statements.

IFRS 12: Disclosure of Interests in Other Entities

IFRS 12 contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, aiming to provide information to enable users to evaluate the nature of, and risks associated with, an entity's interests in other entities; and the effects of those interests on the entity's financial position, financial performance

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

5. STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE (CONTINUED)

and cash flows. The amendment is not expected to have an impact on the Group's financial statements.

IFRS 13: Fair Value Measurement

IFRS 13 replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value when it is required or permitted by other IFRSs. It does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The amendment is not expected to have an impact on the Group's financial statements.

IFRIC 14: The limit on a defined benefit asset, minimum funding requirements and their interaction (amended)

These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. These amendments result in prepayments of contributions in certain circumstances being recognised as an asset rather than an expense. The amendment is not expected to have an impact on the Group's financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

6. PROPERTY, PLANT AND EQUIPMENT

GROUP	Revalued/cost N$'000	Accumulated depreciation N$'000	Accumulated impairment N$'000	Carrying amount N$'000
2011				
Ruacana Power Station	**1,789,105**	**(399,283)**	**-**	**1,389,822**
Van Eck Power Station	**509,449**	**(190,267)**	**(71,781)**	**247,401**
Paratus Power Station	**109,694**	**(34,229)**	**(22,724)**	**52,741**
Transmission systems	**13,760,485**	**(1,094,670)**	**(518,039)**	**12,147,776**
Machinery and equipment	**311,734**	**(204,771)**	**(6,866)**	**100,097**
Land and Buildings	**319,694**	**(40,986)**	**(13,913)**	**264,795**
Assets under construction	**828,131**	**-**	**-**	**828,131**
Strategic inventory	**362,086**	**(1,636)**	**-**	**360,450**
Total	**17,990,378**	**(1,965,842)**	**(633,323)**	**15,391,213**
2010				
Ruacana Power Station	1,189,943	(153,281)	-	1,036,662
Van Eck Power Station	241,593	(162,797)	(71,781)	7,015
Paratus Power Station	85,069	(28,369)	(20,318)	36,382
Transmission systems	6,307,821	(750,310)	(6,731)	5,550,780
Machinery and equipment	281,244	(181,632)	-	99,612
Land and Buildings	211,902	(35,386)	(9,222)	167,294
Assets under construction	2,184,070	-	-	2,184,070
Strategic inventory	166,220	-	-	166,220
Total	10,667,862	(1,311,775)	(108,052)	9,248,035

COMPANY				
2011				
Ruacana Power Station	**1,789,105**	**(399,283)**	**-**	**1,389,822**
Van Eck Power Station	**509,449**	**(190,267)**	**(71,781)**	**247,401**
Paratus Power Station	**109,694**	**(34,229)**	**(22,724)**	**52,741**
Transmission systems	**13,760,358**	**(1,094,543)**	**(518,039)**	**12,147,776**
Machinery and equipment	**309,236**	**(202,273)**	**(6,866)**	**100,097**
Land and Buildings	**308,117**	**(40,389)**	**(13,913)**	**253,815**
Assets under construction	**828,131**	**-**	**-**	**828,131**
Strategic inventory	**362,086**	**(1,636)**	**-**	**360,450**
Total	**17,976,176**	**(1,962,620)**	**(633,323)**	**15,380,233**
2010				
Ruacana Power Station	1,189,943	(153,281)	-	1,036,662
Van Eck Power Station	241,593	(162,797)	(71,781)	7,015
Paratus Power Station	85,069	(28,369)	(20,318)	36,382
Transmission systems	6,307,694	(750,183)	(6,731)	5,550,780
Machinery and equipment	278,746	(179,134)	-	99,612
Land and Buildings	208,624	(34,859)	(9,222)	164,543
Assets under construction	2,184,070	-	-	2,184,070
Strategic inventory	166,220	-	-	166,220
Total	10,661,959	(1,308,623)	(108,052)	9,245,284

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

6.1 Property, plant and equipment

GROUP	Ruacana Power Station N$'000	Van Eck Power Station N$'000	Paratus Power Station N$'000
2011			
Carrying amount at 1 July 2010	1,036,662	7,015	36,382
- At cost/valuation	1,189,943	241,593	85,069
- Accumulated impairment	-	(71,781)	(20,318)
- Accumulated depreciation	(153,281)	(162,797)	(28,369)
Additions	-	-	-
Transfer of property, plant and equipment by customers	-	-	-
Transfer from inventory	-	-	-
Assets under construction completed	1,365	669	-
Transfer from assets under construction	-	-	-
Impairment of strategic stock	-	-	-
Transfer to intangible assets	-	-	-
Transfer to investment property	-	-	-
Transfer from Transmission system	-	-	-
- At cost/valuation	-	-	-
- Accumulated depreciation	-	-	-
Transfer to Operating Projects	-	-	-
- At cost/valuation	-	-	-
- Accumulated depreciation	-	-	-
Revaluation	597,797	267,187	24,625
Impairment	-	-	(2,406)
Disposals	-	-	-
- At cost/valuation	-	-	-
- Accumulated depreciation	-	-	-
Depreciation for the year	(246,002)	(27,470)	(5,860)
Carrying amount at 30 June 2011	1,389,822	247,401	52,741
- At cost/valuation	1,789,105	509,449	109,694
- Accumulated impairment	-	(71,781)	(22,724)
- Accumulated depreciation	(399,283)	(190,267)	(34,229)

Included in additions are borrowing costs capitalised of N$28 million (2010: N$57 million) for the Group and Company. The interest expense capitalised as borrowing cost is calculated using the NamPower Bond NMP20N interest rate of 9.35% and the NMP19N interest rate of 10% respectively.

Transmission systems N$'000	Machinery and equipment N$'000	Land and Buildings N$'000	Assets under construction N$'000	Strategic inventory N$'000	Total N$'000
5,550,780	99,612	167,294	2,184,070	166,220	9,248,035
6,307,821	281,244	211,902	2,184,070	166,220	10,667,862
(6,731)	-	(9,222)	-	-	(108,052)
(750,310)	(181,632)	(35,386)	-	-	(1,311,775)
5,223	29,650	-	867,814	6,615	909,302
441,605	-	-	-	-	441,605
-	-	-	-	38,317	38,317
2,108,509	9,681	1,416	(2,121,640)	-	-
-	-	-	(102,113)	102,113	-
-	-	-	-	(15,531)	(15,531)
-	(8,628)	-	-	-	(8,628)
-	-	(4)	-	-	(4)
(9,347)	-	-	-	9,347	-
(10,983)	-	-	-	10,983	-
1,636	-	-	-	(1,636)	-
-	(17)	-	-	-	(17)
-	(17)	-	-	-	(17)
-	-	-	-	-	-
4,908,709	8,381	106,380	-	53,369	5,966,448
(511,308)	(6,866)	(4,691)	-	-	(525,271)
(287)	(4)	-	-	-	(291)
(399)	(8,577)	-	-	-	(8,976)
112	8,573	-	-	-	8,685
(346,108)	(31,712)	(5,600)	-	-	(662,752)
12,147,776	100,097	264,795	828,131	360,450	15,391,213
13,760,485	311,734	319,694	828,131	362,086	17,990,378
(518,039)	(6,866)	(13,913)	-	-	(633,323)
(1,094,670)	(204,771)	(40,986)	-	(1,636)	(1,965,842)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

6.1 Property, plant and equipment (continued)

GROUP	Ruacana Power Station N$'000	Van Eck Power Station N$'000	Paratus Power Station N$'000
2010			
Carrying amount at 1 July 2009	1,067,242	13,947	39,979
- At cost/valuation	1,189,757	234,762	85,031
- Accumulated impairment	-	(71,781)	(20,318)
- Accumulated depreciation	(122,515)	(149,034)	(24,734)
Additions	-	-	-
Transfer from inventory	-	-	-
Transfer to inventory	-	-	-
Assets under construction completed	186	6,831	38
Assets impaired	-	-	-
Transfer to investment property	-	-	-
Disposals	-	-	-
- At cost/valuation	-	-	-
- Accumulated depreciation	-	-	-
Depreciation for the year	(30,766)	(13,763)	(3,635)
Carrying amount at 30 June 2010	1,036,662	7,015	36,382
- At cost/valuation	1,189,943	241,593	85,069
- Accumulated impairment	-	(71,781)	(20,318)
- Accumulated depreciation	(153,281)	(162,797)	(28,369)

Included in additions are borrowing costs capitalised of N$57 million (2009: N$41 million) for the Group and Company. The interest expense capitalised as borrowing cost is calculated using the NamPower Bond NMP20N interest rate of 9.35% and the NMP19N interest rate of 10% respectively.

Transmission systems N$'000	Machinery and equipment N$'000	Land and Buildings N$'000	Assets under construction N$'000	Strategic inventory N$'000	Total N$'000
4,680,463	101,902	171,013	1,475,019	37,521	7,587,086
5,286,231	277,652	210,066	1,475,019	37,521	8,796,039
(6,731)	-	(9,222)	-	-	(108,052)
(599,037)	(175,750)	(29,831)	-	-	(1,100,901)
6,209	26,957	-	1,738,329	801	1,772,296
-	-	-	-	137,567	137,567
-	-	-	-	(8,305)	(8,305)
1,019,764	597	1,862	(1,029,278)	-	-
-	-	-	-	(1,364)	(1,364)
-	-	(26)	-	-	(26)
(3,299)	(6)	-	-	-	(3,305)
(4,383)	(23,962)	-	-	-	(28,345)
1,084	23,956	-	-	-	25,040
(152,357)	(29,838)	(5,555)	-	-	(235,914)
5,550,780	99,612	167,294	2,184,070	166,220	9,248,035
6,307,821	281,244	211,902	2,184,070	166,220	10,667,862
(6,731)	-	(9,222)	-	-	(108,052)
(750,310)	(181,632)	(35,386)	-	-	(1,311,775)

6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

6.1 Property, plant and equipment (continued)

COMPANY	Ruacana Power Station N$'000	Van Eck Power Station N$'000	Paratus Power Station N$'000
2011			
Carrying amount at 1 July 2010	1,036,662	7,015	36,382
- At cost/valuation	1,189,943	241,593	85,069
- Accumulated impairment	-	(71,781)	(20,318)
- Accumulated depreciation	(153,281)	(162,797)	(28,369)
Additions	-	-	-
Transfer of property, plant and equipment by customers	-	-	-
Transfer from inventory	-	-	-
Assets under construction completed	1,365	669	-
Transfer from assets under construction	-	-	-
Impairment of strategic stock	-	-	-
Transfer to intangible assets	-	-	-
Transfer to investment property	-	-	-
Transfer from Transmission system	-	-	-
- At cost/valuation	-	-	-
- Accumulated depreciation	-	-	-
Transfer to Operating Projects	-	-	-
- At cost/valuation	-	-	-
- Accumulated depreciation	-	-	-
Revaluation	597,797	267,187	24,625
Impairment	-	-	(2,406)
Disposals	-	-	-
- At cost/valuation	-	-	-
- Accumulated depreciation	-	-	-
Depreciation for the year	(246,002)	(27,470)	(5,860)
Carrying amount at 30 June 2011	1,389,822	247,401	52,741
- At cost/valuation	1,789,105	509,449	109,694
- Accumulated impairment	-	(71,781)	(22,724)
- Accumulated depreciation	(399,283)	(190,267)	(34,229)

Included in additions are borrowing costs capitalised of N$28 million (2010: N$57 million) for the Group and Company. The interest expense capitalised as borrowing cost is calculated using the NamPower Bond NMP20N interest rate of 9.35% and the NMP19N interest rate of 10% respectively.

Transmission systems N$'000	Machinery and equipment N$'000	Land and Buildings N$'000	Assets under construction N$'000	Strategic inventory N$'000	Total N$'000
5,550,780	99,612	164,543	2,184,070	166,220	9,245,284
6,307,694	278,746	208,624	2,184,070	166,220	10,661,959
(6,731)	-	(9,222)	-	-	(108,052)
(750,183)	(179,134)	(34,859)	-	-	(1,308,623)
5,223	29,650	-	867,814	6,615	909,302
441,605	-	-	-	-	441,605
-	-	-	-	38,317	38,317
2,108,509	9,681	1,416	(2,121,640)	-	-
-	-	-	(102,113)	102,113	-
-	-	-	-	(15,531)	(15,531)
-	(8,628)	-	-	-	(8,628)
-	-	(4)	-	-	(4)
(9,347)	-	-	-	9,347	-
(10,983	-	-	-	10,983	-
1,636	-	-	-	(1,636)	-
-	(17)	-	-	-	(17)
-	(17)	-	-	-	(17)
-	-	-	-	-	-
4,908,709	8,381	98,081	-	53,369	5,958,149
(511,308)	(6,866)	(4,691)	-	-	(525,271)
(287)	(4)	-	-	-	(291)
(399)	(8,577)	-	-	-	(8,976)
112	8,573	-	-	-	8,685
(346,108)	(31,712)	(5,530)	-	-	(662,682)
12,147,776	100,097	253,815	828,131	360,450	15,380,233
13,760,358	309,236	308,117	828,131	362,086	17,976,176
(518,039)	(6,866)	(13,913)	-	-	(633,323)
(1,094,543)	(202,273)	(40,389)	-	(1,636)	(1,962,620)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

6.1 Property, plant and equipment (continued)

COMPANY	Ruacana Power Station N$'000	Van Eck Power Station N$'000	Paratus Power Station N$'000
2010			
Carrying amount at 1 July 2009	1,067,242	13,947	39,979
- At cost/valuation	1,189,757	234,762	85,031
- Accumulated impairment	-	(71,781)	(20,318)
- Accumulated depreciation	(122,515)	(149,034)	(24,734)
Additions	-	-	-
Transfer from inventory	-	-	-
Transfer to inventory	-	-	-
Assets under construction completed	186	6,831	38
Assets impaired	-	-	-
Transfer to investment property	-	-	-
Disposals	-	-	-
- At cost/valuation	-	-	-
- Accumulated depreciation	-	-	-
Depreciation for the year	(30,766)	(13,763)	(3,635)
Carrying amount at 30 June 2010	1,036,662	7,015	36,382
- At cost/valuation	1,189,943	241,593	85,069
- Accumulated impairment	-	(71,781)	(20,318)
- Accumulated depreciation	(153,281)	(162,797)	(28,369)

Included in additions are borrowing costs capitalised of N$57 million (2009: N$41 million) for the Group and Company. The interest expense capitalised as borrowing cost is calculated using the NamPower Bond NMP20N interest rate of 9.35% and the NMP19N interest rate of 10% respectively.

Transmission systems N$'000	Machinery and equipment N$'000	Land and Buildings N$'000	Assets under construction N$'000	Strategic inventory N$'000	Total N$'000
4,680,463	101,902	168,214	1,475,019	37,521	7,584,287
5,286,104	275,154	206,788	1,475,019	37,521	8,790,136
(6,731)	-	(9,222)	-	-	(108,052)
(598,910)	(173,252)	(29,352)	-	-	(1,097,797)
6,209	26,957	-	1,738,329	801	1,772,296
-	-	-	-	137,567	137,567
-	-	-	-	(8,305)	(8,305)
1,019,764	597	1,862	(1,029,278)	-	-
-	-	-	-	(1,364)	(1,364)
-	-	(26)	-	-	(26)
(3,299)	(6)	-	-	-	(3,305)
(4,383)	(23,962)	-	-	-	(28,345)
1,084	23,956	-	-	-	25,040
(152,357)	(29,838)	(5,507)	-	-	(235,866)
5,550,780	99,612	164,543	2,184,070	166,220	9,245,284
6,307,694	278,746	208,624	2,184,070	166,220	10,661,959
(6,731)	-	(9,222)	-	-	(108,052)
(750,183)	(179,134)	(34,859)	-	-	(1,308,623)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

6.2 Property, plant and equipment under construction

GROUP AND COMPANY	Power Stations N$'000	Transmission systems N$'000	Machinery and equipment N$'000	Land and Buildings N$'000	Total N$'000
2011					
Opening balance	**204,638**	**1,805,013**	**20,932**	**153,487**	**2,184,070**
Additions	**118,099**	**462,467**	**6,028**	**281,220**	**867,814**
Transfer to strategic inventory	**-**	**(102,113)**	**-**	**-**	**(102,113)**
Property, plant and equipment capitalised	**(2,034)**	**(2,108,509)**	**(1,053)**	**(1,416)**	**(2,113,012)**
Transfer to intangible assets	**-**	**-**	**(8,628)**	**-**	**(8,628)**
Closing balance	**320,703**	**56,858**	**17,279**	**433,291**	**828,131**
2010					
Opening balance	93,240	1,364,027	13,411	4,341	1,475,019
Additions	118,453	1,460,750	8,118	151,008	1,738,329
Property, plant and equipment capitalised	(7,055)	(1,019,764)	(597)	(1,862)	(1,029,278)
Closing balance	204,638	1,805,013	20,932	153,487	2,184,070

6.3 Land and buildings

Details of properties registered in the Company's name are available for inspection at the registered office of the Company.

Houses at Ruacana township are erected on land in the Kunene region for which occupational rights were obtained. Occupational rights means the Company has ownership of the building but not of the land. Permission to occupy (PTO) agreements are available at the Company's premises for inspection.

6.4 Transmission Systems

A number of distribution and substations are erected on or are under construction on land which does not belong to the Company. Occupational rights are secured by agreements between the owners and Namibia Power Corporation (Pty) Ltd. Servitudes in favour of Namibia Power Corporation (Pty) Ltd in respect of these occupational rights are registered with the registrar of deeds and are available at the Company's premises for inspection.

6.5 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 and acts as water storage for Ruacana Power Station. The Diversion weir is also equipped with 5 flap gates which function is to control the water flow to the power station.

6.6 Valuation of power stations, transmission system and machinery and equipment

The power stations, transmission systems and machinery and equipment were revalued externally effective 1 July 2010 by independent valuers namely, Merz and McLellan South Africa, on the basis of their replacement value as adjusted for the remaining useful lives of the assets.

6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

6.6 Valuation of power stations, transmission system and machinery and equipment (continued)

Assumptions used:

- plant parameters and costs for modern equivalent assets (MEAs), based on valuator's in-house databases;
- total output from an MEA, using either the same or an alternative technology, equivalent to the particular Nampower power station;
- efficiency of an MEA as currently available on the international market;
- plant life, which varied depending on technology and
- construction financing costs factors for each type of power station.

The valuators have extensive experience in the valuation of generation, transmission and distribution assets.

6.7 Valuation of owner-occupied properties

The properties were externally revalued effective 1 July 2010 by an independent valuer, Gert Hamman Property Valuers CC. The valuations were performed on the basis of replacement value where no ready market exists or market value as estimated by sworn appraisers.

6.8 Impairment loss

During the year under review, the Company performed an asset revaluation on the technical assets and a separate property revaluation on land and buildings. During this review, the Company determined the carrying amount and recoverable amount of its assets and recognised an impairment loss of N$119.6 million. The impairment loss is due to environmental related factors such as corosion at the coastal areas.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

7. INTERESTS IN SUBSIDIARIES AND ASSOCIATES

7.1 Subsidiary companies

Name	Nature of operation	Date of incorporation	Issued Share Capital	Percentage holding	Percentage holding
				2011	2010
			N$	**%**	%
Directly held					
Capricorn Power Supply (Pty) Ltd	Dormant	25/02/1999	**2,500**	**100**	100
Less: impairment of investment	-	-	**-**	**-**	-
NamPower International (Pty) Ltd	Dormant	02/09/2003	**10,001**	**-**	100
Premier Electric (Pty) Ltd	Service company	31/10/2000	**2,500**	**100**	100
Okaomba Investment (Pty) Ltd	Property holding	01/03/2000	**100**	**100**	100

Loans due from:

NamPower International (Pty) Ltd
Premier Electric (Pty) Ltd
Okaomba Investment (Pty) Ltd

Total interest in subsidiaries (shares at cost plus loans from subsidiaries)

Loans payable to:

Premier Electric (Pty) Ltd

Loans to subsidiaries are non-interest bearing, unsecured and do not have fixed terms of repayment.

Trade and other receivables/payables to the subsidiaries and associates are disclosed in note 28.

Shares at Cost 2011 N$'000	Shares at Cost 2010 N$'000	Total Investment 2011 N$'000	Total Investment 2010 N$'000	Directors' valuation 2011 N$'000	Directors' valuation 2010 N$'000
2	2	**2**	2	**-**	2
(2)	(2)	**(2)**	(2)	**-**	-
-	-	**-**	66	**-**	66
5,000	5,000	**5,000**	5,000	**6,389**	6,389
944	944	**944**	944	**9,564**	10,240
5,944	5,944	**5,944**	6,010	**15,953**	16,697

Due by subsidiaries 2011 N$'000	Due by subsidiaries 2010 N$'000
-	330
2	2
1,431	844
1,433	1,176
7,377	7,186
(6,384)	(6,384)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

7. INTERESTS IN SUBSIDIARIES AND ASSOCIATES (CONTINUED)

7.2 Associates

	GROUP		COMPANY	
	2011 N$'000	2010 N$'000	**2011 N$'000**	2010 N$'000
Carrying amount of associates				
Carrying amount at beginning of year	**277,528**	268,201	**173,232**	173,232
Equity accounted earnings	**13,562**	14,277	**-**	-
Dividend received	**-**	(4,950)	**-**	-
Share of other comprehensive income of associates, net of taxation	**94,316**	-	**-**	-
	385,406	277,528	**173,232**	173,232
Directors' valuation	**385,406**	277,528		
Post-acquisition reserves				
Retained earnings	**30,204**	16,642		
Share of opening retained earnings	**16,642**	7,315		
Dividends declared	**-**	(4,950)		
Share of current year income/(loss)	**13,562**	14,277		
Non-distributable reserves	**355,202**	260,886		
Share of opening revaluation and development reserve	**260,886**	260,886		
Share of other comprehensive income of associates, net of taxation	**94,316**	-		
	385,406	277,528		

The Group holds a 33.33% equity interest in Nored Electricity (Proprietary) Limited, an electrical distribution company.

The Group holds a 45.05% equity interest in Central-North Electricity Distribution Company (Proprietary) Limited (Cenored).

The summarised financial statements of the associate companies are as follows:

Consolidated statement of financial position

	2011	2010
Non current assets	**1,284,261**	734,814
Current assets	**173,408**	166,949
Non current liabilities	**(379,078)**	(170,184)
Current liabilities	**(125,604)**	(121,681)
	952,987	609,898

Consolidated statement of comprehensive income

	2011	2010
Revenue	**610,057**	497,002
Expenditure	**(559,408)**	(460,968)
Profit before taxation	**50,649**	36,034
Taxation	**(10,535)**	(4,238)
Profit for the period	**40,114**	31,796

Cash Flow

	2011	2010
Cash generated in operating activities	**67,073**	43,666
Cash utilised in investing activities	**(63,219)**	(48,017)
Cash generated from financing activities	**1,130**	2,010
Net cash flows	**4,984**	(2,341)

The subsidiaries and associates are all incorporated in Namibia.

8. INVESTMENT PROPERTIES

	GROUP		COMPANY	
	2011 N$'000	2010 N$'000	**2011 N$'000**	2010 N$'000
Opening balance	**10,040**	9,096	**10,040**	9,096
Fair value adjustment	**5,435**	918	**5,435**	918
Transfer from property, plant and equipment	**4**	26	**4**	26
Closing balance	**15,479**	10,040	**15,479**	10,040

Investment properties comprise a number of commercial properties that are leased to third parties and vacant land held for capital appreciation. No contingent rentals are charged.

Rental income and direct operating expenses relating to the investment properties are disclosed in note 27.

With effect from 1 July 2010, the fair value of all investment properties was determined by an independent qualified property valuer (Gert Hamman Property valuers) who has extensive experience in the Namibian property market.

The commercial properties' fair values were based on the market value determined by means of the Income Capitalisation Method. This method involves the determining of the net income of the property that will be capitalised at a rate sought by prudent investors to determine the capitalised value of the subject property.

The fair values of the residential properties which are classified as investment property was determined based on market values of comparable properties by means of applying the direct sales comparison method.

Details of the properties registered in the Company's name are available for inspection at the registered office of the Company.

9. INTANGIBLE ASSETS

Computer software

	GROUP		COMPANY	
	2011 N$'000	2010 N$'000	**2011 N$'000**	2010 N$'000
Cost	**70,722**	61,795	**70,722**	61,795
Accumulated amortisation	**(58,273)**	(55,056)	**(58,273)**	(55,056)
	12,449	6,739	**12,449**	6,739
Opening carrying amount - 1 July	**6,739**	9,741	**6,739**	9,741
Additions	**299**	148	**299**	148
Transfer from property, plant and equipment	**8,628**	-	**8,628**	-
Amortisation	**(3,217)**	(3,150)	**(3,217)**	(3,150)
Closing carrying amount - 30 June	**12,449**	6,739	**12,449**	6,739

10. LOANS RECEIVABLE

	GROUP		COMPANY	
	2011 N$'000	2010 N$'000	**2011 N$'000**	2010 N$'000
Employee loans	**397**	904	**397**	904
Loan to ZESA Holdings (Pty) Ltd	**148,053**	236,689	**148,053**	236,689
Loan to Angolan authorities	**3,670**	3,670	**3,670**	3,670
Impairment of loan to Angolan authorities	**(3,670)**	(3,670)	**(3,670)**	(3,670)
Loan to Ohorongo Cement (Pty) Ltd	**19,708**	9,525	**19,708**	9,525
Loan to City of Windhoek	**25,196**	-	**25,196**	-
Loan to Erongored-Hentiesbay	**2,447**	-	**2,447**	-
	195,801	247,118	**195,801**	247,118
Less: Instalments receivable within one year transferred to current assets.	**(72,883)**	(62,505)	**(72,883)**	(62,505)
	122,918	184,613	**122,918**	184,613

Employee loans comprise of:

Employee study loans and computer loans.
Employee study loans are interest free and repayable over the duration of the study period.

Computer loans are repayable over 3 years bearing interest of 5% per annum.

Loan to Zimbabwe Electricity Supply Authority Holdings (Pty) Ltd (ZESA)

During the 2007 financial year, the Company signed a Power Purchase Agreement with the Zimbabwe Electricity Transmission and Distribution Company (Pty) Ltd (ZETDC) (a subsidiary of ZESA). Under the agreement it was agreed that the Company would assist its counterparty to the agreement with financing the refurbishment of the Hwange Power Station, a coal fired power station situated in North-West Zimbabwe.

The NamPower board ear-marked an amount of U$40 million for the refurbishment. NamPower contracted Lahmeyer International, an international consulting firm together with NamPower staff to oversee the refurbishment process on site at the power station. The loan advanced bears interest at LIBOR 6-months plus 1%.

As from 1 July 2010, and until 30 November 2013, a fixed monthly payment in the amount of USD800 000 is being deducted by NamPower from the capacity payment due to ZETDC as the monthly loan repayment instalment due to NamPower by Zesa. The monthly instalment is recalculated on 1 January and 1 July each year. The loan has been fully utilised.

The short term portion of the Zesa loan was based on the following assumptions: That NamPower will receive an amount of USD800 000 for the following twelve months translated at an exchange rate of U$1=N$6.8 at 30 June 2011.

Loan to Ohorongo Cement (Pty) Ltd

The Company approved a loan to Ohorongo Cement (Pty) Ltd amounting to N$22.2 million for the additional capital contribution for the power supply to Ohorongo Cement factory. The loan was advanced in two phases in the form of project pre-financing by Nampower during the construction of the supply to Ohorongo Cement (Pty) Ltd as follows:

- Phase 1 - Temporary Supply (4 MVA) - N$10.7 million;
- Phase 2 - Main Supply (25 MVA) - N$11.5 million

The loan is repayable by monthly instalments over a period of ten years at a variable interest rate of prime less 2%.

Loan to the City of Windhoek

The Company approved a loan to the City of Windhoek amounting to N$24.8 million for the upgrade of the power supply infrastructure at Van Eck Coupling Transformer 2. The loan is payable by monthly instalments over a period of ten years at a variable interest rate of prime plus 2%.

Loan to Erongo Regional Electricity Distribution Company (Erongo Red)- Henties Bay

The Company approved a loan to Erongo Red amounting N$5.1 million to increase the capacity supply to Henties Bay. The loan is payable by monthly instalments over a period of five years at a variable interest rate of prime plus 2%.

There was no movement in impairment loss on loans receivable.

The Group's exposure to credit, currency and interest rate risks related to loans receivable is disclosed in note 30.

11. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

	GROUP		COMPANY	
	2011 N$'000	2010 N$'000	**2011 N$'000**	2010 N$'000
Shareholder's loan and net current assets				
- Otavi Electrical Company (Pty) Ltd	**265**	245	**346**	346
	265	245	**346**	346

During October 2005, the operations of Otavi Electrical Company (Pty) Ltd were discontinued due to the restructuring of the electricity distribution industry and the subsequent granting of the distribution licence to Central-North Electricity Distribution Company (Pty) Ltd. All of the assets of the entity are being utilised by the newly formed RED and have been formally handed over to them during the 2007 year. The joint venture has thus been classified as a discontinued operations in the records of the Company and the Group, pending income tax assessment for the year 2005 whereby an objection has been lodged with the Receiver of Revenue. The income tax objection was resolved during October 2010 in favour of Otavi Electrical Company (Pty) Ltd. The deregistration process has commenced and it is expected to be completed in the 2012 financial year.

	GROUP 2011	GROUP 2010	COMPANY 2011	COMPANY 2010
Results of discontinued operations				
Revenue	**-**	-	**-**	-
Operating expenses including net finance costs	**(38)**	(84)	**-**	-
Loss before taxation	**(38)**	(84)	**-**	-
Taxation	**-**	-	**-**	-
Loss for the year from discontinued operations	**(38)**	(84)	**-**	-
Cash flows from discontinued operation				
Net cash (utilised)/inflow in/from operating activities	**(46)**	6	**-**	-
Net cash (utilised)/inflow in/from activities	**(46)**	6	**-**	-

12. INVESTMENTS

	GROUP 2011	GROUP 2010	COMPANY 2011	COMPANY 2010
Non-current investments	**894,019**	574,948	**894,019**	574,948
Held-to-maturity debt instruments at amortised cost	**870,943**	551,872	**870,943**	551,872
Erongored (Pty) Ltd	**23,076**	23,076	**23,076**	23,076
- Cost	**25,232**	25,232	**25,232**	25,232
- Accumulated impairment	**(2,156)**	(2,156)	**(2,156)**	(2,156)
Westcor (Pty) Ltd	**-**	-	**-**	-
- Cost	**642**	642	**642**	642
- Accumulated impairment	**(642)**	(642)	**(642)**	(642)
Current investments	**1,705,696**	2,885,591	**1,705,696**	2,885,591
Available-for-sale:				
- listed equity	**696**	591	**696**	591
Fixed deposits	**1,705,000**	2,885,000	**1,705,000**	2,885,000
Total investments	**2,599,715**	3,460,539	**2,599,715**	3,460,539

Held to maturity investments with a carrying value of N$136 million (2010: N$122 million) have been encumbered and act as security for long-term loans (refer note 18.1.5).

The Group's exposure to credit, currency and interest rate risks related to investments is disclosed in note 30.

13. INVENTORIES

	GROUP		COMPANY	
	2011 N$'000	2010 N$'000	**2011 N$'000**	2010 N$'000
Maintenance spares and consumables	**92,789**	86,651	**92,789**	86,651
Fuel and coal	**76,142**	83,260	**76,142**	83,260
	168,931	169,911	**168,931**	169,911

There are no items of inventory that are stated at net realisable value.

14. TRADE AND OTHER RECEIVABLES

Trade receivables	**326,950**	256,079	**326,950**	256,079
- Gross receivables	**348,366**	282,115	**348,366**	282,115
- Provision for impairment	**(21,416)**	(26,036)	**(21,416)**	(26,036)
External Project receivables	**74,370**	14,111	**74,370**	14,111
Prepayments	**1,133**	2,896	**1,133**	2,896
Project and other advances	**446**	20,809	**446**	20,809
Receiver of Revenue - VAT Refund	**-**	87,375	**-**	87,375
Other receivables	**44,183**	45,404	**44,183**	45,387
Accrued interest	**38,915**	56,154	**38,915**	56,154
	485,997	482,828	**485,997**	482,811

The Group's exposure to credit and currency risks related to trade and other receivables are disclosed in note 30.

An impairment loss of N$3.2 million (2010: N$3.9 million) in respect of trade receivables was recognised in profit or loss.

Related party receivables

Included in trade and other receivables are amounts due from related parties for Group and Company. These have been disclosed in note 28.

15. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:				
Cash on hand	**91**	52	**91**	52
Bank balances	**301,302**	181,691	**301,302**	181,691
Short term deposits	**766,569**	7,509	**766,569**	7,509
	1,067,962	189,252	**1,067,962**	189,252

The Group's exposure to credit, currency and interest rate risks related to cash and cash equivalents is disclosed in note 30.

16. TAXATION

Namibian company tax

	GROUP		COMPANY	
	2011 N$'000	2010 N$'000	**2011 N$'000**	2010 N$'000
Current taxation	**-**	-	**-**	-
Deferred taxation - current year	**(31,232)**	99,162	**(31,610)**	99,129
Deferred taxation - prior year	**(22,242)**	(916)	**(22,242)**	(916)
	(53,474)	98,246	**(53,852)**	98,213
Tax rate reconciliation	**%**	%	**%**	%
Standard Tax Rate	**34.00**	34.00	**34.00**	34.00
Adjusted for:				
Items not deductible for tax purposes	**4.35**	4.64	**4.88**	4.76
Exempt income	**(63.73)**	(11.94)	**(67.72)**	(11.39)
Prior year charge	**(18.07)**	(0.25)	**(20.30)**	(0.25)
Effective tax rate	**(43.45)**	26.45	**(49.14)**	27.12

Taxation recognised in other comprehensive income

	GROUP			COMPANY		
2011	**Before tax**	**Tax (expense) benefit**	**Net of tax**	**Before tax**	**Tax (expense) benefit**	**Net of tax**
Available-for-sale financial assets	**105**	**-**	**105**	**105**	**-**	**105**
Revaluation of property, plant and equipment and strategic stock	**5,561,071**	**(1,872,619)**	**3,688,452**	**5,552,424**	**(1,869,679)**	**3,682,745**
Share of other comprehensive income of associates	**142,902**	**(48,586)**	**94,316**	**-**	**-**	**-**
	5,704,078	**(1,921,205)**	**3,782,873**	**5,552,529**	**(1,869,679)**	**3,682,850**
2010						
Available-for-sale financial assets	155	-	155	155	-	155
	155	-	155	155	-	155

17. SHARE CAPITAL AND RESERVES

	GROUP		COMPANY	
	2011 N$'000	2010 N$'000	**2011 N$'000**	2010 N$'000
17.1 Authorised				
365 000 000 ordinary shares at N$1	**365,000**	365,000	**365,000**	365,000
17.2 Issued share capital				
165 000 000 (2010: 165 000 000) ordinary shares at N$1	**165,000**	165,000	**165,000**	165,000
17.3 Share premium				
Share premium arising on shares issued	**900,000**	900,000	**900,000**	900,000

100 000 000 Ordinary shares of N$1 each and share premium of N$9.

(2010: 100 000 000 Ordinary shares of N$1 each and share premium of N$9.)

17.4 Capital revaluation reserve

The revaluation reserve relates to the revaluation of property, plant and equipment.

17.5 Strategic stock revaluation reserve

The revaluation reserve relates to the revaluation of strategic stock items. The revaluation is performed in line with the Group's property, plant and equipment policy.

17.6 Available for sale fair value adjustment reserve

The reserve consists of all fair value movements relating to financial instruments classified as available-for-sale. The fair value adjustment relates to 25 249 shares held in Sanlam Ltd.

18. INTEREST BEARING LOANS AND BORROWINGS (GROUP AND COMPANY)

Terms and conditions of outstanding loans were as follows:

Interest bearing borrowings

	Currency	Coupon interest rate	Effective interest rate	Year of maturity	**30 June 2011** Carrying amount N$'000	**30 June 2011** Face value N$'000	30 June 2010 Carrying amount N$'000	30 June 2010 Face value N$'000
18.1.1 Agence Francaise de Development *	EUR	**3.00%**	**9.39%**	2019	**31,973**	**21,978**	34,784	24,563
18.1.2 European Investment Bank - loan I *	EUR	**3.81%**	**13.89%**	2018	**265,192**	**175,555**	292,912	197,819
18.1.3 AB Svensk Exportkrediet *	ZAR	**7.62%**	**7.62%**	2015	**32,102**	**32,102**	40,127	40,127
18.1.4 African Development Bank *	ZAR	**Jibar6m +.50**	**10.30%**	2018	**29,419**	**29,419**	33,622	33,622
18.1.5 Development Bank of Southern Africa ^	ZAR	**9.82%**	**9.82%**	2022	**220,000**	**220,000**	220,000	220,000
18.1.6 European Investment Bank - loan II *	GBP	**3.00%**	**7.62%**	2021	**155,620**	**234,002**	179,462	251,727
18.1.7 NMP20N Bonds issued - Caprivi Link Interconnector[1]	ZAR	**9.35%**	**9.35%**	2020	**500,000**	**500,000**	500,000	500,000
18.1.8 Development Bank of Namibia[1]	NAD	**Prime less 4.5%**	**Prime less 4.5%**	2024	**56,861**	**56,861**	59,499	59,499
18.1.9 NMP19N Bonds issued - Ruacana 4th unit[1]	NAD	**10.00%**	**10.00%**	2019	**250,000**	**250,000**	250,000	250,000
18.1.10 European Investment Bank - loan III[1]	ZAR	**9.26%**	**9.26%**	2029	**395,729**	**395,729**	395,729	395,729
18.1.11 Agence Francaise de Development II[1]	ZAR	**6.10%**	**6.10%**	2027	**363,971**	**363,971**	375,000	375,000
18.1.12 KFW Bankengruppe[1]	ZAR	**5.29%**	**5.29%**	2020	**391,300**	**391,300**	391,300	391,300
					2,692,167	**2,670,917**	2,772,435	2,739,386
Less: Instalments payable within one year transferred to current liabilities					**100,644**	**100,644**	65,790	65,790
					2,591,523	**2,570,273**	2,706,645	2,673,596

* The loans are guaranteed by the Government of the Republic of Namibia.

^ The loan is secured by a pledge of investments with a carrying value of N$136 million and a nominal value of N$220 million.

[1] The loans are unsecured.

Refer to note 30.1 (classification of financial instrument classes into IAS 39 categories).

The Group's exposure to liquidity and currency risks related to interest bearing loans and borrowings is disclosed in note 30.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

19. DEFERRED REVENUE LIABILITIES

	GROUP		COMPANY	
	2011 N$'000	2010 N$'000	**2011 N$'000**	2010 N$'000
Non-current liability				
Government grant: generation assets	**50,000**	-	**50,000**	-
Nam Zinc (Pty) Ltd	**31,188**	39,505	**31,188**	39,505
Grant Funding (transfer of assets from customers)	**437,470**	11,911	**437,470**	11,911
Interest rate subsidy - EIB Loan III	**50,982**	56,980	**50,982**	56,980
	569,640	108,396	**569,640**	108,396
Current liability				
Government grant: generation expenditure	**177,473**	151,689	**177,473**	151,689
Short-term portion Nam Zinc (Pty) Ltd	**8,317**	8,317	**8,317**	8,317
Short-term portion Grant Funding (transfer of assets from customers)	**9,774**	366	**9,774**	366
Short-term portion Interest rate subsidy - EIB Loan III	**5,998**	5,998	**5,998**	5,998
	201,562	166,370	**201,562**	166,370

19.1 Deferred revenue - NamZinc (Pty) Ltd

The Company received N$80 million in respect of extension fees in terms of the electricity supply contract between the Company and Skorpion Zinc Corporation. In terms of the contract the extension fees were due and payable over a 14 year period. The entire amount was received during the 2006 financial year when only 4 years had lapsed. The amount is being recognised over the remaining 10 year period since 2006 in terms of the agreement with Skorpion Zinc Corporation.

19.2 Deferred revenue - Government Grants

19.2.1 Government Grant - generation expenditure

Reconciliation of deferred revenue - Government Grant

	GROUP 2011	GROUP 2010	COMPANY 2011	COMPANY 2010
Opening balance	**151,688**	58,450	**151,688**	58,450
New grant	**50,000**	150,000	**50,000**	150,000
Recognised in profit or loss	**(24,215)**	(56,761)	**(24,215)**	(56,761)
Closing balance	**177,473**	151,689	**177,473**	151,689

A government grant of N$50 million (2010: N$150 million) was received during the year under review. The grant was in respect of subsidising the Company's power generation expenditure. Of this grant N$24.2 million (2010: N$56.7 million) was recognised as income during the current year while the N$177.5 million (2010: N$151.7 million) represents deferred income and will be recognised on a systematic basis over the periods in which the entity recognises the related costs in profit or loss as electricity generation expenditure is incurred. The grant is classified as a current asset, due to uncertain trading conditions in the energy market.

19.2.2 Government Grant - generation assets

A government grant of N$50 million (2010: nil) was received during the year under review. The grant was received in respect of subsidising the construction of the 22.5 megawatt (MW) emergency power plant at Walvis Bay to serve as a back-up energy supply to prevent power black outs that may be experienced during peak hours. At year end the power plant was still under construction. The grant will be recognised as income on a systematic basis over the useful life of the power plant.

19.3 Interest rate subsidy - EIB Loan III

An interest rate subsidy of N$65.9 million was received during the financial year ended 30 June 2010. EU-Africa Infrastructure Trust Fund ("ITF") approved, inter alia, the provision of an interest rate subsidy for an amount of € 5 million (five million euros), equivalent to N$65.9 million to enable EIB to make available finance to NamPower at reduced interest

19. DEFERRED REVENUE LIABILITIES (CONTINUED)

19.3 Interest rate subsidy - EIB Loan III (continued)

rates. The parties have agreed that the interest rate subsidy be applied upfront in order to reduce the interest payable. Of this grant N$5.9 million (2010: N$2.9 million) was recognised as income during the current year whilst the remaining N$56.9 million (2010: N$62.9 million) represents deferred income and will be recognised over the life span of the loan of 20 years.

19.4 Grant Funding (Transfers of assets from customers)

A donation of items of property, plant and equipment with a fair value of N$447.2 million (2010: N$12.6 million) was received from customers. The items comprise N$436.9 million transmission assets from Areva Resources Namibia and N$4.7 million distribution assets from distribution customers. The donation will be recognised as income over the useful life of the donated assets.

20. DEFERRED TAX LIABILITIES

	GROUP		COMPANY	
	2011 N$'000	2010 N$'000	**2011 N$'000**	2010 N$'000
Balance at the beginning of the year	**2,390,952**	2,292,706	**2,390,312**	2,292,099
Charge recognised in profit or loss	**(53,474)**	98,246	**(53,852)**	98,213
Current year	**(31,232)**	99,162	**(31,610)**	99,129
Temporary differences	**312,350**	121,132	**311,972**	121,099
Calculated tax loss utilised to reduce liability	**(343,582)**	(21,970)	**(343,582)**	(21,970)
Prior year	**(22,242)**	(916)	**(22,242)**	(916)
Revaluation of property, plant and equipment through equity	**1,872,499**	-	**1,869,678**	-
Balance at end of year	**4,209,977**	2,390,952	**4,206,138**	2,390,312
The balance comprises:				
Deferred tax asset (calculated tax loss)	**(400,118)**	(56,535)	**(400,118)**	(56,535)
Property, plant and equipment	**4,634,110**	2,591,538	**4,630,271**	2,590,898
Inventory	**57,437**	23,551	**57,437**	23,551
Interest accrued	**36,485**	28,805	**36,485**	28,805
Doubtful debt allowance	**(5,461)**	(6,730)	**(5,461)**	(6,730)
Severance pay liability	**(11,340)**	(8,766)	**(11,340)**	(8,766)
Fair value swaps, loans and unrealised foreign exchange losses	**(65,017)**	(133,054)	**(65,017)**	(133,054)
Post retirement medical benefit	**(39,775)**	(38,066)	**(39,775)**	(38,066)
Power purchase and power sales agreement- embedded derivative	**18,142**	(8,282)	**18,142**	(8,282)
Other temporary differences	**(14,486)**	(1,509)	**(14,486)**	(1,509)
	4,209,977	2,390,952	**4,206,138**	2,390,312
Deferred tax asset	**(536,198)**	(252,942)	**(536,198)**	(252,942)
Deferred tax liability	**4,746,175**	2,643,894	**4,742,336**	2,643,254
	4,209,977	2,390,952	**4,206,138**	2,390,312

21. TRADE AND OTHER PAYABLES

	Group 2011	Group 2010	Company 2011	Company 2010
Trade payables	**265,702**	289,042	**265,846**	289,037
Leave and bonus accruals	**45,954**	37,845	**45,954**	37,845
Swap and loan interest payable	**268,244**	138,028	**268,244**	138,028
Retention creditors	**41,524**	38,348	**41,524**	38,348
	621,424	503,263	**621,568**	503,258

The Group's exposure to liquidity and currency risks related to trade and other payables are disclosed in note 30.

21. TRADE AND OTHER PAYABLES (CONTINUED)

21.1 Leave and bonus accruals

The Group accrues for leave pay and bonuses for all employees. The value of the accrual at 30 June 2011 was determined by reference to the leave days accrued and proportionate annual bonus accrual. The bonus accrual is expected to be utilised within the following financial year.

21.2 Related party payables

Trade and other payables due to related parties have been disclosed in note 28.

21.3 Retention creditors

	GROUP		COMPANY	
	2011 N$'000	2010 N$'000	**2011 N$'000**	2010 N$'000
Non-Current	**7,047**	46,712	**7,047**	46,712
Current (included in trade payables)	**41,524**	38,348	**41,524**	38,348
	48,571	85,060	**48,571**	85,060

This represents retentions held by the Company in respect of defect clauses in contracts with suppliers.

22. DERIVATIVES

22.1 Derivative assets

	GROUP		COMPANY	
	2011 N$'000	2010 N$'000	**2011 N$'000**	2010 N$'000
Interest rate and cross currency swaps	**65,968**	68,243	**65,968**	68,243
Embedded Derivatives - Power Purchase/Sale Agreements (PPA/ PSA)	**76,409**	288,820	**76,409**	288,820
Firm commitments	**-**	32,666	**-**	32,666
	142,377	389,729	**142,377**	389,729

22.2 Derivative liabilities

	GROUP		COMPANY	
	2011 N$'000	2010 N$'000	**2011 N$'000**	2010 N$'000
Forward exchange contract liabilities	**8,744**	26,343	**8,744**	26,343
Firm commitments	**5,169**	-	**5,169**	-
Interest rate and cross currency swaps	**76,642**	68,939	**76,642**	68,939
Embedded derivatives Power Purchase/Sale Agreements (PPA/PSA)	**16,095**	313,180	**16,095**	313,180
	97,906	382,119	**97,906**	382,119

The electricity purchase and selling price in terms of the PPA and PSA with ZETDC, ZESCO and Namzinc (Pty) Ltd is linked to the movements of the US Dollar currency and the US Producer Price Index. The variables above give rise to foreign currency and inflation-linked embedded derivatives.

The Company economically hedges its risk to interest rate and currency risks in terms of the foreign loans by entering into interest rate and cross currency swaps.

The swap agreements have been entered into with Standard Bank Limited. The cross currency swaps are denominated in NAD, EUR and GBP.

The swap agreements have termination days ranging from 20 June 2018 to 15 September 2022. Refer to note 18 for the hedged loan repayment dates.

23. PROVISIONS

	GROUP		COMPANY	
	2011 N$'000	2010 N$'000	**2011 N$'000**	2010 N$'000
Post Retirement Medical Benefits	**116,985**	111,959	**116,985**	111,959
Severance pay liability	**33,354**	25,781	**33,354**	25,781
	150,339	137,740	**150,339**	137,740

23.1 Post Retirement Medical Benefits

Present value of obligations	**116,985**	111,959	**116,985**	111,959

23.1.1 Actuarial assumptions

The Group makes contributions to two defined benefit plans that provide medical benefits for current employees. The Group makes contributions to three defined benefit plans that provide medical benefits for pensioners. The benefit plans are provided by Namibia Medical Care (NMC), which is administered by Methealth Namibia Administrators.

The present value of the provision at 30 June 2011, as determined by an actuarial valuation, was N$116.9 million. This actuarial valuation was performed by Jacques Malan Consultants and Actuaries. The liability is expected to be settled over 20 years.

The Group expects to pay N$70.1 million in contributions to the defined benefit plans in 2012.

Liability for defined benefit obligations

Principal actuarial assumptions at the reporting date:

Discount rate at 30 June (%)	**10.55**	9.04	**10.55**	9.04
Medical cost trend rate (%)	**8.55**	7.04	**8.55**	7.04

Should the medical cost trend increase or decrease by 1% the defined medical benefit liability would be as follows:

1% increase in medical cost trend	**118,155**	113,079	**118,155**	113,079
1% decrease in medical cost trend	**(115,815)**	(110,839)	**(115,815)**	(110,839)

23.1.2 Movements in the net liability for defined benefit obligations recognised in the statement of financial position

Net liability for defined obligations as at 1 July	**111,959**	86,790	**111,959**	86,790
Interest cost	**10,121**	8,731	**10,121**	8,731
Current service costs	**5,553**	5,738	**5,553**	5,738
Benefits paid	**(1,992)**	(1,694)	**(1,992)**	(1,694)
Actuarial (gain)/ loss on obligation	**(8,656)**	12,394	**(8,656)**	12,394
Net liability for defined obligations as at 30 June	**116,985**	111,959	**116,985**	111,959
1% increase in interest rate cost trend	**15,831**	14,614	**15,831**	14,614
1% decrease in interest rate cost trend	**(15,517)**	(14,324)	**(15,517)**	(14,324)

23.1.3 Expense recognised in profit or loss

Current service costs	**5,553**	5,738	**5,553**	5,738
Interest cost	**10,121**	8,731	**10,121**	8,731
Actuarial (gain)/loss on obligation	**(8,656)**	12,394	**(8,656)**	12,394
	7,018	26,863	**7,018**	26,863

The expense is included in the administrative expenses in profit or loss.

23. PROVISIONS (CONTINUED)

23.2 Severance pay liability

	GROUP		COMPANY	
	2011 N$'000	2010 N$'000	**2011 N$'000**	2010 N$'000
Present value of net obligations	**33,354**	25,781	**33,354**	25,781
Present value of unfunded obligations	**33,354**	25,781	**33,354**	25,781
Recognised liability for defined benefit obligations	**33,354**	25,781	**33,354**	25,781

Severance pay liability is recognised for employees retiring on reaching the age of 65 years.

23.2.1 Liability for severance pay obligations

	GROUP 2011	GROUP 2010	COMPANY 2011	COMPANY 2010
Principal actuarial assumptions at the reporting date:				
Salary inflation rate at 30 June (%)	**7.01**	7.44	**7.01**	7.44

23.2.2 Movements in the net liability for defined benefit obligations recognised in the Group and Company statements of financial position

	GROUP 2011	GROUP 2010	COMPANY 2011	COMPANY 2010
Net liability for defined obligations as at 1 July	**25,781**	24,281	**25,781**	24,281
Interest cost	**2,746**	2,472	**2,746**	2,472
Current service costs	**1,027**	960	**1,027**	960
Benefits paid	**(431)**	(607)	**(431)**	(607)
Actuarial (gain)/ loss on obligation	**4,231**	(1,325)	**4,231**	(1,325)
Net liability for defined obligations as at 30 June	**33,354**	25,781	**33,354**	25,781

23.2.3 Expense recognised in the Group and Company statements of comprehensive income

	GROUP 2011	GROUP 2010	COMPANY 2011	COMPANY 2010
Current service costs	**1,027**	960	**1027**	960
Interest on obligation	**2,746**	2,472	**2,746**	2,472
Expected return on plan assets	**-**	-	**-**	-
Actuarial (gain)/loss on obligation	**4,231**	(1,325)	**4,231**	(1,325)
	8,004	2,107	**8,004**	2,107

The expense is included in the administrative expenses in profit or loss.

24. CAPITAL COMMITMENTS

Projects for Capital Expenditure

	GROUP 2011	GROUP 2010	COMPANY 2011	COMPANY 2010
Approved by Board of Directors	**3,995,732**	3,999,257	**3,995,732**	3,999,257
Less: Expenditure to 30 June	**(3,109,236)**	(2,851,433)	**(3,109,236)**	(2,851,433)
Amount still to be expended	**886,496**	1,147,824	**886,496**	1,147,824
Amounts contracted at year end	**89,319**	181,707	**89,319**	181,707
	89,319	181,707	**89,319**	181,707

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

25. NET FINANCING INCOME

	GROUP		COMPANY	
	2011	2010	**2011**	2010
	N$'000	N$'000	**N$'000**	N$'000
Recognised in profit or loss				
Interest income on:	**275,691**	316,958	**275,691**	316,958
-Financial assets at amortised cost	**256,827**	294,229	**256,827**	294,229
-Financial assets held for trading	**18,864**	22,729	**18,864**	22,729
Interest costs on:	**(204,565)**	(168,692)	**(204,565)**	(168,692)
-Financial liabilities designated at fair value through profit or loss	**(111,562)**	(102,364)	**(111,562)**	(102,364)
-Financial liabilities held for trading	**(50,904)**	(55,959)	**(50,904)**	(55,959)
-Financial liabilities at amortised cost	**(42,099)**	(10,369)	**(42,099)**	(10,369)
	71,126	148,266	**71,126**	148,266

26. REVENUE

Revenue comprises:				
- Sales of electricity	**2,003,949**	1,684,353	**2,003,949**	1,684,353
- Extension charges	**44,648**	46,874	**44,648**	46,874
- STEM sales	**84,774**	62,284	**84,774**	62,284
- Contribution Paratus	**607**	553	**607**	553
- Contributions by customers	**175,186**	10,113	**175,186**	10,113
	2,309,164	1,804,177	**2,309,164**	1,804,177

Sales of electricity relates to income derived from maximum demand charges paid by large power users, units sold @ cents/kWh and income derived from the monthly basic charge payable by all power users.

Extension charges relates to income derived from monthly rental as per contract of each power user.

STEM sales: Electricity sales on the short term energy market to other South African Power Pool (SAPP) utilities.

Paratus contribution comprises of a monthly contribution by the municipality of Walvis Bay as per take over contract of the Enclave.

Contributions made by customers towards the costs to be incurred to make a power supply available to the customer.

27. PROFIT BEFORE TAXATION

	GROUP 2011 N$'000	GROUP 2010 N$'000	COMPANY 2011 N$'000	COMPANY 2010 N$'000
Profit before taxation is stated after charging / (crediting):				
Directors' emoluments paid by Company				
fees for services as directors	**2,986**	2,581	**2,986**	2,581
- paid to non-executive directors	**482**	506	**482**	506
- paid to executive directors	**2,504**	2,075	**2,504**	2,075
Auditors' remuneration				
- audit fee	**1,821**	1,531	**1,821**	1,531
Depreciation of property, plant and equipment	**662,752**	235,902	**662,682**	235,866
Impairment of property, plant and equipment	**119,546**	-	**119,546**	-
Amortisation of intangible asset	**3,217**	3,150	**3,217**	3,150
Remuneration other than to employees for	**4,628**	8,819	**4,628**	8,819
- managerial services	**615**	777	**615**	777
- technical services	**818**	6,312	**818**	6,312
- other professional services	**3,195**	1,730	**3,195**	1,730
Research and development expenditure	**10,371**	8,878	**10,371**	8,878
Movement in provision for doubtful debts	**3,241**	(1,504)	**3,241**	(1,504)
Bad debts written off	**105**	-	**105**	-
Bad debts recovered	**(133)**	(171)	**(133)**	(171)
Contribution to Social Responsibility Programs	**2,770**	2,483	**2,770**	2,483
(Gain)/ Loss on disposal of property, plant and equipment	**(3,170)**	1,474	**(3,170)**	1,474
(Gain)/ Loss on sale of interest in subsidiary	**(141)**	-	**255**	-
Staff costs	**347,028**	318,478	**347,028**	318,478
Salaries and wages	**310,835**	268,372	**310,835**	268,372
Housing subsidies	**11**	7,091	**11**	7,091
Company contribution: Provident Fund	**30,316**	30,559	**30,316**	30,559
Others	**5,866**	12,456	**5,866**	12,456
Severance Pay	**7,652**	1,580	**7,652**	1,580
- Liability	**8,004**	2,108	**8,004**	2,108
- Benefits paid	**(352)**	(528)	**(352)**	(528)
Post retirement medical benefit	**7,018**	26,863	**7,018**	26,863
Foreign exchange gains on foreign exchange contracts				
- unrealised	**(1,449)**	(9,096)	**(1,449)**	(9,096)
Foreign exchange losses on foreign exchange contracts				
- unrealised	**45,447**	244,578	**45,447**	244,578
Foreign exchange gains on trade payables/receivables and bank balances	**(86,985)**	(113,367)	**(86,985)**	(113,367)
- realised	**(73,441)**	(103,373)	**(73,441)**	(103,373)
- unrealised	**(13,544)**	(9,994)	**(13,544)**	(9,994)
Foreign exchange losses on trade payables/receivables and bank balances				
- realised	**145,520**	92,025	**145,520**	92,025

27. PROFIT BEFORE TAXATION (CONTINUED)

	GROUP		COMPANY	
	2011 N$'000	2010 N$'000	**2011 N$'000**	2010 N$'000
IAS 39 Fair value adjustments	**(89,198)**	(55,271)	**(89,198)**	(55,271)
- derivative contracts	**9,978**	72,845	**9,978**	72,845
- foreign denominated loans	**(14,501)**	(69,610)	**(14,501)**	(69,610)
-Unrealised gain on embedded derivative Power Purchase Agreement (PPA) and Power Sales Agreement (PSA)	**(77,719)**	(179,097)	**(77,719)**	(179,097)
-Realised loss on embedded derivative Power Purchase Agreement (PPA) and Power Sales Agreement (PSA)	**225,459**	-	**225,459**	-
-Realised gain on embedded derivative Power Purchase Agreement (PPA) and Power Sales Agreement (PSA)	**(232,415)**	-	**(232,415)**	-
- Unrealised loss on embedded derivative Power Purchase Agreement (PPA) and Power Sales Agreement (PSA)	**-**	120,591	**-**	120,591
Government Grant	**(24,216)**	(56,762)	**(24,216)**	(56,762)
Income generating Investment Property				
- rental income	**(3,428)**	(3,113)	**(3,428)**	(3,113)
- direct operating expenses	**84**	164	**84**	164
Non-income generating Investment Property				
- direct operating expenses	**3**	3	**3**	3
Fair value adjustment on investment properties	**(5,435)**	(918)	**(5,435)**	(918)

28. RELATED PARTIES

The Group early adopted IAS 24 - Related Parties with a date of initial application of 1 July 2010. The Group applies the whole standard of IAS 24. IAS 24 partially exempts the Group to disclose the related party transactions and outstanding balances with another entity if that other entity is a related party because the same government has control, joint control or significant influence over both the reporting entity and that other entity. The standard also amends the definition of a related party. The standard is applied retrospectively and has no financial impact on the Group.

Identity of related parties

The Company has related party relationships with its subsidiaries (see note 7.1), associates (see note 7.2) and key management personnel. Key management personnel comprise directors and executive management.

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

The directors are listed in the directors' report.

Transactions with key management personnel

The key management personnel compensations are as follows;

	Group 2011	Group 2010	Company 2011	Company 2010
Short-term employee benefits	**14,374**	17,519	**14,374**	17,519
Post-retirement employment benefits	**772**	1,112	**772**	1,112
Other long-term employment benefits	**76**	114	**76**	114
	15,222	18,745	**15,222**	18,745

Total remuneration is included in 'staff costs' (see note 27)

Directors' emoluments are disclosed in note 27.

During the year the Company, in the ordinary course of business, entered into various sale and purchase transactions with its subsidiaries, fellow government owned entities and associates.

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for the year ended 30 June 2011

28. RELATED PARTIES (CONTINUED)

	GROUP		COMPANY	
	2011	2010	**2011**	2010
	N$'000	N$'000	**N$'000**	N$'000
Sales				
Associates				
Cenored (Pty) Ltd	**54,528**	48,372	**121,040**	107,374
- Electricity sales	**53,798**	47,939	**119,419**	106,412
- Service level agreement and technical support	**730**	433	**1,621**	962
Nored Electricity (Pty) Ltd	**59,092**	47,876	**177,293**	143,643
- Electricity sales	**58,774**	47,643	**176,339**	142,943
- Rental income	**20**	20	**59**	61
- Service level agreement and technical support	**298**	213	**895**	639
Municipal services from related parties	**636**	970	**1,868**	2,664
- Nored Electricity (Pty) Ltd	**587**	654	**1,760**	1,962
- Cenored (Pty) Ltd	**49**	316	**108**	702
Fellow government owned entities				
Electricity Sales	**93,521**	117,053	**93,521**	117,053
- Namibia Water Corporation	**55,704**	50,477	**55,704**	50,477
- Namibian Broadcasting Corporation (Pty) Ltd	**1,134**	1,032	**1,134**	1,032
- Namdeb Diamond Corporation (Pty) Ltd	**33,325**	64,024	**33,325**	64,024
- Telecom Namibia Limited	**3,358**	1,520	**3,358**	1,520
Other related party transactions				
Fellow government owned entities				
Telecommunication, Transport services & related services	**5,100**	5,871	**5,100**	5,871
- Telecom Namibia Limited	**2,815**	3,285	**2,815**	3,285
- Air Namibia (Pty) Ltd	**269**	31	**269**	31
- Namibia Airports Company	**168**	144	**168**	144
- Road Fund Administrators	**967**	926	**967**	926
- National Housing Enterprises	**210**	342	**210**	342
- Social Security Commission	**671**	1,143	**671**	1,143
Related party balances				
Due from / (due to)				
Associates	**22,182**	13,410	**54,971**	34,422
- Cenored (Pty) Ltd	**14,836**	7,448	**32,933**	16,533
- Nored Electricity (Pty) Ltd	**7,358**	5,962	**22,075**	17,889
- Nored Electricity (Pty) Ltd	**(12)**	-	**(37)**	-
Fellow government owned entities				
- Namdeb Diamond Corporation (Pty) Ltd	**3,666**	9,141	**3,666**	9,141
- Namibia Water Corporation (Pty) Ltd	**5,002**	7,010	**5,002**	7,010

Goods and services are bought from and sold to related parties on an arm's length basis at market-related prices.

29. EMPLOYEE INFORMATION

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, 94% 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$30.3 million (2010: N$30.5 million).

The company's contribution paid to Fund for the key management amounted to N$772 thousand.

30. FINANCIAL INSTRUMENTS

30.1 Classification of the statement of financial position classes into IAS 39 categories

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position are as follows:

GROUP	Reference notes	Loans and receivables	Held-for-trading	Held-to-maturity	Available-for-sale	Designated / Fair value through profit or loss	Other financial liabilities at amortised cost
2011							
Financial Assets							
Non-current investments	**12**	**-**	**-**	**870,943**	**23,076**	**-**	**-**
Derivative assets	**22.1**	**-**	**142,377**	**-**	**-**	**-**	**-**
Loans receivable	**10**	**195,801**	**-**	**-**	**-**	**-**	**-**
Trade and other receivables	**14**	**484,418**	**-**	**-**	**-**	**-**	**-**
Current investments	**12**	**1,705,000**	**-**	**-**	**696**	**-**	**-**
Cash and cash equivalents	**15**	**1,067,962**	**-**	**-**	**-**	**-**	**-**
		3,453,181	**142,377**	**870,943**	**23,772**		
Financial liabilities							
Non-current interest bearing loans and borrowings	**18**	**-**	**-**	**-**	**-**	**(2,692,167)**	**-**
Derivative liabilities	**22.2**	**-**	**(106,650)**	**-**	**-**	**-**	**-**
Non current retention creditors	**21.3**	**-**	**-**	**-**	**-**	**-**	**(7,047)**
Trade payables	**21**	**-**	**-**	**-**	**-**	**-**	**(621,424)**
Current interest bearing loans and borrowings	**18**	**-**	**-**	**-**	**-**	**(100,644)**	**-**
		-	**(106,650)**	**-**	**-**	**(2,792,811)**	**(628,471)**
2010							
Financial Assets							
Non-current investments	12	-	-	551,872	23,076	-	-
Derivative assets	22.1	-	389,729	-	-	-	-
Loans receivable	10	247,117	-	-	-	-	-
Trade and other receivables	14	371,748	-	-	-	-	-
Current investments	12	2,885,000	-	-	591	-	-
Cash and cash equivalents	15	189,252	-	-	-	-	-
		3,693,117	389,729	551,872	23,667		
Financial liabilities							
Non-current interest bearing loans and borrowings	18	-	-	-	-	(2,772,435)	-
Derivative liabilities	22.2	-	(408,461)	-	-	-	-
Non current retention creditors	21.3	-	-	-	-	-	(46,712)
Trade payables	21	-	-	-	-	-	(503,263)
Current interest bearing loans and borrowings	18	-	-	-	-	(65,790)	-
		-	(408,461)	-	-	(2,838,225)	(549,975)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

30. FINANCIAL INSTRUMENTS (CONTINUED)

30.1 Classification of the statement of financial position classes into IAS 39 categories (continued)

COMPANY	Reference notes	Loans and receivables	Held-for-trading	Held-to-maturity	Available-for-sale	Designated / Fair value through profit or loss	Other financial liabilities at amortised cost
2011							
Financial Assets							
Non-current investments	**12**	**-**	**-**	**870,943**	**23,076**	**-**	**-**
Derivative assets	**22.1**	**-**	**142,377**	**-**	**-**	**-**	**-**
Loans receivable	**10**	**195,801**	**-**	**-**	**-**	**-**	**-**
Trade and other receivables	**14**	**484,418**	**-**	**-**	**-**	**-**	**-**
Current investments	**12**	**1,705,000**	**-**	**-**	**696**	**-**	**-**
Cash and cash equivalents	**15**	**1,067,962**	**-**	**-**	**-**	**-**	**-**
Interest in subsidiaries	**7.1**	**7,377**	**-**	**-**	**-**	**-**	**-**
		3,460,558	**142,377**	**870,943**	**23,772**	**-**	**-**
Financial liabilities							
Non-current interest bearing loans and borrowings	**18**	**-**	**-**	**-**	**-**	**(2,692,167)**	**-**
Derivative liabilities	**22.2**	**-**	**(106,650)**	**-**	**-**	**-**	**-**
Non current retention creditors	**21.3**	**-**	**-**	**-**	**-**	**-**	**(7,047)**
Trade payables	**21**	**-**	**-**	**-**	**-**	**-**	**(621,568)**
Current interest bearing loans and borrowings	**18**	**-**	**-**	**-**	**-**	**(100,644)**	**-**
Loans due to subsidiaries	**7.1**	**-**	**-**	**-**	**-**	**-**	**(6,384)**
		-	**(106,650)**	**-**	**-**	**(2,792,811)**	**(634,999)**
2010							
Financial Assets							
Non-current investments	12	-	-	551,872	23,076	-	-
Derivative assets	22.1	-	389,729	-	-	-	-
Loans receivable	10	247,117	-	-	-	-	-
Trade and other receivables	14	371,731	-	-	-	-	-
Current investments	12	2,885,000	-	-	591	-	-
Cash and cash equivalents	15	189,252	-	-	-	-	-
Interest in subsidiaries	7.1	7,186	-	-	-	-	-
		3,700,286	389,729	551,872	23,667	-	-
Financial liabilities							
Non-current interest bearing loans and borrowings	18	-	-	-	-	(2,772,435)	-
Derivative liabilities	22.2	-	(408,461)	-	-	-	-
Non current retention creditors	21.3	-	-	-	-	-	(46,712)
Trade and other payables	21	-	-	-	-	-	(503,258)
Current interest bearing loans and borrowings	18	-	-	-	-	(65,790)	-
Loans due to subsidiaries	7.1	-	-	-	-	-	(6,384)
		-	(408,461)	-	-	(2,838,225)	(556,354)

30. FINANCIAL INSTRUMENTS (CONTINUED)

30.2 Financial risk management

Overview

The Group and Company has exposure to the following risks from its use of financial instruments:
- credit risk;
- liquidity risk and
- market risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group and Company's management of capital. Further quantitative disclosures are included throughout the Group and Company financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established an Audit and Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Group's Risk Management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit and Risk Management Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit and Risk Management Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit and Risk Management Committee.

30.3 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

Counterparty risk is the risk that a counterparty is unable to meet its financial and/or contractual obligations during the period of a transaction. Delivery or settlement risk is the risk that a counterparty does not deliver on its contractual commitment on maturity date (including the settlement of money and delivery of securities).

The carrying amount of financial assets represents the maximum credit exposure. The potential concentration of credit risk consists mainly of loans and receivables, trade and other receivables and the investment portfolio.

30.3.1 Management of credit risk

Financial instruments are managed by the treasury function.
Credit risk arises from cash and cash equivalents, investment in securities, derivatives held for risk management, financial trading assets, deposits made with counterparties, loans receivable, trade and other receivables. Processes are in place to identify, measure, monitor, control and report credit risk. The objective of NamPower's credit risk management framework is firstly to protect cash and investments and, secondly to protect and maximise the rate of return of financial market instruments.

Responsibility and governance

The Asset and Liability Committee (Alco), manages counterparty credit risk which arises from the treasury activities in the financial markets. This committee is chaired by the Chief Finance Officer and reports on a quarterly basis to the Investment Committee. The activities of the Alco committee are guided by the terms of reference that are updated and approved by the Investment Committee.

The terms of reference set out the minimum acceptable standards to be adhered to by those responsible for credit-related transactions within the treasury section. The terms of reference are aligned to the Exco credit risk governance standards and are supplemented by appropriate policies and procedures.

The Alco committee:
- assesses the credit quality of counterparties and types of instruments used;
- approves credit limits;
- ensures that transactions with counterparties are supported by trading agreements, where applicable;
- approves methodologies used for the management of counterparty exposure.

The management of credit risk is governed by the following policies:

Trading in financial instruments is conducted and entered into with selected counterparties after credit limits have been authorised. Individual risk limits are set based on internal and external ratings in line with limits set by the Board. All credit limits are approved by the Investment Committee. The use of credit limits is regularly monitored.

Minimum credit-rating requirements for financial institutions are maintained to assess the risk categories by rating class and to ascertain the probability of default inherent in each rating class, approved concentrating risk parameters and collateral management procedures are in place.

Concentration of credit risk is managed by setting credit risk limits at a counterparty-specific level. Concentration credit risk limits are used as second tier limits in relation to counterparty credit limits.

NOTES TO THE FINANCIAL STATEMENTS

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30. FINANCIAL INSTRUMENTS (CONTINUED)

30.4 Exposure to credit risk

The Group limits its counterparty exposures from its loans and receivables, trade and other receivables and investment portfolio by only dealing with individuals and corporate entities of a high quality credit standing. Therefore management does not expect any counterparty to fail to meet its obligations.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	GROUP		COMPANY	
	2011 N$'000	2010 N$'000	**2011 N$'000**	2010 N$'000
Current investments	**696**	591	**696**	591
Non-current investments	**870,943**	551,872	**870,943**	551,872
Loans and receivables	**3,454,761**	3,716,815	**3,454,761**	3,716,806
Derivative assets	**142,377**	389,729	**142,377**	389,729
	4,468,777	4,659,007	**4,468,777**	4,658,998

30.4.1 Financial income and expenses

	GROUP 2011	GROUP 2010	COMPANY 2011	COMPANY 2010
Recognised in profit or loss				
Net gains and (losses) on financial assets and liabilities through profit or loss				
Realised Swap losses (FVTPL)	**(78,776)**	(122,830)	**(78,776)**	(122,830)
Realised Swap profits (FVTPL)	**68,798**	49,985	**68,798**	49,985
Loss from Swaps currency valuation (FVTPL)	**(80,220)**	(107,537)	**(80,220)**	(107,537)
Gain from Swaps currency valuation (FVTPL)	**95,274**	167,021	**95,274**	167,021
Unrealised foreign exchange losses on forward exchange contracts	**(45,447)**	(244,578)	**(45,447)**	(244,578)
Unrealised foreign exchange gain on forward exchange contracts	**1,449**	9,096	**1,449**	9,096
Realised foreign exchange losses (FVTPL)	**(145,520)**	(92,024)	**(145,520)**	(92,024)
Realised foreign exchange gain (FVTPL)	**73,441**	103,373	**73,441**	103,373
Realised exchange rate loss foreign loans (FVTPL)	**(3,509)**	(1,954)	**(3,509)**	(1,954)
Realised exchange rate gain foreign loans (FVTPL)	**(553)**	10,127	**(553)**	10,127
Fair value adjustment on embedded derivative- Power Purchases Agreement/ Power Sales Agreement (Held for trading asset)	**22,723**	169,422	**22,723**	169,422
Fair value adjustment on embedded derivative- Power Sales Agreement/ Power Purchase Agreement (Held for trading liability)	**54,996**	(110,917)	**54,996**	(110,917)
Unrealised foreign exchange gain	**13,544**	9,994	**13,544**	9,994
Recognised in other comprehensive income				
Net change in fair value of available-for-sale financial asset	**105**	155	**105**	155

* FVTPL - Fair value through profit or loss

30. FINANCIAL INSTRUMENTS (CONTINUED)

30.4.2 Guarantees

The Group's policy is to provide financial guarantees only to wholly-owned subsidiaries. As at 30 June 2011 no guarantee was outstanding.

NamPower employee home loans

Suretyship for N$20.1 million (2010: N$18.9 million) to three local banks (Bank Windhoek, First National Bank and Standard Bank) for all employees who are on the NamPower housing scheme and have attained financing from the aforementioned financial institutions. Such suretyship is limited to the original loan amount attained by each employee and excludes any additional financing for improvements or upgrades.

30.4.3 Trade and other receivables

(a) Trade receivables

Credit risk with respect to trade and other receivables is limited due to the large number of customers comprising the Group's customer base and their dispersion across different industries and geographical areas. The main classes of electricity receivables are cross border, large power users and small power users. Key large power users comprise mainly Namibian municipalities, town councils, village councils, regional councils, and mining customers.

The Audit and Risk Management Committee has established a credit policy under which each electricity customer's payment terms and conditions are offered.

The Group requires security deposit equivalent to three (3) months estimated consumption in respect of all new customers before they are energised and the electricity is supplied with an exception to the Regional Distributors whereby they have to provide security deposit that is equal to one (1) month estimated consumption.

Electricity supply agreements are entered into with cross border customers who comprise utility companies of neighbouring countries. These customers are required to provide security deposit equivalent to the value of three month's estimated consumption. Refer note 30.4.4.

The level of security is reviewed when a customer defaults on their payment obligation or requires additional electricity supply capacity in which case they are required to either provide security or increase their existing security to an amount equivalent to three months' of estimated future consumption before supply will commence.

Payment terms vary between customer classes as per the Group's credit policy. Interest is charged at a market related rate on balances in arrears.

The Group has well-established credit control procedures that monitor activity on customer accounts and allow for remedial action should the customer not comply with payment terms. These procedures include an internal collection process, follow up with the customer either telephonically or in person, negotiations of mutually acceptable payment arrangements and the issue of letters of demand and notice of disconnection of supply. Non-payment will result in disconnection of supply. The legal collection process is pursued thereafter.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets. The decision to impair overdue amounts is assessed on the probability of recovery based on the customer's credit risk profile.

Progress on the collection process is reviewed on a regular basis and if it is evident that the amount will not be recovered, it is recommended for write-off in terms of the NamPower policy and delegation of authority. The process of recovery continues unless it is confirmed that there is no prospect of recovery or the costs of such action will exceed the benefits to be derived. Amounts written off are determined after taking into account the value of the security held.

The total cumulative allowance for impairment for electricity receivables at 30 June 2011 was N$21.4 million (2010: N$25.8 million) (refer note 30.4.4). The enhancement of credit control strategies and monitoring of payment levels of all trade receivables continue to receive management attention.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

30. FINANCIAL INSTRUMENTS (CONTINUED)

30.4.3 Trade and other receivables (continued)

The maximum exposure to credit risk for trade receivables at the reporting date by geographic area:

	GROUP		COMPANY	
	2011 N$'000	2010 N$'000	**2011 N$'000**	2010 N$'000
	Carrying amount	**Carrying amount**	**Carrying amount**	**Carrying amount**
Domestic- Namibia	**260,800**	221,542	**260,800**	221,542
Regional Exports/ Cross border customers	**17,110**	18,162	**17,110**	18,162
	277,910	239,704	**277,910**	239,704

The maximum exposure to credit risk for trade and other receivables at the reporting date by type of customer was:

	GROUP 2011 N$'000	GROUP 2010 N$'000	COMPANY 2011 N$'000	COMPANY 2010 N$'000
Distributors	**195,519**	151,002	**195,519**	151,002
Mining	**67,068**	53,797	**67,068**	53,797
End-user customers	**15,323**	34,905	**15,323**	34,905
	277,910	239,704	**277,910**	239,704

Concentration of credit risk that arises from the Group's receivables in relation to industry categories of the customers by percentage of total receivables from customers is:

	2011 %	2010 %	**2011 %**	2010 %
Distributors	**70**	63	**70**	63
Mining	**24**	22	**24**	22
End-user customers	**6**	15	**6**	15
	100	100	**100**	100

(b) Insurance activities

Insurance rates are reviewed on an annual basis at the beginning of the financial year. NamPower agreed to cover an excess amount in return for a lower premium rate on certain policies. NamPower still follows a self-insurance policy on a large portion of its assets.

Aging of trade receivables past due but not impaired at the reporting date for Group and Company are as follows:

	Group and Company	
	2011 N$'000	2010 N$'000
	Gross	Gross
Not past due	**276,279**	243,029
Past due 0-30 days	**18,607**	5,646
Past due 31-120 days	**30,375**	14,480
More than one year	**13,544**	3,696
	338,805	266,851

Trade receivables past due but not impaired are receivables where contractual payment terms are past due but the Group believes that impairment is not required based on the historical payment trend of the respective customers and the stage of collection of amounts owed to the Group. The Group believes that unimpaired amounts that are past due are still recoverable.

30. FINANCIAL INSTRUMENTS (CONTINUED)

30.4.4 Impairment losses (Group and Company)

	2011 N$'000 Gross	**2011 N$'000 Impairment**	2010 N$'000 Gross	2010 N$'000 Impairment
Not past due	**422,062**	**388**	322,586	833
Past due 0-30 days	**19,164**	**246**	7,473	889
Past due 31-120 days	**40,091**	**1,626**	25,266	1,701
More than one year	**24,517**	**19,156**	42,459	22,613
	505,834	**21,416**	397,784	26,036

The movement in the allowance for impairment in respect of trade and other receivables during the year was as follows:

	Group 2011	Group 2010	**Company 2011**	Company 2010
Balance 1 July	**26,036**	26,783	**26,036**	26,783
- Impairment loss recognised	**3,241**	3,941	**3,241**	3,941
- Impairment utilised	**(7,861)**	(4,688)	**(7,861)**	(4,688)
Balance at 30 June	**21,416**	26,036	**21,416**	26,036

NamPower establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. This allowance consists of a specific loss component that relates to individual exposures.

An impairment loss of N$12.4 million relates to a customer that was struggling to pay during 2006. The customer arranged for a deferred payment scheme through the court. Due to further financial difficulties the customer suspended the payments through this scheme. The customer was handed over to the lawyers for collection of the outstanding amount. At 30 June 2011 an impairment loss of N$1.3 million is in respect of capital contribution due from customers who applied for connection to the electricity network but failed to pay. The customers have not been connected and it is unlikely that they will pay up their contribution. These debts are prescribed, thus the impairment allowance.

The remainder of the impairment loss at 30 June 2011 belongs to several customers who have been struggling to pay and have indicated that they will not be able to pay their outstanding balances. Electricity supply to these customers has been suspended.

There was no indication of impairment of investments at reporting date.

Security relating to trade receivables

The security held against trade receivables for the Group and Company comprises bank guarantees and cash deposits. The estimate of the fair value of the security is:

	Group and Company	
	2011 N$'000	2010 N$'000
(a) Cash deposits		
Electricity receivables security deposit - cash		
Domestic Namibia	**9,952**	7,450
Regional Exports/ Cross Border customers	**423**	423
(b) Bank Guarantees		
Domestic- Namibia	**54,797**	38,660
Cross border customers	**23**	23

30. FINANCIAL INSTRUMENTS (CONTINUED)

30.5 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The management of liquidity and funding risk is vested with the treasury section in accordance with practices and limits set by the Exco and the board. The Group's liquidity and funding management process includes:

- project cash flows and considering the cash required by the Group and optimising the short-term liquidity;
- monitoring financial liquidity ratios;
- maintaining a diverse range of funding sources with adequate back-up facilities, managing the concentration and profile of debt maturities and
- maintaining liquidity and funding contingency plans.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

30. FINANCIAL INSTRUMENTS (CONTINUED)

30.5.1 Contractual Cash Flows

The table below indicates the contractual undiscounted cash flows of the Group's financial liabilities on the basis of their earliest possible contractual maturity. The cash flows of the Group's financial liabilities are indicated on a gross undiscounted basis. The cash flows for derivatives are presented as net cash flows.

GROUP	Carrying amount N$ '000	Total contractual cash flows N$ '000	Contractual cash flows 1 year or less N$ '000	Contractual cash flows 1-5 years N$ '000	Contractual cash flows 5 years or more N$ '000
2011					
Non-derivative financial liabilities					
Secured long term loans					
- GBP fixed rate loan	**(155,620)**	**(184,218)**	**(16,742)**	**(66,954)**	**(100,522)**
- EUR floating rate loan	**(297,165)**	**(336,557)**	**(48,786)**	**(190,009)**	**(97,762)**
- ZAR denominated loans	**(1,932,521)**	**(3,242,497)**	**(197,550)**	**(1,013,571)**	**(2,031,376)**
- NAD denominated loans	**(306,861)**	**(541,650)**	**(31,086)**	**(124,344)**	**(386,220)**
Non current retention creditors	**(7,047)**	**(7,047)**	**-**	**(7,047)**	**-**
Trade and other payables	**(575,470)**	**(575,470)**	**(575,470)**	**-**	**-**
Derivative financial liabilities					
- Interest rate swaps and cross currency interest rate swaps used for hedging	**(76,642)**	**(126,127)**	**(23,602)**	**(70,008)**	**(32,517)**
- Forward exchange contracts	**(8,744)**	**(8,650)**	**(8,650)**	**-**	**-**
2010					
Non-derivative financial liabilities					
Secured long term loans					
- GBP fixed rate loan	(179,462)	(213,173)	(17,754)	(71,028)	(124,391)
- EUR floating rate loan	(327,696)	(367,305)	(46,907)	(182,844)	(137,554)
- ZAR denominated loans	(1,955,778)	(3,419,858)	(177,361)	(988,206)	(2,254,291)
- NAD denominated loans	(309,499)	(560,564)	(25,000)	(118,258)	(417,306)
Non current retention creditors	(46,712)	(46,712)	-	(46,712)	-
Trade and other payables	(465,418)	(465,418)	(465,418)	-	-
Derivative financial liabilities					
- Interest rate swaps and cross currency interest rate swaps used for hedging	(68,939)	(129,724)	(16,977)	(77,176)	(35,571)
- Forward exchange contracts	(26,343)	(26,343)	(23,659)	(2,684)	-

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

30. FINANCIAL INSTRUMENTS (CONTINUED)

30.5.1 Contractual Cash Flows (continued)

COMPANY	Carrying amount N$ '000	Total contractual cash flows N$ '000	Contractual cash flows 1 year or less N$ '000	Contractual cash flows 1-5 years N$ '000	Contractual cash flows 5 years or more N$ '000
2011					
Non-derivative financial liabilities					
Secured long term loans					
- GBP fixed rate loan	**(155,620)**	**(184,218)**	**(16,742)**	**(66,954)**	**(100,522)**
- EUR floating rate loan	**(297,165)**	**(336,557)**	**(48,786)**	**(190,009)**	**(97,762)**
- ZAR denominated loans	**(1,932,521)**	**(3,242,497)**	**(197,550)**	**(1,013,571)**	**(2,031,376)**
- NAD denominated loans	**(306,861)**	**(541,650)**	**(31,086)**	**(124,344)**	**(386,220)**
Non current retention creditors	**(7,047)**	**(7,047)**	**-**	**(7,047)**	**-**
Trade and other payables	**(575,614)**	**(575,614)**	**(575,614)**	**-**	**-**
Loans due to subsidiaries	**(6,384)**	**(6,384)**	**(6,384)**	**-**	**-**
Derivative financial liabilities					
- Interest rate swaps and cross currency interest rate swaps used for hedging	**(76,642)**	**(126,127)**	**(23,602)**	**(70,008)**	**(32,517)**
- Forward exchange contracts	**(8,744)**	**(8,650)**	**(8,650)**	**-**	**-**
2010					
Non-derivative financial liabilities					
Secured long term loans					
- GBP fixed rate loan	(179,462)	(213,173)	(17,754)	(71,028)	(124,391)
- EUR floating rate loan	(327,696)	(367,305)	(46,907)	(182,844)	(137,554)
- ZAR denominated loans	(1,955,778)	(3,419,858)	(177,361)	(988,206)	(2,254,291)
- NAD denominated loans	(309,499)	(560,564)	(25,000)	(118,258)	(417,306)
Non current retention creditors	(46,712)	(46,712)	-	(46,712)	-
Trade and other payables	(465,413)	(465,413)	(465,413)	-	-
Loans due to subsidiaries	(6,384)	(6,384)	(6,384)	-	-
Derivative financial liabilities					
- Interest rate swaps and cross currency interest rate swaps used for hedging	(68,939)	(129,724)	(16,977)	(77,176)	(35,571)
- Forward exchange contracts	(26,343)	(26,343)	(23,659)	(2,684)	-

30. FINANCIAL INSTRUMENTS (CONTINUED)

30.5.2 Derivative 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 amount of derivative financial instruments were:

	Group and Company	
	2011 N$'000	2010 N$'000
Net interest rate and cross currency swaps	**(10,674)**	(696)
Forward exchange contracts	**148,729**	546,979

For a more detailed breakdown refer to note 22.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

30.5.3 Primary sources of funding and unused facilities

The primary sources to meet NamPower's liquidity requirements are revenue, cash inflows from maturing financial assets purchased, funds committed by government, local debt issued in the market as well as foreign debt. To supplement these liquidity sources under stress conditions, overdraft facilities with commercial banks (for which there was no requirement to use) are in place as indicated below.

	2011 N$'000	2010 N$'000
General banking facilities	**313,500**	313,500

The overdraft facilities, if utilised are repayable strictly on demand and will be charged at the prevailing bank's prime lending rate from time to time. The prime lending rate of the commercial banks at 30 June 2011 was 9.75%

30.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

A significant part of the market risk encountered arises from financial instruments that are managed within the treasury function of the company or from contracts containing embedded derivatives.

Financial instruments managed by the treasury function

The treasury section is responsible for managing market risk within the risk management framework approved by Exco and the board. The overall authority for the management of market risks within the treasury section is vested in the Asset and Liability Committee (Alco) which reports quarterly to the Investment Committee and the Audit and Risk Management Committee.

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for the year ended 30 June 2011

30. FINANCIAL INSTRUMENTS (CONTINUED)

Embedded derivatives

NamPower entered into a number of agreements for the purchase and supply of electricity, where the revenue or expenditure from these contracts is based on foreign currency rates (mainly USD) or foreign production price indices. This gives rise to embedded derivatives that require separation as a result of the different characteristics of the embedded derivative and the host contract. The contractual periods vary from 3 years up to a maximum of 10 years. Certain of these contracts are currently being renegotiated.

The net impact on profit or loss of changes in the fair value of the embedded derivatives for the Group and Company is a fair value gain of N$85 million (2010: N$59 million gain). At 30 June 2011 the embedded derivative asset amounted to N$76 million (2010:N$279 million) for the Group and Company. The embedded derivative liability at 30 June 2011 was N$16 million (2010:N$304 million) for the Group and Company.

The valuation methods and inputs are discussed in note 30.6. Risks arising from these contracts are discussed under the relevant risk areas as follows:

-interest rate risk (refer note 30.6.1)
-currency risk (refer note 30.6.2)
-other price risk (refer note 30.6.3)

Electricity contracts that contain embedded derivatives are considered for economic hedging. Economic hedging in respect of foreign currency exposure resulting from these embedded derivatives takes place on a short-term basis.

30.6.1 Interest rate risk

Interest rate risk is the risk that the Group's financial position may be adversely affected as a result of changes in interest rate levels, yield curves and spreads.

The Group's interest rate risk arises mainly from long-term borrowings. Long-term borrowings and debt securities are issued at both fixed rates and floating rates and expose the Group to fair value interest rate risk.

The Group generally adopts a policy that its exposure to interest rates is on a fixed rate basis. Swaps have been used to convert the interest on floating rates to a fixed rate basis.

The Group adopts a policy of ensuring that its exposure to changes in interest rates on borrowings is hedged economically. This is achieved by entering into interest rate swaps.

At the reporting date the interest rate profile of the Group's interest bearing financial instruments was:

	GROUP		COMPANY	
	2011 N$'000 Carrying amount	2010 N$'000 Carrying amount	**2011 N$'000 Carrying amount**	2010 N$'000 Carrying amount
Variable rate financial instruments				
Financial assets	**-**	-	**-**	-
Financial liabilities	**(162,922)**	(162,060)	**(162,922)**	(162,060)
	(162,922)	(162,060)	**(162,922)**	(162,060)

30. FINANCIAL INSTRUMENTS (CONTINUED)

Cash flow sensitivity analysis

The Group analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined interest rate shifts. For each simulation, the same interest rate shift is used for all currencies.

The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The calculation excludes borrowing costs capitalised in terms of the Group's accounting policy. The analysis is performed on the same basis for 2010.

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below:

GROUP AND COMPANY	Equity 100 bp increase	Equity 100 bp decrease	Profit or (loss) 100 bp increase	Profit or (loss) 100 bp decrease
30 June 2011				
Fixed rate instruments	**(12,657)**	**12,657**	**(19,177)**	**19,177**
Interest rate swap				
-EIB EUR				
ZAR Curve	**3,872**	**(3,872)**	**5,867**	**(5,867)**
EUR Curve	**(6,494)**	**6,494**	**(9,839)**	**9,839**
-AFD EUR				
ZAR Curve	**525**	**(525)**	**796**	**(796)**
EUR Curve	**(367)**	**367**	**(556)**	**556**
-EIB GBP				
ZAR Curve	**6,590**	**(6,590)**	**9,985**	**(9,985)**
GBP Curve	**(541)**	**541**	**(820)**	**820**
-ADB				
ZAR Curve	**501**	**(501)**	**759**	**(759)**
Cash flow sensitivity (net)	**(8,571)**	**8,571**	**(12,985)**	**12,985**
30 June 2010				
Fixed rate instruments	(14,238)	14,238	(21,572)	21,572
Interest rate swap				
-EIB EUR				
ZAR Curve	5,677	(5,677)	8,601	(8,601)
EUR Curve	(8,536)	8,536	(12,934)	12,934
-AFD EUR				
ZAR Curve	645	(645)	977	(977)
EUR Curve	(1,083)	1,083	(1,641)	1,641
-EIB GBP				
ZAR Curve	7,109	(7,109)	10,771	(10,771)
GBP Curve	(547)	547	(829)	829
-ADB				
ZAR Curve	704	(704)	1,066	(1,066)
Cash flow sensitivity (net)	(10,269)	10,269	(15,561)	15,561

30.6.2 Currency risk

The Company is exposed to currency risk as a result of the following transactions which are denominated in a currency other than Namibia Dollar as a result of: purchases of equipment, consulting fees and borrowings. The currencies which primarily give rise to currency risk are GBP, USD, EURO and SEK.

The loans denominated in foreign currency have been fully hedged using currency swaps that mature on the same date as the loans are due for repayment.

With respect to all other transactions denominated in currencies other than the Namibia Dollar and/or the South African Rand, the Company generally adopts a policy to hedge its foreign currency commitments where possible. The Company is also exposed to foreign currency movements with regards to certain regional Power Purchase Agreements (PPAs) and Power Sales Agreements (PSA) which are hedged for the duration of the agreement and reviewed on a continuous basis.

Recognised assets and liabilities

Changes in the fair value of forward exchange contracts that economically hedge monetary assets and liabilities in foreign currencies and for which no hedge accounting can be applied are recognised in profit or loss.

Due to the fact that no hedge effectiveness test is performed all fair value movements on the currency and interest rate swaps are recognised in profit or loss as part of net financing costs.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

30. FINANCIAL INSTRUMENTS (CONTINUED)

GROUP

The currency position at 30 June 2011 is set below

in thousands of Namibia Dollar	N$	ZAR	US$	Euro	GBP	SEK	Total
Assets							
Other financial assets	**-**	**-**	**76,409**	**65,968**	**-**	**-**	**142,377**
Loans receivable	**47,748**	**-**	**148,053**	**-**	**-**	**-**	**195,801**
Trade and other receivables	**448,424**	**-**	**37,573**	**-**	**-**	**-**	**485,997**
Current investments	**1,165,696**	**540,000**	**-**	**-**	**-**	**-**	**1,705,696**
Cash and cash equivalents	**153,312**	**766,756**	**147,842**	**25**	**27**	**-**	**1,067,962**
	1,815,180	**1,306,756**	**409,877**	**65,993**	**27**	**-**	**3,597,833**
Liabilities							
Interest bearing loans and borrowings	**(306,861)**	**(1,932,521)**	**-**	**(297,165)**	**(155,620)**	**-**	**(2,692,167)**
Other financial liabilities	**-**	**(2,452)**	**(21,342)**	**(78,650)**	**-**	**(4,206)**	**(106,650)**
Trade and other payables	**(488,090)**	**(95,636)**	**(37,448)**	**(250)**	**-**	**-**	**(621,424)**
Non current retention creditors	**(7,047)**	**-**	**-**	**-**	**-**	**-**	**(7,047)**
	(801,998)	**(2,030,609)**	**(58,790)**	**(376,065)**	**(155,620)**	**(4,206)**	**(3,427,288)**
Gross statement of financial position exposure	**1,013,182**	**(723,853)**	**351,087**	**(310,072)**	**(155,593)**	**(4,206)**	**170,545**
Next year's forecast sales	**2,616,199**	**-**	**-**	**-**	**-**	**-**	**2,616,199**
Next year's forecast purchases	**-**	**(555,618)**	**(541,509)**	**-**	**-**	**-**	**(1,097,127)**
Gross exposure	**3,629,381**	**(1,279,471)**	**(190,422)**	**(310,072)**	**(155,593)**	**(4,206)**	**1,689,617**
Foreign exchange contracts	**-**	**-**	**90,838**	**12,616**	**-**	**36,625**	**140,079**
Net exposure	**3,629,381**	**(1,279,471)**	**(99,584)**	**(297,456)**	**(155,593)**	**32,419**	**1,829,696**

The estimated sales and purchases include transactions for the next 12 months.

Currency translation rates :	**30 June 2011**
1 ZAR	N$1.0
1 SEK	N$0.9
1 US Dollar	N$6.8
1 Euro	N$9.8
1 GBP	N$10.9

The currency position at 30 June 2010 is set below

	N$	ZAR	US$	Euro	GBP	SEK	Total
Assets							
Other financial assets	-	-	288,820	68,243	-	-	357,063
Loans receivable	10,429	-	236,689	-	-	-	247,118
Trade and other receivables	459,969	-	12,365	-	-	10,494	482,828
Current investments	1,695,591	1,190,000	-	-	-	-	2,885,591
Cash and cash equivalents	99,623	7,071	82,515	14	29	-	189,252
	2,265,612	1,197,071	620,389	68,256	29	10,494	4,161,852
Liabilities							
Interest bearing loans and borrowings	(309,499)	(793,749)	-	(1,489,725)	(179,462)	-	(2,772,435)
Other financial liabilities	-	(2,496)	(313,180)	(66,443)	-	-	(382,119)
Trade and other payables	(389,074)	(37,379)	(38,735)	(39,738)	1,663	-	(503,263)
Non current retention creditors	(25,698)	-	-	-	-	(21,014)	(46,712)
	(724,271)	(833,624)	(351,915)	(1,595,906)	(177,799)	(21,014)	(3,704,529)
Gross statement of financial position exposure	1,541,341	363,447	268,474	(1,527,649)	(177,770)	(10,520)	457,323
Next year's forecast sales	2,138,953	-	11,581	-	-	-	2,150,534
Next year's forecast purchases	-	(457,865)	(550,051)	-	-	-	(1,007,916)
Gross exposure	3,680,294	(94,418)	(269,996)	(1,527,649)	(177,770)	(10,520)	1,599,941
Foreign exchange contracts	-	-	209,987	155,210	-	155,511	520,708
Net exposure	3,680,294	(94,418)	(60,009)	(1,372,439)	(177,770)	144,991	2,120,649

The estimated sales and purchases include transactions for the next 12 months.

Currency translation rates :	**30 June 2010**
1 ZAR	N$1.0
1 SEK	N$1.0
1 US Dollar	N$7.7
1 Euro	N$9.4
1 GBP	N$11.5

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for the year ended 30 June 2011

30. FINANCIAL INSTRUMENTS (CONTINUED)

COMPANY

The currency position at 30 June 2011 is set below

in thousands of Namibia Dollar	N$	ZAR	US$	Euro	GBP	SEK	Total
Assets							
Other financial assets	-	-	76,409	65,968	-	-	142,377
Loans receivable	47,748	-	148,053	-	-	-	195,801
Trade and other receivables	448,424	-	37,573	-	-	-	485,997
Current investments	1,165,696	540,000	-	-	-	-	1,705,696
Cash and cash equivalents	153,312	766,756	147,842	25	27	-	1,067,962
	1,815,180	1,306,756	409,877	65,993	27	-	3,597,833
Liabilities							
Interest bearing loans and borrowings	(306,861)	(1,932,521)	-	(297,165)	(155,620)	-	(2,692,167)
Other financial liabilities	-	(2,452)	(21,342)	(78,650)	-	(4,206)	(106,650)
Trade and other payables	(488,090)	(95,780)	(37,448)	(250)	-	-	(621,568)
Non current retention creditors	(7,047)	-	-	-	-	-	(7,047)
	(801,998)	(2,030,753)	(58,790)	(376,065)	(155,620)	(4,206)	(3,427,432)
Gross statement of financial position exposure	1,013,182	(723,997)	351,087	(310,072)	(155,593)	(4,206)	170,401
Next year's forecast sales	2,616,199	-	-	-	-	-	2,616,199
Next year's forecast purchases	-	(555,618)	(541,509)	-	-	-	(1,097,127)
Gross exposure	3,629,381	(1,279,615)	(190,422)	(310,072)	(155,593)	(4,206)	1,689,473
Foreign exchange contracts	-	-	90,838	12,616	-	36,625	140,079
Net exposure	3,629,381	(1,279,615)	(99,584)	(297,456)	(155,593)	32,419	1,829,552

The estimated sales and purchases include transactions for the next 12 months.

Currency translation rates :	30 June 2011
1 ZAR	N$1.0
1 SEK	N$0.9
1 US Dollar	N$6.8
1 Euro	N$9.8
1 GBP	N$10.9

The currency position at 30 June 2010 is set below

in thousands of Namibia Dollar	N$	ZAR	US$	Euro	GBP	SEK	Total
Assets							
Other financial assets	-	-	288,820	68,243	-	-	357,063
Loans receivable	10,429	-	236,689	-	-	-	247,118
Trade and other receivables	459,952	-	12,365	-	-	10,494	482,811
Current investments	1,695,591	1,190,000	-	-	-	-	2,885,591
Cash and cash equivalents	99,623	7,071	82,515	14	29	-	189,252
	2,265,595	1,197,071	620,389	68,257	29	10,494	4,161,835
Liabilities							
Interest bearing loans and borrowings	(309,499)	(793,749)	-	(1,489,725)	(179,462)	-	(2,772,435)
Other financial liabilities	-	(2,496)	(313,180)	(66,443)	-	-	(382,119)
Loans due to subsidiaries	(6,384)	-	-	-	-	-	(6,384)
Trade and other payables	(389,069)	(37,379)	(38,735)	(39,738)	1,663	-	(503,258)
Non current retention creditors	(25,698)	-	-	-	-	(21,014)	(46,712)
	(730,650)	(833,624)	(351,915)	(1,595,906)	(177,799)	(21,014)	(3,710,908)
Gross statement of financial position exposure	1,534,944	363,447	268,474	(1,527,649)	(177,770)	(10,520)	450,927
Next year's forecast sales	2,138,953	-	11,581	-	-	-	2,150,534
Next year's forecast purchases	-	(457,865)	(550,051)	-	-	-	(1,007,916)
Gross exposure	3,673,898	(94,418)	(269,996)	(1,527,649)	(177,770)	(10,520)	1,593,545
Foreign exchange contracts	-	-	209,987	155,210	-	155,511	520,708
Net exposure	3,673,898	(94,418)	(60,009)	(1,372,439)	(177,770)	144,991	2,114,253

The estimated sales and purchases include transactions for the next 12 months.

Currency translation rates :	30 June 2010
1 ZAR	N$1.0
1 SEK	N$1.0
1 US Dollar	N$7.7
1 Euro	N$9.4
1 GBP	N$11.5

30. FINANCIAL INSTRUMENTS (CONTINUED)

Sensitivity analysis

A strengthening of the N$ against the following currencies at 30 June would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2010.

	Group and Company			
	2011 Equity	2010 Equity	**2011 Profit or (loss)**	2010 Profit or (loss)
US Dollar (1 percent strengthening)	**9,287**	12,924	**14,072**	19,582
Euro (1 percent strengthening)	**9,556**	9,620	**14,479**	14,575
GBP (1 percent strengthening)	**1,027**	1,213	**1,556**	1,838
SEK (1 percent strengthening)	**-**	69	**-**	105

A weakening of the N$ against the following currencies at 30 June would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2010.

US Dollar (1 percent weakening)	**(9,287)**	(12,924)	**(14,072)**	(19,582)
Euro (1 percent weakening)	**(9,556)**	(9,620)	**(14,479)**	(14,575)
GBP (1 percent weakening)	**(1,027)**	(1,213)	**(1,556)**	(1,838)
SEK (1 percent weakening)	**-**	(69)	**-**	(105)

30.6.3 Other price risk

Inflation price risk arises from embedded derivatives as discussed under note 30.8. The risk arises from movements in the United States production price index (PPI) and the South African Rand discount rate. Equity price risk arises from available-for-sale financial instruments. The risk arises from movements in the share price of the equity investment.

The following is the sensitivity analysis of the change in the value of the embedded derivatives (relating to customised pricing agreements) as a result of changes in the United States PPI and the South African Rand discount rate. This analysis has been performed on the same basis as the prior year. The analysis assumes that all other variables remain constant and the possible impact on profit or loss is:

	Group and Company			
	2011 1% increase N$'000	**2011 1% decrease N$'000**	2010 1% increase N$'000	2010 1% decrease N$'000
Profit/(loss), including embedded derivatives				
United States PPI	**(53,096)**	**50,727**	(74,675)	71,323
South African Rand Discount Rate (Interest Rate)	**603**	**(603)**	(244)	244

30.7 Capital management

Nampower manages the total shareholders' equity and debt as capital. The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital and the level of dividends to ordinary shareholders.

30. FINANCIAL INSTRUMENTS (CONTINUED)

The major items that impact the capital of Nampower include:

- the revenue received from electricity sales (which is a function of price and sales volumes) and the cost of funding the business;
- the cost of operating the electricity business;
- the cost of expanding the business to ensure that capacity growth is in line with electricity sales demand (funding and additional depreciation);
- interest paid;
- taxation and
- dividends.

The Board has the responsibility to ensure that the Company is adequately capitalised through debt and equity management.

NamPower Treasury is tasked with the duties of managing the Company's short-term and long term capital requirements. The treasury department fulfils these functions within the framework that has been approved by the NamPower Board of Directors consisting of and not limited to an overall treasury policy, a hedging policy and investment policy.

Under NamPower's current debt portfolio consisting of local and foreign denominated loans, certain covenants are imposed on NamPower's capital requirements. These covenants being a minimum debt service cover ratio of 1:5, debt to EBITDA of a maximum of 4 and a maximum debt equity ratio of 65:35. These covenants are used for forecasted financial planning to ensure and manage the loan conditions set.
The tariff increases for the electricity business is subject to the process laid down by the Electricity Control Board (ECB). The current regulatory framework applicable to Nampower is based on historical cost and depreciated replacement cost for Generation and Transmission assets respectively.

The electricity business is currently in a major expansion phase. There is national consensus that the capital expansion programme continues. The funding related to new generating, transmitting and other capacity is envisaged to be obtained from cash generated by the business, shareholder support and funds borrowed on the local and overseas markets. The adequacy of price increases allowed by the regulator and the level and timing of shareholder support are key factors in the sustainability of NamPower.

There were no changes to NamPower's approach to capital management during the financial year.

30.8 Critical accounting estimates and judgements

Estimates and judgements are evaluated continually and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Embedded derivatives

NamPower has entered into a number of agreements to supply and purchase electricity to electricity-intensive industries where the revenue from these contracts is linked to foreign currency rates (only USD) and United State's production price indices that give rise to embedded derivatives.

The embedded derivatives have been divided into three categories:
- Commodity and/or foreign currency derivatives;
- Foreign currency or interest rate derivatives and
- Production price and foreign currency derivatives.

Valuation

The fair value of embedded derivatives is determined by using a forward electricity price curve.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

30. FINANCIAL INSTRUMENTS (CONTINUED)

Valuation assumptions

The contracted electricity price used to value embedded derivatives is based on a combination of factors in the table below over the contracted period.

Forecast sales volumes are based on the most likely future sales volumes which have been back-tested against historic volumes.

The fair value of embedded derivatives takes into account the inherent uncertainty relating to the future cash flows of embedded derivatives, such as liquidity, model risk and other economic factors.

The following valuation assumptions for the future electricity price curve discussed above for the valuation of embedded derivatives were used and are regarded as the best estimates by the board:

Year ended 30 June 2011

Input	Unit	2011	2012	2013	2014	2015	2016
NAD/USD	USD per NAD	6.81	7.20	7.64	8.11	8.56	8.98
ZAR discount factor		0.995	0.94	0.87	0.81	0.74	0.68
United States PPI	Year-on-year (%)	3.10%	3.95%	4.86%	5.32%	5.52%	5.78%

30. FINANCIAL INSTRUMENTS (CONTINUED)

30.9 Fair values

The fair values of the financial assets and liabilities, together with the carrying amounts shown in the statement of financial position are as follows:

GROUP	2011		2010	
N$'000	Carrying amount	Fair value	Carrying amount	Fair value
Assets carried at fair value				
Current investments	**696**	**696**	591	591
Derivative assets	**142,377**	**142,377**	389,729	389,729
	143,073	**143,073**	390,320	390,320
Assets carried at amortised cost				
Loans and receivables	**1,471,730**	**1,471,730**	3,325,511	3,325,511
Non current investments	**870,943**	**870,943**	551,872	551,872
Cash and cash equivalents	**1,067,962**	**1,067,962**	189,252	189,252
Trade and other receivables	**485,997**	**485,997**	482,828	482,828
	3,896,632	**3,896,632**	4,549,463	4,549,463
Liabilities carried at fair value				
Derivative liabilities	**(106,650)**	**(106,650)**	(408,462)	(408,462)
Current interest bearing loans and borrowings	**(100,644)**	**(100,644)**	(65,790)	(65,790)
Non-current interest bearing loans and borrowings	**(2,591,523)**	**(2,591,523)**	(2,706,645)	(2,706,645)
	(2,798,817)	**(2,798,817)**	(3,180,897)	(3,180,897)
Liabilities carried at amortised cost				
Trade and other payables	**(621,424)**	**(621,424)**	(503,263)	(503,263)
	(621,424)	**(621,424)**	(503,263)	(503,263)

COMPANY	2011 Carrying amount	2011 Fair value	2010 Carrying amount	2010 Fair value
Assets carried at fair value				
Current investments	**696**	**696**	591	591
Derivative assets	**142,377**	**142,377**	389,729	389,729
	143,073	**143,073**	390,320	390,320
Assets carried at amortised cost				
Loans and receivables	**1,471,730**	**1,471,730**	3,325,511	3,325,511
Debt securities held-to-maturity	**870,943**	**870,943**	551,872	551,872
Cash and cash equivalents	**1,067,962**	**1,067,962**	189,252	189,252
Trade and other receivables	**485,997**	**485,997**	482,811	482,811
	3,896,632	**3,896,632**	4,549,446	4,549,446
Liabilities carried at fair value				
Derivative liabilities	**(106,650)**	**(106,650)**	(408,462)	(408,462)
Current interest bearing loans and borrowings	**(100,644)**	**(100,644)**	(65,790)	(65,790)
Non-current interest bearing loans and borrowings	**(2,591,523)**	**(2,591,523)**	(2,706,645)	(2,706,645)
	(2,798,817)	**(2,798,817)**	(3,180,897)	(3,180,897)
Liabilities carried at amortised cost				
Loans due to subsidiary	**(6,384)**	**(6,384)**	(6,384)	(6,384)
Trade and other payables	**(621,568)**	**(621,568)**	(503,258)	(503,258)
	(627,952)	**(627,952)**	(509,642)	(509,642)

There are no unrecognised fair value gains or losses with respect to financial instruments.

30. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy for Group and Company

The table below analyses financial instruments carried at fair value, by using the valuation method.

The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

N$'000	Level 1	Level 2	Level 3	Total
30 June 2011				
Current investments	**696**	**-**	**-**	**696**
Derivative financial assets	**-**	**65,968**	**76,409**	**142,377**
	696	**65,968**	**76,409**	**143,073**
Interest bearing loans and borrowings	**-**	**(2,692,167)**	**-**	**(2,692,167)**
Derivative financial liabilities	**-**	**(90,555)**	**(16,095)**	**(106,650)**
	-	**(2,782,722)**	**(16,095)**	**(2,798,817)**
30 June 2010				
Current investments	591	-	-	591
Derivative financial assets	-	32,666	288,820	321,486
	591	32,666	288,820	322,077
Interest bearing loans and borrowings	-	(2,772,435)	-	(2,772,435)
Derivative financial liabilities	-	(95,281)	(313,180)	(408,461)
	-	(2,867,716)	(313,180)	(3,180,896)

There have been no transfers between the fair value hierarchy levels (2010: no transfers).

A reconciliation has been performed for fair value measurements in level 3 of the fair value hierarchy as follows:

	2011 N$'000	2010 N$'000
Embedded derivative assets		
Carrying value at beginning of the year	**288,820**	109,724
Net fair value (loss)/gain on embedded derivatives recognised in profit or loss	**(212,411)**	179,096
Carrying value at end of the year	**76,409**	288,820
Embedded derivative liabilities		
Carrying value at beginning of the year	**(313,180)**	(192,589)
Net fair value gain/(loss) on embedded derivatives recognised in profit or loss	**297,085**	(120,591)
Carrying value at end of the year	**(16,095)**	(313,180)

Refer to note 30.6.3 for a sensitivity analysis disclosing the effect of fair value changes that would result if one or more of the inputs were to change.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

30. FINANCIAL INSTRUMENTS (CONTINUED)

30.9.1 Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of the financial instruments reflected in the fair value hierarchy table above.

(a) Securities

Fair value is based on quoted market prices at the reporting date without any deduction for transaction costs.

(b) Derivatives

The fair values are based on current market movements at year end.

(c) Interest bearing loans and borrowings

Fair value is based on discounted expected future principal and interest cash flows. Refer note 18.

30.10 Borrowing costs

	GROUP		COMPANY	
	2011 N$'000	2010 N$'000	**2011 N$'000**	2010 N$'000
30.10.1 Borrowing cost capitalised	**27,513**	56,679	**27,513**	56,679

Borrowing cost in respect of the construction of the Caprivi Link Interconnector and the Ruacana 4th unit. The borrowing cost capitalised for the Caprivi Link Interconnector and the Ruacana 4th unit is calculated using the NamPower Bond NMP20N interest rate of 9.35% and NMP19N interest rate of 10% respectively.

30.11 Defaults and breaches

There were no defaults or breaches of the loan agreements during the current and prior year.

NOTES TO THE FINANCIAL STATEMENTS

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31. SEGMENT REPORTING

Business unit segments

The Group has three reportable segments, as described below, which are the Group's core business units. The core business units offer different services, and are managed separately because they require different expertise and marketing strategies. For each of the strategic business units, the Board reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

Generation: Supply of energy
Transmission: Transmission of energy
Other Support Services, including Energy Trading: Short, medium and long term planning and management of energy and Power Systems Development responsible for development of supply sources of energy

Support services includes Distribution of energy, Corporate Services, Finance and the Office of the Managing Director.

Information about reportable business units

	Generation		Transmission		Other		Total	
Amounts in N$'000	**2011 N$'000**	2010 N$'000	**2011 N$'000**	2010 N$'000	**2011 N$'000**	2010 N$'000	**2011 N$'000**	2010 N$'000
Total revenues	**414,319**	345,741	**794,137**	2,952,951	**4,413,608**	1,568,007	**5,622,064**	4,866,699
Intersegment revenue	**(414,319)**	(345,741)	**(1,215,609)**	(1,408,676)	**(1,682,971)**	(1,308,105)	**(3,312,900)**	(3,062,522)
Total Segment revenue	**-**	-	**(421,472)**	1,544,275	**2,730,637**	259,902	**2,309,164**	1,804,177
Interest Income	**-**	3	**2,111**	1,987	**273,580**	314,968	**275,691**	316,958
Interest expense	**-**	-	**(111,562)**	(135,594)	**(93,003)**	(33,098)	**(204,565)**	(168,692)
Depreciation & amortisation	**(281,968)**	(50,321)	**(352,598)**	(153,989)	**(31,404)**	(34,754)	**(665,970)**	(239,064)
Segment result (before tax)	**(371,119)**	(158,507)	**995,716**	936,532	**(501,521)**	(406,610)	**123,076**	371,415

Other material non-cash items:

Impairment on property, plant and equipment	**(26)**	-	**(114,017)**	-	**(5,503)**	-	**(119,546)**	-

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

31. SEGMENT REPORTING (CONTINUED)

Reconciliation of reportable segment revenues, profit or loss, assets and liabilities and other material items

	2011 N$'000	2010 N$'000
Revenues		
Total revenue for reportable segments	**5,622,064**	4,866,699
Other income	**61,991**	71,376
Elimination of intersegment revenue	**(3,312,900)**	(3,062,522)
	2,371,155	1,880,503
Profit before taxation		
Total profit before taxation	**123,076**	371,415
Other profits	**-**	-
Elimination of intersegment profits	**-**	-
Profit before income tax	**123,076**	371,415

Other material items 2011

N$'000	Reportable segment totals	Adjustments	Total
Finance income	**275,691**	**-**	**275,691**
Finance expense	**(204,565)**	**-**	**(204,565)**
Depreciation and amortisation	**(665,970)**	**-**	**(665,970)**
Impairment of Property, plant and equipment	**(119,546)**	**-**	**(119,546)**

Other material items 2010

N$'000	Reportable segment totals	Adjustments	Total
Finance income	316,958	-	316,958
Finance expense	(168,692)	-	(168,692)
Depreciation and amortisation	(239,064)	-	(239,064)

ADMINISTRATION

Secretary of the Group

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