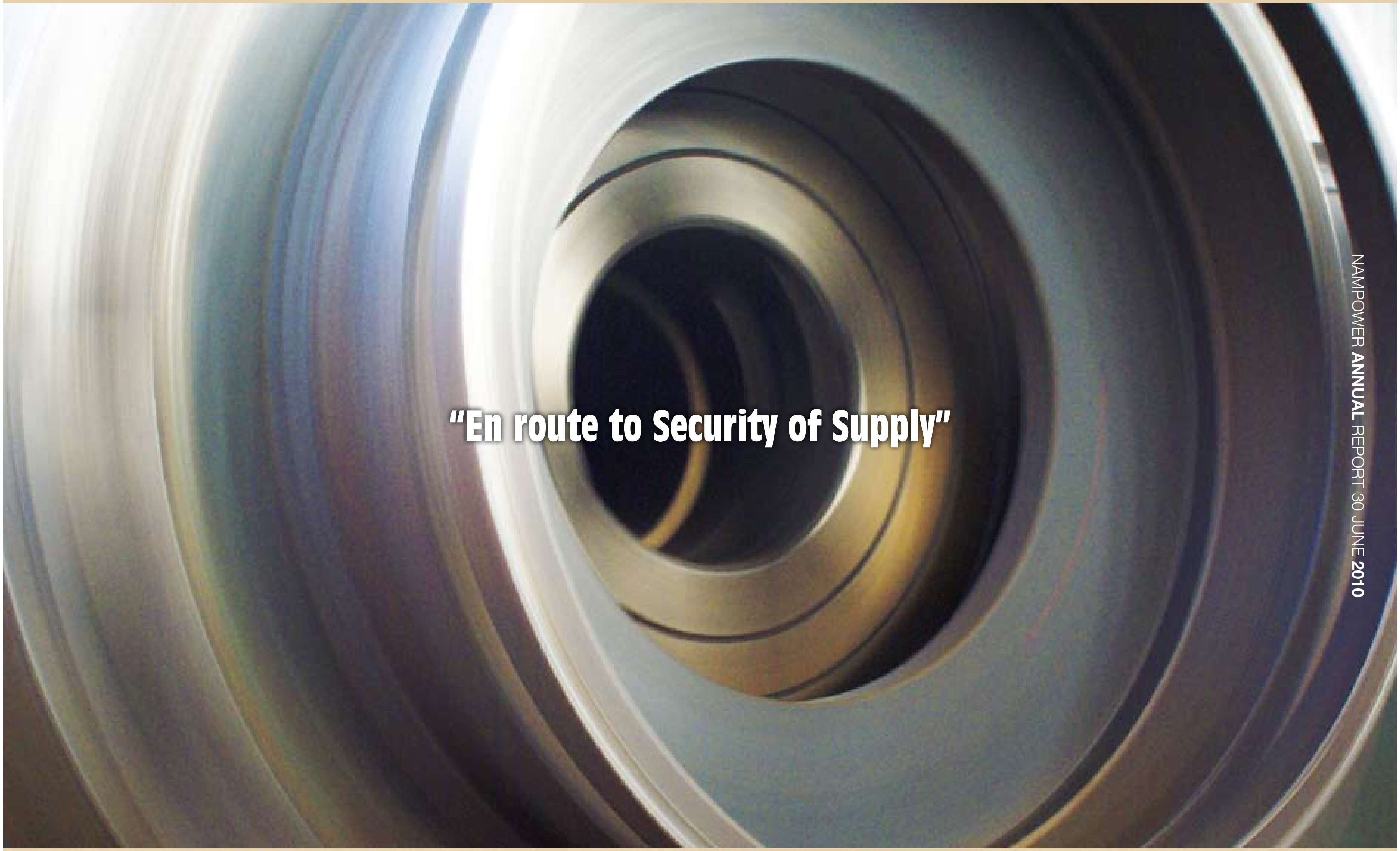
ANNUAL REPORT
30 JUNE 2010

NamPower

Powering the Nation and beyond



Bailey block jig spinning in a lathe at Van Eck Power Station

"EN ROUTE TO SECURITY OF SUPPLY"

The photographs used were carefully selected and are crucial to the theme "Ensuring Security of Supply". No matter how small or big these elements are, they all play a vital role in ensuring security of supply.

The wheel-like images used, signify change, progress, process, momentum and the direction NamPower is taking, and shall continue to strive towards in the future.

CONTENTS INDEX

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)

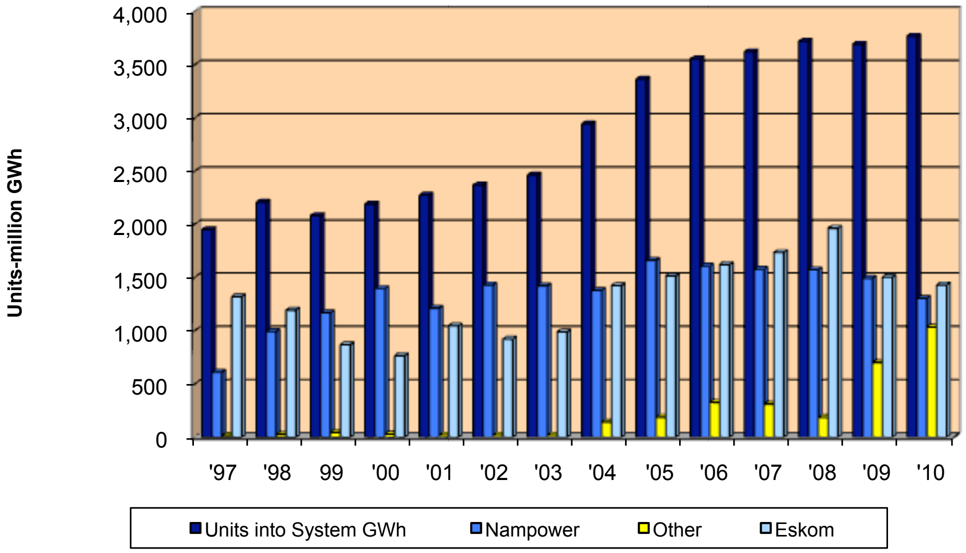
we are committed to...

- 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

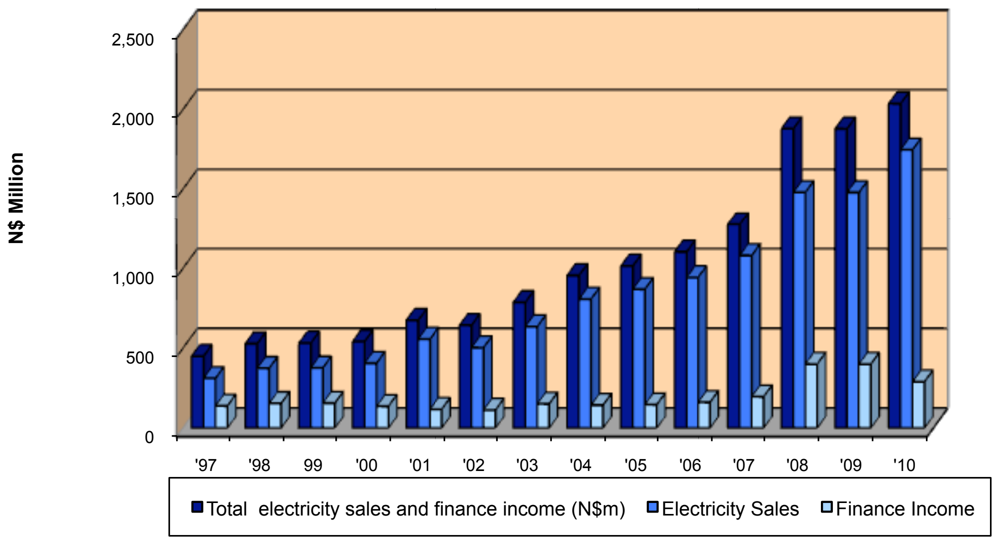
GROUP KEY STATISTICS

	2010	2009	2008 Restated
1. Total income (N$'000)	**2,165,379**	2,220,258	1,610,165
2. Taxation (N$'000)	**(98,246)**	(146,010)	(88,150)
3. Capital Expenditure (N$'000)	**1,772,443**	1,259,390	267,975
- Property, plant and equipment	**1,772,295**	1,257,651	267,400
- Intangible assets	**148**	1,739	575
4. Coal Cost - Per Ton (N$)	**1,297**	1,295	1,295
5. Average Price per unit sold (Cents)	**58.95**	51.53	43.20
6. Number of customers	**3,449**	3,246	3,201
7. System Maximum (Hourly demand) (MW)			
- Excluding Skorpion	**477**	443	449
- Including Skorpion	**564**	517	533
Units into System GWh	**3,767**	3,692	3,719
NamPower	**1,305**	1,490	1,572
ZESCO	**47**	29	27
Eskom	**1,429**	1,501	1,961
ZESA	**891**	648	85
EDM	**95**	24	52
STEM	**-**	-	22
9. Units sold GWh	**3,648**	3,434	3,439
Customers in Namibia	**2,681**	2,651	2,729
Skorpion Zinc mine	**673**	639	663
Exports	**294**	144	47
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**	2,746	1,957
- 132 kV (km)	**2,102**	2,102	1,961
- 66 kV (km)	**3,708**	3,673	3,555
12. Distribution Lines			
- 33 kV (km)	**11,305**	10,866	8,787
- 22 kV (km)	**4,724**	4,610	1,342
- 19 kV (SWER) (km)	**4,258**	4,188	-
- 11kV (km)	**1,099**	1,099	694
13. Employees	**910**	888	844

UNITS INTO SYSTEM

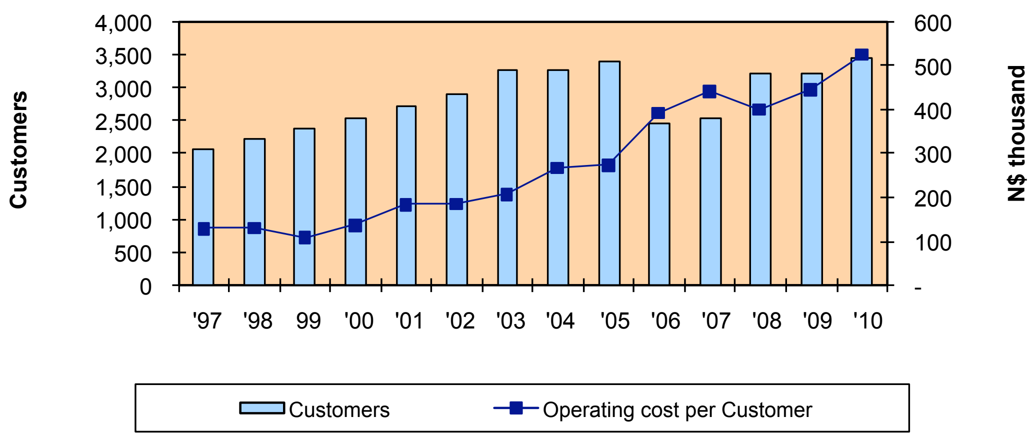


ELECTRICITY SALES AND FINANCE INCOME GROWTH

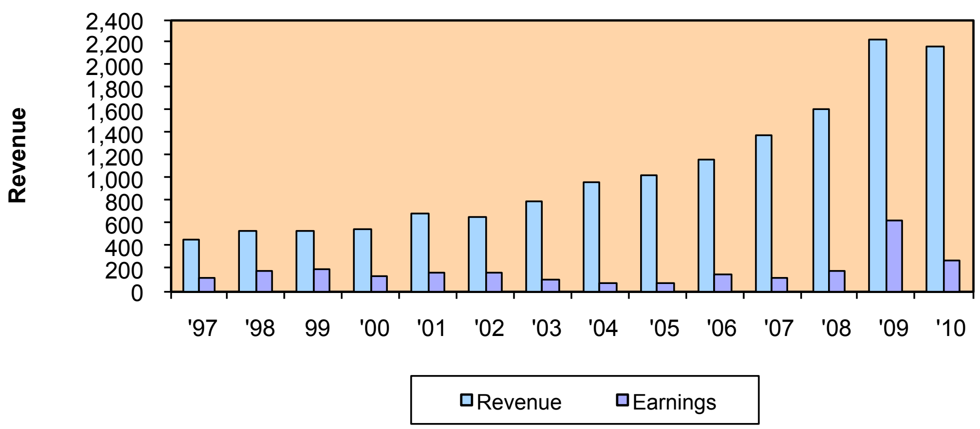


Gate Valve at Van Eck Power Station

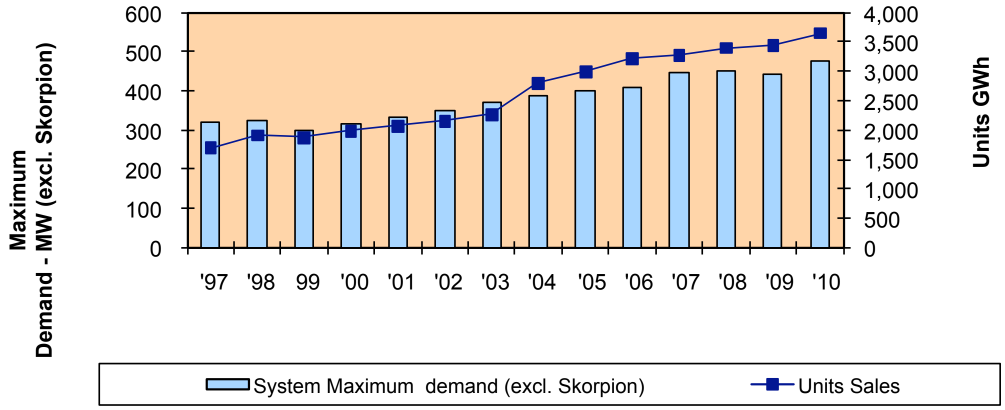
CUSTOMERS AND OPERATING COST PER CUSTOMER



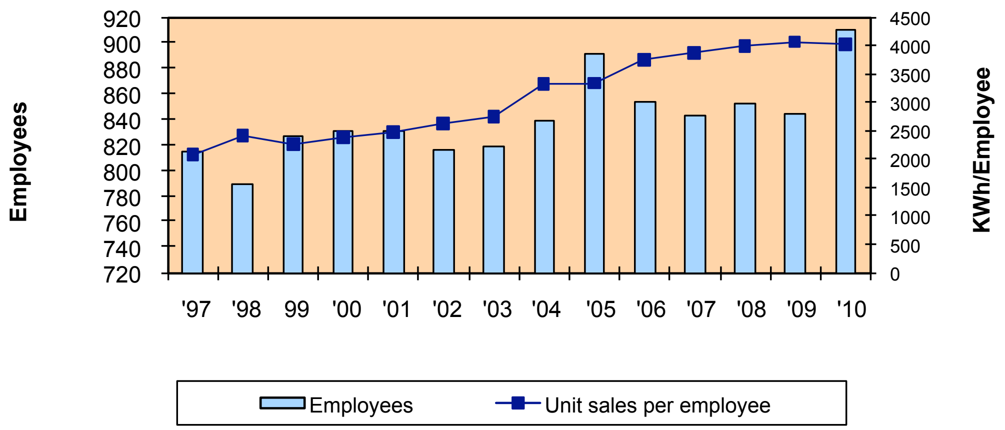
REVENUE AND PROFIT AFTER TAX (N$ MILLION)



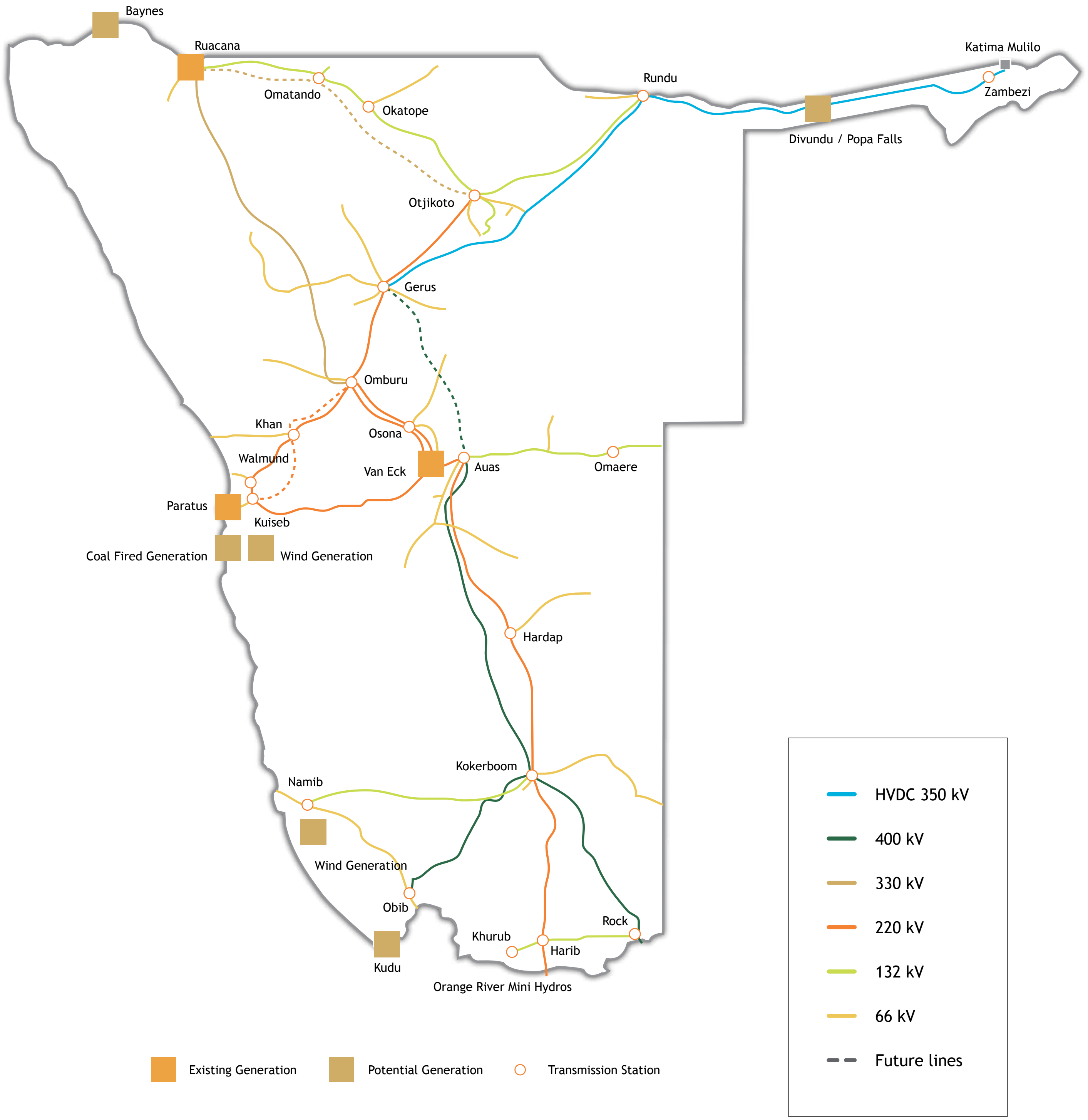
SYSTEMS DEMAND AND UNIT SALES (EXCLUDING SKORPION)



EMPLOYEE PERFORMANCE



TRANSMISSION MAP



Cooling Fan - Paratus Power Station

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 Maritz

Ms R Hanghuwo

Mr. G Narib

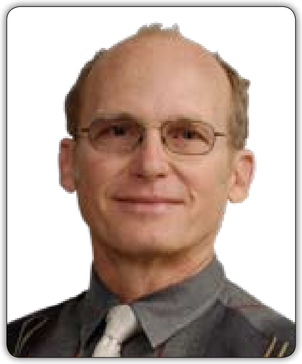
Mr. P Kiiyala

Mr. G Amanyanga

CORPORATE STRUCTURE (CONTINUED)

MANAGEMENT COMMITTEE

Mr. P I Shilamba
MD: NamPower



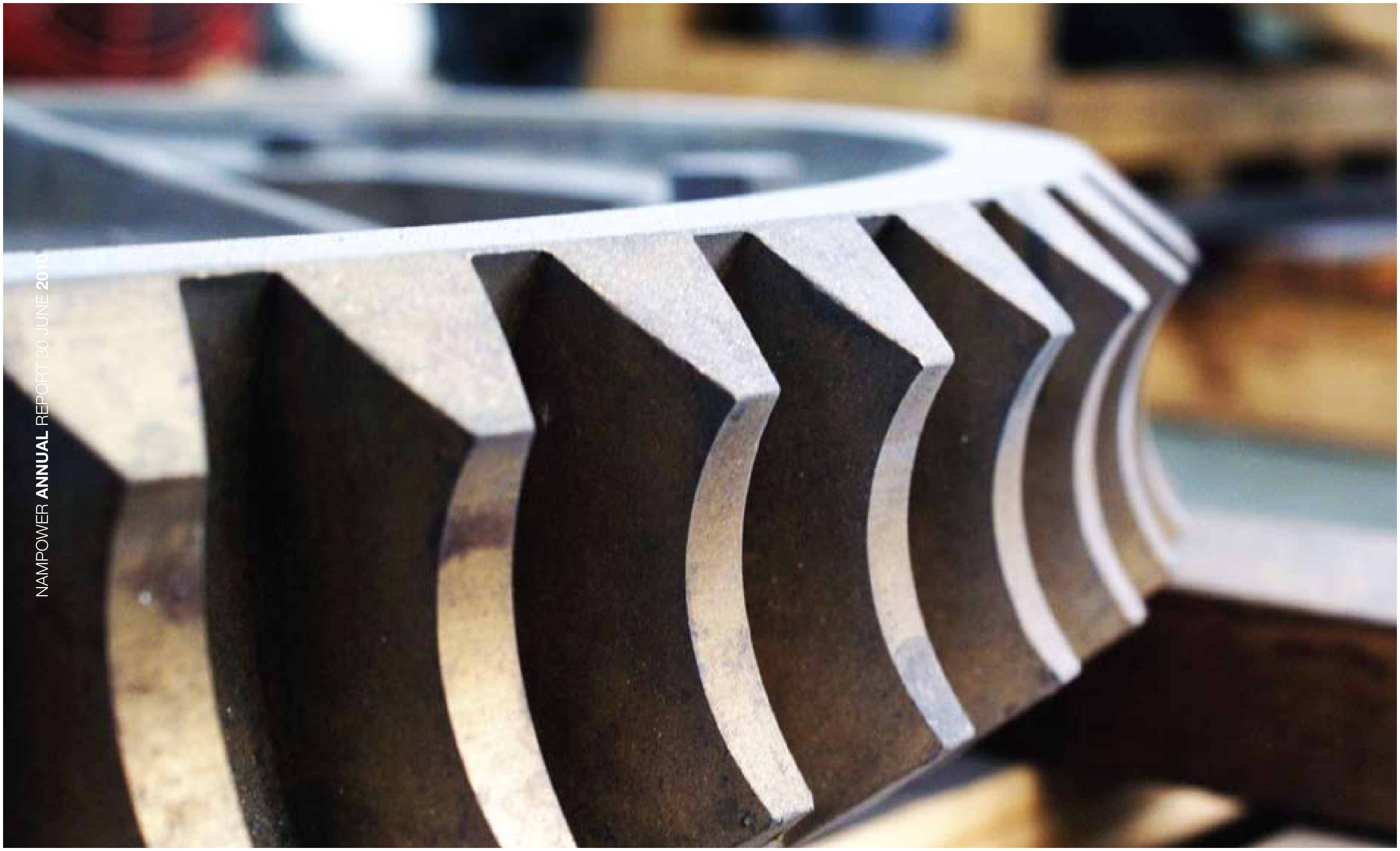
Mr. R Jagau
CHIEF OFFICER:
Power System Development

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

Amb. Monica N.Nashandi
SENIOR MANAGER:
Strategy & Compliance

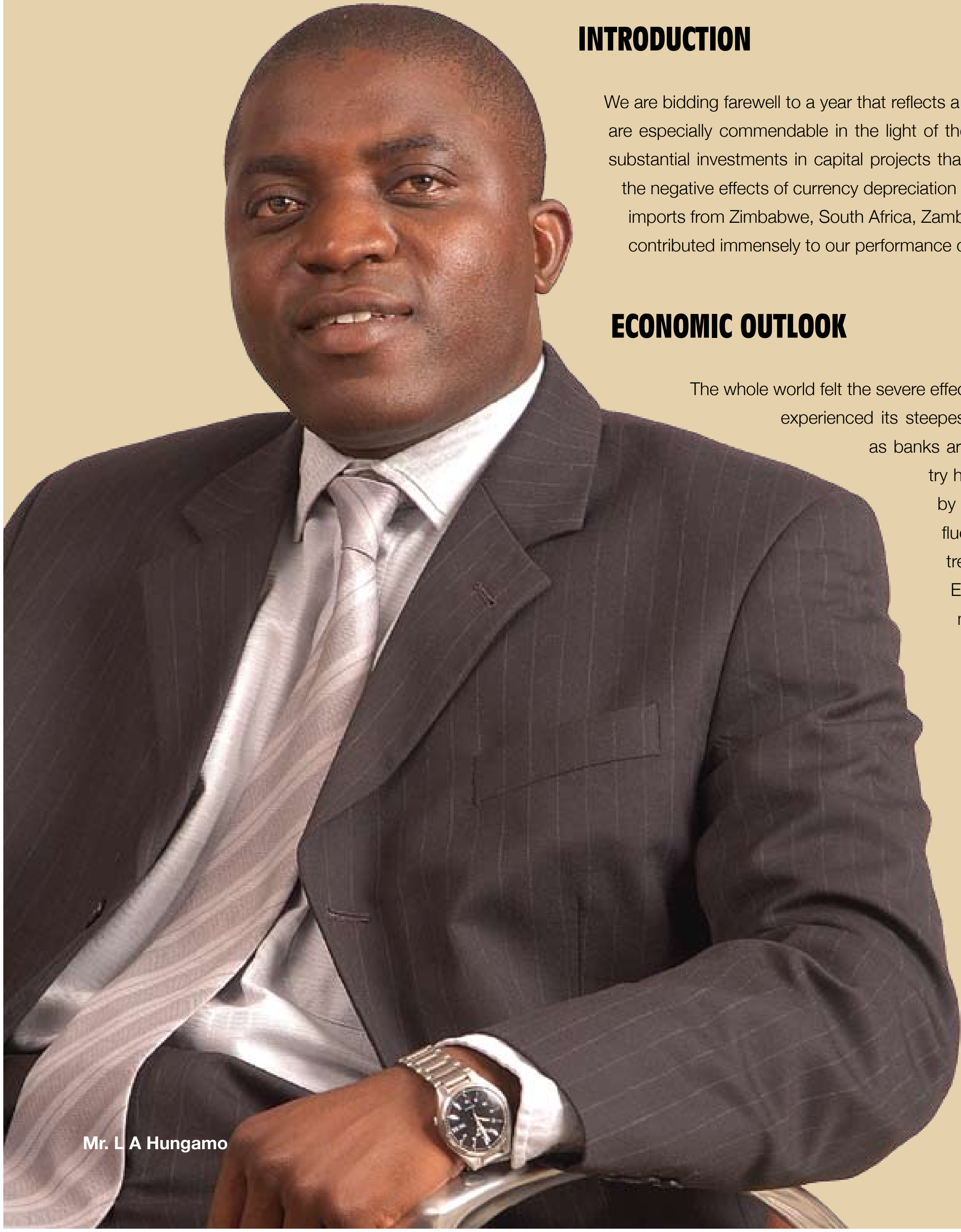
Mr. I Tjombonde
CHIEF OFFICER:
Corporate Services

Mr. A J Vermeulen
ACTING CHIEF OFFICER:
Technical Services



Worm gear of a grate drive gearbox at Van Eck Power Station

CHAIRMAN'S REPORT


Mr. L A Hungamo

INTRODUCTION

We are bidding farewell to a year that reflects a success story in many respects; and the financial results are especially commendable in the light of the impacts of the recent global economic recession, the substantial investments in capital projects that utilised a substantial portion of our cash reserves and the negative effects of currency depreciation and volatility. The more reliable supply from Ruacana, the imports from Zimbabwe, South Africa, Zambia and other trading partners is worth mentioning as this contributed immensely to our performance during the year under review.

ECONOMIC OUTLOOK

The whole world felt the severe effects of the global financial depression in 2008. Oil demand experienced its steepest drop since 1982. The financing of projects tightened as banks around the world, most especially in developed countries try hard to build their books. Most businesses were battered by the volatile commodity costs, frozen credit markets, fluctuating currencies and negative GDP rates. And the treasuries of many countries came under severe strain. Each day during this period brought a new challenge for many businesses. Every one of these tested the strength and capabilities of the fabric upon which NamPower was established.

By the end of 2009, the various unprecedented economic-stimulus packages and the irrepressible growth of key Asian nations appeared to turn around the global economy - the strong recovery recorded in Asia in the first half of 2010, was driven by significant exports and increased private domestic demand. The Asian exports have been stimulated by the global and domestic inventory cycles and by the recovery of final demand in various developed and developing economies. Private fixed investment has grown on the back of higher capacity utilisation and the relatively low cost of capital in Asia.

But weak consumer demand and lingering unemployment in and around the world are likely to

CHAIRMAN'S REPORT (CONTINUED)

weigh down the recovery for some time. But I am happy to say we responded swiftly to this downturn without compromising the talents and values that make NamPower a strong brand. And I can declare with great pride and resilience that we performed well and beyond all expectations.

Our associates and people's ability to pull together in the face of adversities has left me ecstatic about our success in 2009/10. Our success is not just due to the ability of the efficient people we have at NamPower. I think it is more of the sum total of efforts and the considerable pulling strength of our business partners, the government, and our very critical stakeholders combined with the Group values and commitments upon which NamPower's operation and management are fashioned.

At the same time, we still retained our long-term view of making the energy supply secure, affordable and sustainable to our various customers and the nation at large while working towards constricting more value out of every unit of investment made.

It is worth knowing that the supplies of all kinds of energy – not just oil, coal and gas-generated but also renewable – will struggle to keep pace with the economic recovery as global demand for energy resumes its growth due to increasing world population, industrialisation and rising wealth around the world, including the SADC region. And even while energy use grows, carbon dioxide (CO2) emissions must be kept in check. These tough economic realities underline the need for us to do better in containing our costs through improved technology and innovation to insure our competitiveness and sustainability.

The year 2010 is affirmed as the international year of biodiversity by United Nations, thus requesting much beyond social and environmental compliance from all corporate entities including Nampower.

Our overall performance improved in 2009/10 in many of the areas highlighted for sustainable development. We would continue to find innovative ways to generate and distribute environmental friendly energies, reduce energy consumption, manage wastes and our carbon foot print, and build better relationship with all our various stakeholders, and provide a great work environment to our associates. As well as respecting, supporting and investing in the local communities where we operate through regular partnership and community involvements, we shall also continuously seek opportunities to contribute to the world's biodiversity policy.

KEY ECONOMICS INDICES/FACTS

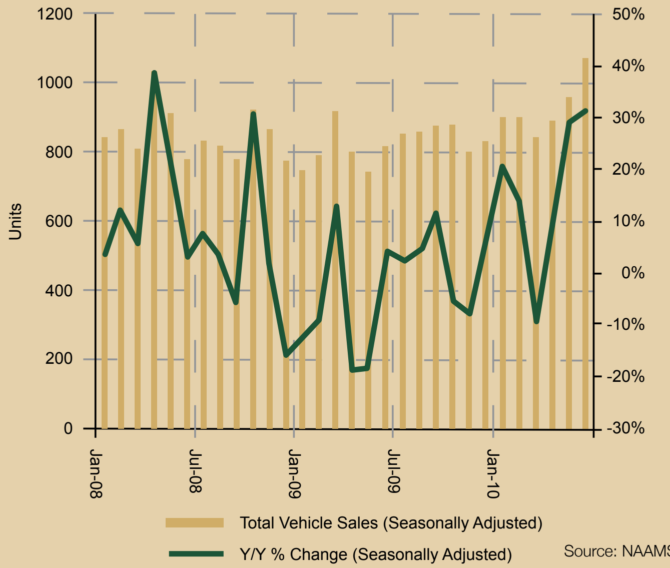
The net effect on the global economy's outlook resulting from various economic developments would primarily depend on the developments within the US economy - the leading World economy. There have recently emerged two conflicting outlooks on the US economy being either a slow and sustained recovery or a "double-dip" recession. Initial data had suggested that a gradual recovery is the most likely outcome; however, recent data suggests that the possibility of a "double-dip" recession cannot be ruled out yet. Whichever of these two outcomes takes place, would consequently affect the global economy.

According to the IMF, the world economy is expected to expand by 4.6% in 2010, before growth slows to 4.3%. Advanced economies are expected to grow by 2.6% and 2.4% in 2010 and 2011, respectively. The outlook differs for emerging and developing economies, which are expected to increase by 6.8% and 6.4% over the same period. Sub-Sahara Africa is expected to experience a growth rate of 5.0% in 2010 and 5.9% in 2011.

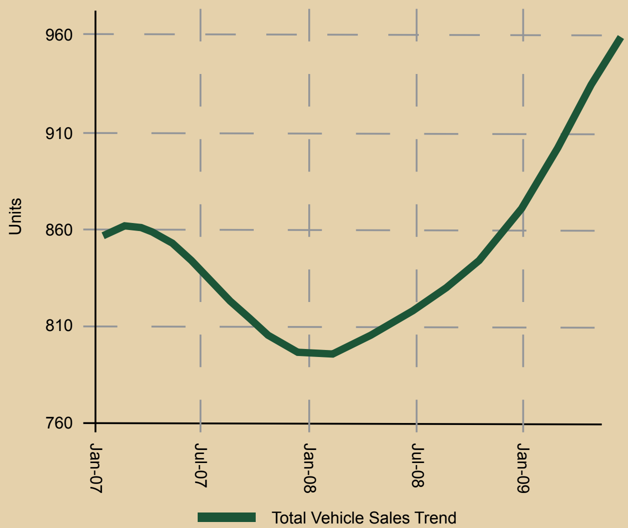
The recent global economic contraction has also resulted in challenging times for the Namibian economy with a substantial decline in global demand. The mining and quarrying industry was hit the hardest, decreasing by 45.0% and directing the economy to a -0.8% growth rate in 2009. The role of Government

CHAIRMAN'S REPORT (CONTINUED)

and Monetary Policy will be crucial in directing the Namibian economy out of this downturn. To date, the Government has laid out an extensive capital outlay plan with regards to construction, whilst the Monetary Policy committee has decreased interest rates since 2008 to assist the recovery of the economy.

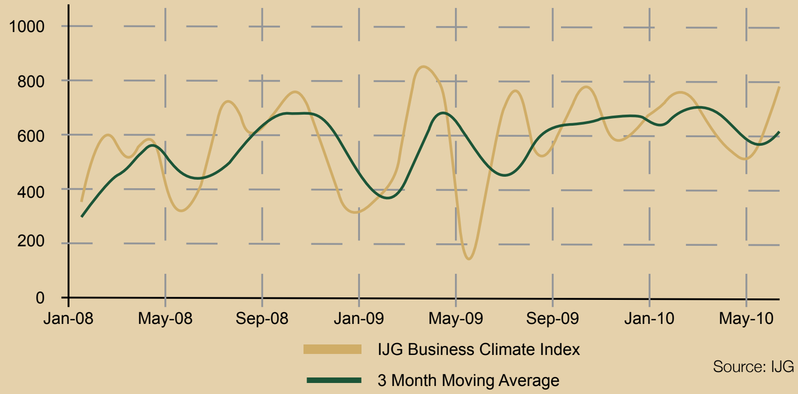


Source: NAAMSA, IJG



Source: NAAMSA, IJG

A possible recovery in the local economy is indicated by positive vehicle sales data which increased by 31.67% y/y in June 2010, up from 29.52% y/y recorded in May 2010 (both seasonally adjusted). The total vehicle sales trend, as displayed above, indicates an upward swing in vehicle sales since early 2008. According to the IJG Business Climate Index, to date, business confidence is slowly returning to the Namibian economy, signalled by the upward movement in the index in the past 2 months. Vehicle sales data has suggested that the Namibian motor sales industry has not been significantly affected by the global financial crises, whilst more of an effect is evident from business confidence data.

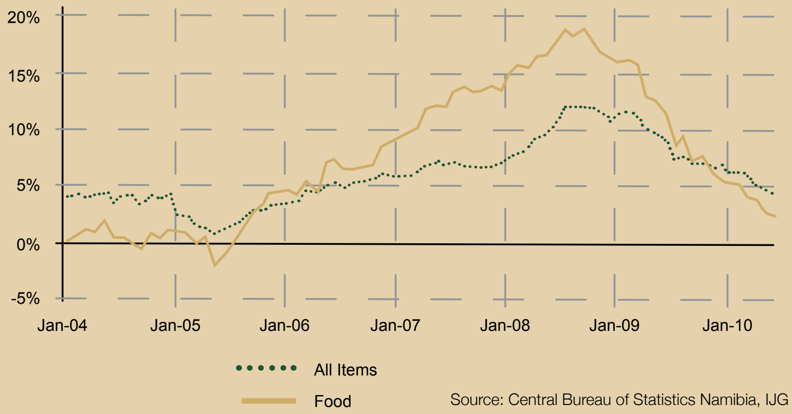


Source: IJG

Namibian price developments correlate with South African inflation, with an estimated 60% of inflation "imported" from South Africa. Headline inflation is relatively heavily weighted on food, which accounts for about 30% of the inflation basket. Food prices tend to lead the inflation rate, with a 0.92 correlation between food prices and the overall inflation rate.

In recent times, headline inflation has decreased substantially from a high of 11.9% in late 2008 to just 4.3% for June 2010. Namibian food prices have also declined in recent times, following the global decline in food prices due to over-supply.

CHAIRMAN'S REPORT (CONTINUED)



Source: Central Bureau of Statistics Namibia, IJG

The Bank of Namibia (BoN) reduced the Bank rate from 7.5% to 7.0% in June 2009 and the rate has remained constant since then. Recent data has suggested the recovery of the Namibian economy with the most significant results listed below.

The mining and quarrying industry performed relatively well during early 2010 as opposed to late 2009. This was brought about by the improved global demand for mineral products and improved global outlook. This resulted in the increased production of diamonds, gold bullion, zinc concentrate and uranium, during Q1 2010 when compared to Q4 2009.

With regards to the manufacturing industry, beer production in Namibia decreased by 15.6% q/q for Q1 2010 primarily due to seasonal factors as the fourth quarter usually contains higher household spending. Soft drink production also declined during Q1 2010 due to the same factor mentioned above. Refined zinc production increased by 0.4% q/q, whilst blister copper production declined by 7.2% q/q. Although most manufactured products declined on a quarterly basis, positive growth was recorded in most indicators on a yearly basis, with blister copper production being the exception.

The sales value of Wholesale and Retail Trade decreased by 5.2% q/q during Q1 2010, resulting from a reduction in revenue of wholesale trade, followed by furniture, supermarkets and vehicles, while that of clothing increased. This decline in sales value is due to a seasonal factor but on a yearly basis wholesale and retail sales volume increased by 11% during Q1 2010. These improved sales figures are consistent with Namibia's improved outlook for 2010.

The Construction industry showed improved results during Q1 2010, which was reflected in the total number of building plans approved and buildings completed, which increased on a quarterly basis.

The Namibian economy remains investor friendly, with balanced capital inflows over the past 20 years. Even during the global financial crises capital continued to flow into the Namibian economy, albeit at a slightly lesser rate, contrary to the belief that capital flows would be particularly vulnerable to heightened risk aversion.

The Namibian Government in its 2010/2011 Budget outlined significant expenditure plans for development programmes, including N$1.2bn for the Transport sector, N$1.1bn for the Mines and Energy sector and N$255m for the Trade and Industry sector. Included in the Mines and Energy expenditure figure is a significant proportion allocated to the electricity sub-sector for Rural Electrification Project and hydro-electric Project at Baynes. These expenditure plans, in addition to those of Transport and Trade and Industry sectors, are expected to result in an increased demand for electricity. The hydro-electric Project is aimed at increasing the electricity generating capacity of Namibia in order to meet this rising demand and consequently reduce reliance on imported electricity especially from South Africa.

CHAIRMAN'S REPORT (CONTINUED)

ABRIDGED SUSTAINABILITY REPORTING

The abridged sustainability report forms part of the annual report for the first time this year. It covers operations over which NamPower has control or a significant influence in interacting with various stakeholders. This stakeholder approach enables us to identify and address material issues in the context of our environmental, economic, and social and governance operations, because we operate in a complex environment, it is a challenge to consolidate our activities into a single report.

OUR PEOPLE/ASSOCIATES

NamPower employs more than 910 associates that it treats with dignity and respect, and we consider them to be the most important internal driver of our success. It is our strategic aim to build enduring and rewarding relationships with our associates and to develop their optimal potential by empowering them and providing supportive programmes that improve morale and enhance self development. NamPower has an affirmative action policy meant to achieve employment equity in the workplace and enhance business continuity and sustainability. We create the necessary mechanisms to encourage our associates to upgrade their skills through in-house training, short courses, further education assistance and attachments with major suppliers. NamPower values the well being of its associates and started a wellness programme to make associates aware of healthy lifestyle habits to encourage them to live and lead healthier lives.

OUR CUSTOMERS

Being the last resort for electricity supply in Namibia, we value our customers tremendously and have created platforms for them to interact and engage with us, through one on one dialogue and public forums. The company is a staunch believer in shared responsibility by involving the entire nation in its various electricity demand management campaigns to encourage energy customers/ clients to make informed and environmentally friendly decision.

OUR ENVIRONMENT

We continue to respect the use of our resources to serve our business and local environment responsibly. As we continue to revisit the way we generate, transmit, distribute and manage energy, we have come to realise the impact that the responsible generation and usage such resources would have on the environment especially with our numerous generation, transmission and distribution projects, thus, no project is undertaken without a comprehensive environmental impact assessment. The assessment evaluates the impact such projects would have on the environment, people, traditional values, (i.e, ancestral land) and economy as a whole. We have also teamed up with nature conservation organisations to identify and manage the impact of our infrastructure on birds and animals.

OUR ECONOMY

NamPower has been tasked through vision 2030 to supply 75% of the energy needs of the country. This target will ensure that Namibia will be self sustainable and that major development can be supported. This task place a huge burden on our capacity, but will be a major contributor for economic growth. Electricity had a major impact on all spheres of the economy and new development depends on the availability on electricity. Namibia requires a lot of energy being the second largest uranium producer in the World; NamPower is thus busy with the West Coast development that will ensure that sufficient energy is available to provide electricity for new and upcoming mines.

OUR SOCIAL RESPONSIBILITY

NamPower as a corporate citizen through the establishment of in-house structures realised its responsibility towards the community. NamPower has created a special vehicle to address development in local communities through the NamPower Foundation that has the responsibility to uplift the plight in local communities. A budget of over N$8 million was allocated to this entity to carry out its mandate as enshrined in its business plan. Besides the NamPower Foundation there are other sponsorship programmes such as financial assistance (bursary scheme) provided to young Namibians to pursue tertiary studies at institutions of higher learning, particularly in Southern Africa, which is estimated at an annual cost of N$4 million and other associated volunteerism and community support and involvement programmes and initiatives.

CHAIRMAN'S REPORT (CONTINUED)

GOVERNANCE STRUCTURE

NamPower has a governance structure in place consisting of the 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; the Audit & Risk Management Committee, Remuneration & Nomination Committee, Investment Committee and the Tender Board Committee.

Each committee has four (4) scheduled meetings per year, but the frequency can vary depending on the tasks at hand.

APPRECIATION

Sincere thanks are expressed to Honourable Erikki Nghimtina, former Minister of Mines and Energy and Deputy Minister Bernard Esau, their respective successors Honourable Isak Katali, the Minister of Mines and Energy, the Honourable Willem Isaacks, Deputy Minister of Mines and Energy, the Permanent Secretary; Mr Joseph Iita and all their senior office bearers for their co-operation and strategic guidance. We look forward to a sound stakeholders' relationship next financial year.

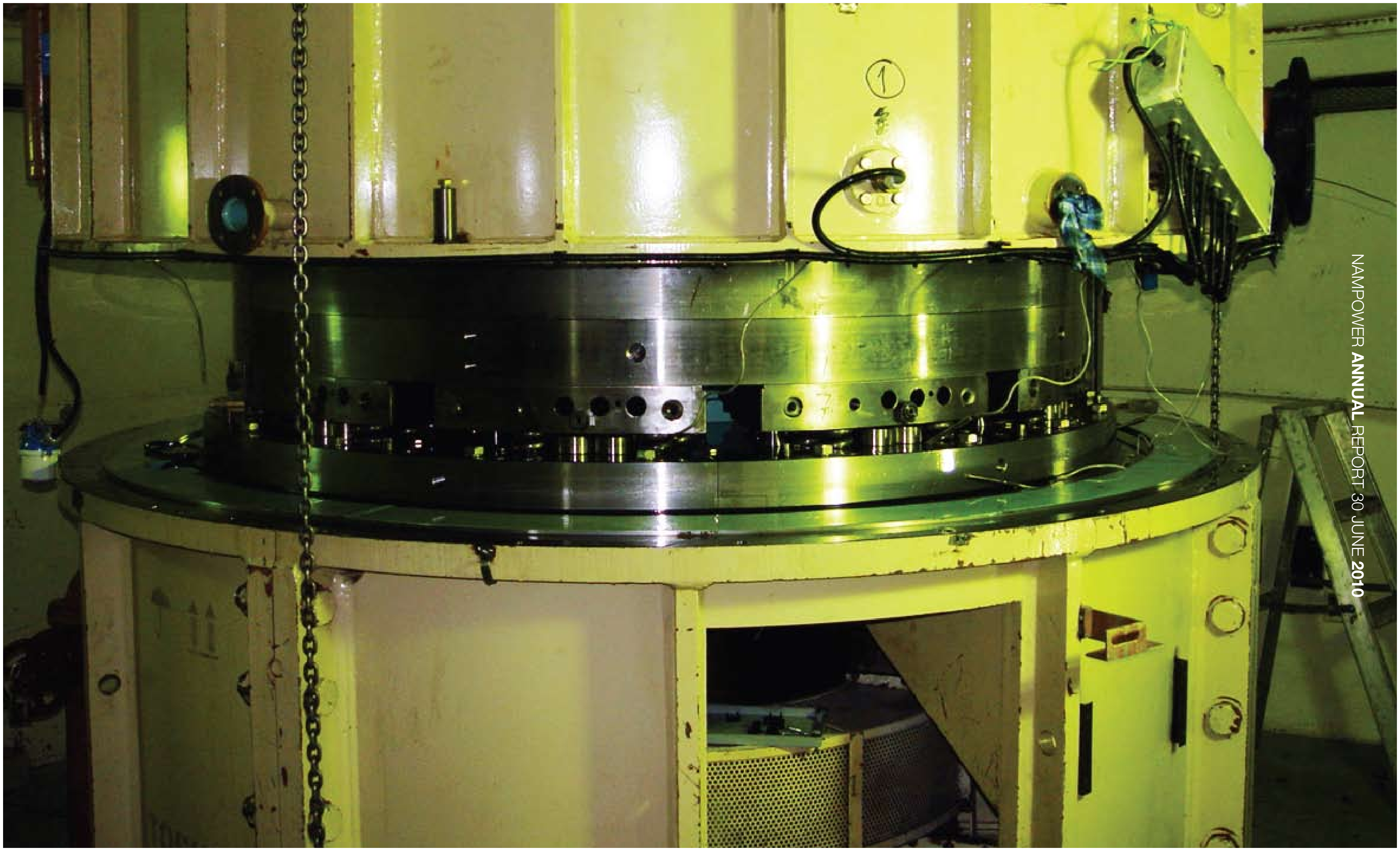
Thanks are also due to my fellow directors for their contributions to sound decision-making. All Chairpersons of the various board committees also deserve thanks for jobs well done.

For their ongoing pursuit of efficiency, effectiveness and productivity, I express my thanks and appreciation to the Managing Director, Mr. Paulinus Shilamba and all other members of the management team and personnel.

CONCLUSION

All stakeholders including current and potential investors may rest assured that NamPower's continued success rests on a very solid foundation of business culture that pervades the motivation and the thinking of the Board, Management and all employees at all levels. It has been a pleasant experience for me to be part of many crucial decisions. The Board and Management have established an appropriate corporate wisdom which will stand NamPower in good stead in the years to come. I can only see NamPower playing a growing instrumental role in the Electricity Supply Industry to the benefit and realisation of the Namibian economy and Vision 2030 respectively.

I pledge to continue harnessing the collective wisdom of the Board and Management, and allow history to judge my endeavours.



Ruacana turbine view of main shaft, thrust and turbine guide bearing

MANAGING DIRECTOR'S REPORT

INTRODUCTION

Despite the global economic turbulence of the 2008 and 2009 financial year, the year under review was one of many years of superior performance for NamPower on both technical and non-technical areas. Amidst the most challenging global macroeconomic environment in decades, we demonstrated the strength and resilience in our employees and values. The huge investments we made to increase our employees' productivity and to streamline our systems and administration all bore visible fruits. Constructive relations were enhanced with the firm's main stakeholders – its customers, employees and shareholders, as were with dealings with industry and other partners locally, within the region and beyond.

Below are the summary of our key performance indicative areas for the year in review:

FINANCIAL PERFORMANCE OVERVIEW

Despite challenging conditions arising out of the global financial crisis experienced a few years ago whose effects are still present today and shortage of electricity in the region, NamPower kept up a strong momentum and performed within expectations. The Group's key financial performance highlights are presented below:

Electricity sales revenue	N$1,7 bn	Up	18.1%
Operating expenditure	N$636,4 mn	Down	31.7%
Profit before tax	N$371,4 mn	Down	51.7%
Net cash generated from operating activities	N$823,7 mn	Up	1.9%
Capital expenditure	N$1,8 bn	Up	40.9%
Total assets	N$14,5 bn	Up	14.3%
Loans raised (including interest rate subsidy)	N$1,2 bn	Up	1,946.7%

Mr. P I Shilamba

MANAGING DIRECTOR'S REPORT (CONTINUED)

Group revenue from sales of electricity increased by 18.1% to N$1,7 billion driven primarily by the annual tariff increase of 15% granted for the financial period to June 2010. Energy sales volumes increased by 6% from 3,434GWh achieved in 2009 to 3,648GWh. Maximum demand increased by 3.1% to 564MW achieved in the month of June 2010 against the previous peak demand of 547MW achieved in July 2007.

The cost of electricity increased by 11.8% from N$684 million to N$765 million. This increase compares favourably to that experienced during the year ended 30 June 2009 of 31% and was achieved through a more efficient dispatch of available local generation capacity and an improved import mix. Increases in electricity costs are, however, expected to continue given the prevailing electricity shortages within the region.

Other income for the Group decreased by 75.8% from N$295 million to N$71 million. In 2008, the Government committed N$360 million in energy subsidy over a period of three years. The Group received N$150 million (2009: N$40 million) of this amount during the year under review. After applying the provisions of the relevant reporting standards on government grants, only a small portion of this receipt was recognised as income during the year due to low utilisation of the Van Eck and Paratus Power Stations. The prior year income included a profit on disposal of an associate amounting to N$168 million which is non-recurring.

The Group continues to exercise a strategy of cost efficiency and cost containment while keeping a positive focus on the quality of service delivery to its customers. This is evidenced by a 31.7% reduction in other operating expenses compared to prior year.

During the year under review, the Bank of Namibia's Repo rate remained constant at 7.0% since the last reduction in June 2009. Average nominal deposit rates, however, trended downwards. The reduced returns offered on money market investments as well as a decrease in the average balance of the short-term investments held over the period as a result of expenses incurred on projects, impacted negatively on investment income which reduced from N$400 million in 2009 to N$290 million for the year under review. The Group expects money market investment yields to remain depressed during the next financial year.

Finance costs increased by 34.4% to N$142 million. The company successfully concluded loan funding with Development Finance Institutions (DFIs) for the Caprivi Link Interconnector project and also raised an additional N$250 million through a bond issue resulting in an increase in interest bearing loans and borrowings from N$1,5 billion (2009) to N$2,8 billion. Going forward the company will continue to finance key projects through a combination of own resources and debt financing in order to take advantage of cost effective funding opportunities that may present from time to time.

Net profit before fair value adjustments and net finance income for the Group amounted to N$474 million (2009: N$204 million).

Profit before tax and after taking into account the effects of fair value adjustments amounted to N$371 million (2009: N$769 million). Included in the profit before tax are the following:

- Net fair value loss on derivatives and foreign loans N$113 million (2009: N$254 million)
- Net fair value gain on embedded derivatives N$59 million (2009: N$53 million)
- Net fair value loss on firm commitments N$211 million (2009: Gain N$504 million)

The above portrays the market volatility in respect of financial markets and the company's own credit risk rating. Where possible and when considered effective to do so, the company enters into hedging transactions aimed at reducing risks associated with currency and interest rate movements. Transactions giving rise to derivatives and embedded derivatives include, but are not limited to, the company's power purchase agreements with other utilities denominated in United States Dollars (USD) and contracts with contractors and suppliers of major equipment for various projects denominated mainly in USD, Euro and Swedish Krona (SEK).

Net cash generated from operating activities increased to N$824 million, up 1.9% from prior year amount of N$808 million.

The Group spent N$1,8 billion on its capital expenditure programme that resulted in the total assets increasing from N$12,7 billion (2009) to N$14,5 billion. Key projects undertaken during the year included the Ruacana Fourth Turbine generation project and the Caprivi Link Interconnector transmission project which was nearing completion at year end. The construction of the Caprivi Link Interconnector has since been completed subsequent to year end and work on the Ruacana Fourth Turbine is on schedule.

NamPower appreciate and continue to receive unwavering support from its shareholder, being the Government of the Republic of Namibia. In addition to the equity injection and the energy subsidy received over the past three years, the shareholder has pledged an amount of N$250 million to subsidise the construction of the emergency diesel power station, Anixas, at Walvisbay. The first tranche of these funds, amounting to N$50 million, was received in August 2010. In line with Government's drive to increase accountability by State Owned Enterprises, the company signed a Subsidy Agreement with the Ministry of Finance committing to certain specific deliverables. I am confident that these will be achieved.

In addition to continued government support, NamPower has signed new loan commitments equivalent to the Rand counter value of 35 million Euros with the German Development Bank, KfW to co-finance the installation of the fourth Turbine of 92 megawatt at the Ruacana Hydro Power Station. This debt issue is part of NamPower's approximately N$15 billion long term capital expansion plan.

PROPERTY PORTFOLIO ANALYSIS

The Group's property portfolio consists of both commercial and residential properties. A significant portion of these properties are owner occupied and serve the office and residential accommodation requirements of the Group. Any property not required for own utilisation in the short to medium-term is leased out to third parties provided the returns there from are in line with market trends. In this regard, an external operator is responsible for the operations of the NamPower Convention Centre as the hospitality sector falls out of the company's core business. In addition, the Group is exploring opportunities to enhance the performance and returns of its EHA Lodge operations.

The overall performance of the Group's property portfolio was within the expectations of management and in line with market returns.

Main gear of a conveyor drive gearbox at Van Eck Power Station

MANAGING DIRECTOR'S REPORT (CONTINUED)

TECHNICAL PERFORMANCE HIGHLIGHTS

GENERATION

Hwange Power Project

The Hwange Coal-fired Power Station rehabilitation project that commenced in 2007 had the 1st phase of the four rehabilitated units' final work completed at the end of March 2010. This was then followed by a complete audit of the work in June 2010.

ZESA has been delivering the contracted 150MW to Namibia since October 2008 honouring its commitments in terms of the Power Purchase Agreement with NamPower. The project took longer than originally envisaged because of the difficult economic conditions that prevailed in Zimbabwe during the rehabilitation period of the power station. The end result still remains a unique solution which successfully addressed the needs of both countries during very difficult times. Zimbabwe managed to get access to finance to revive its Hwange Power Station and Namibia managed to secure a reliable and affordable 150MW of electricity for a period of five years. Indeed a win-win situation for both countries.

Van Eck Power Station

Van Eck Power Station has continued to serve the Namibian electricity need successfully during the peak periods for the period under review. Total coal received at Van Eck Power Station for the 2009/10 fiscal year amounted to 44 959.2 tonnes of which 42 341.2 tonnes were burnt to produce energy for the period under review.

During the period of excess power in the region the Van Eck power station serves as an emergency standby power station, and operates for short periods only. However, due to critical power supply shortages experienced in the region and the country since 2006, NamPower has been operating this power station for longer periods and sometimes on a continuous basis. Given the obsolete technology in place at Van Eck, NamPower has been inundated with complaints from the members of the public and businesses community, particularly those residing in the proximity of the power station about particles emitted from it.

NamPower has taken note of the complaints by the residents and in accordance with our staunch support for an eco-friendly environment and management practices we have constantly been monitoring the situation at Van Eck through continuous studies to determine the impact of emissions on both physical and human dimensions. We are confident to state that all studies conducted so far point to the fact that emission levels at Van Eck are within permissible levels of the World Health Organisation standard.

Besides the above it has been our desire to improve the efficiency of the Van Eck operations on technical, environmental and economic front and hence, our resolve to approach various donor organisations for financial assistance to conduct a more detailed formal study on this facility.

After extensive search for possible funding assistance the USTDA decided to accept our request and awarded a grant of USD400 000 to NamPower for a feasibility study that will evaluate the technical, financial, environmental, and other critical aspects of the Van Eck Power Station and to come out with clear recommendations on the future of this facility, covering various options including but not limited to decommissioning, rehabilitation, upgrading and/or fuel substitution.

Anixas Diesel Generator Power Station

Construction of a heavy-fuel oil/diesel power plant has commenced and is due for completion by early 2011. Barloworld SA was successfully awarded the tender. 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.

Government invested an amount of N$1 billion into NamPower to assist the company with its medium term capital investment programme, and made a further commitment for a subsidy amounting to N$250 million towards the realisation of the 22 MW ANIXAS Diesel Generator Power Station, with an additional N$125 million from NamPower.

The purpose of the N$375 million diesel generator Power Station is to provide an emergency standby facility for electricity generation. The station will also assist in providing power supply to the national electricity grid during peak periods of power consumption.

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

The on-going project to install the 4th 104MVA generator and hydro turbine at the Ruacana Hydro Power Station is very much on track, with the March 2012 contractual completion date still feasible to bring the 92MW on stream.

ABB/Powertech was appointed to supply the step-up transformer joining the existing Consortium of Alstom and Andritz Hydro for electro-mechanical works and balance of plant, while Murray and Roberts and Siemens are responsible for civil works and gas-insulated switchgear extension respectively.

MANAGING DIRECTOR'S REPORT (CONTINUED)

Walvis Bay Coal-Fired Power Station (250 - 400MW)

Following the completion and submission of the Environmental and Social Economic Impact Assessment study (ESEIA), and the identification of two sites in the vicinity of Walvis Bay no further progress can be reported yet as NamPower was unsuccessful to obtain approval from key stakeholders on a site situated near the ocean which would enable seawater cooling. Discussions are ongoing with relevant stakeholders. A thorough awareness campaign is under way outlining and explaining risks associated with such a coal-fired power plant. The ESEIA study clearly outlines the boundaries for clean-coal technologies suitable for the sites. It is still NamPower's intention to solicit IPP developers once an environmental clearance has been obtained.

Orange River Hydros (LOHEPS)

This on-going project is expected to have Phase 1 of the feasibility study for the development of small scale hydro power plants along the lower Orange River completed by end 2010. As earlier reported, the lower Orange River holds potential for an additional generation potential of between 80MW to 120 MW.

After completion, the project will not only qualify NamPower for carbon credits, but will also help NamPower in reducing the green house gases emission and utilise water only, i.e. there will be no water abstraction or water regulation. No dams will be constructed but the run-of-the-river potential will be exploited with enough water to ensure a continuous water flow between the diversion and re-entry of water; in addition, water abstraction for agricultural purposes will be ensured.

Discussions are at an advance stage with Development Finance Institutions (DFIs) to provide Grant funding to conclude environmental and technical studies which will enable NamPower and Clackson Power to firm up the final project sites as well as envisaged costs and tariffs required. The DFIs are also considering providing funding for the construction of power stations.

Kudu Gas-to-Power Power Plant

The original concept of the Kudu-Gas-to-Power Project based on developing an 800MW CCGT Power Station north of Oranjemund situated 170km from the offshore Kudu Gas Field was again dogged by another setback caused by the expiration, on 31st August 2009, of the 4 Year Kudu Gas Field Interim Production Licence, to the consortium of Tullow Oil (70%), Itochu (20%) and NamCor (10%).

As a result a new 2 Year Interim Production license was issued on the 30th October 2009 to a consortium comprising four companies (the Upstream parties) namely; Gazprom EP International and NamCor having a combined 54%, Tullow Oil 31% and Itochu 15%. According to the Pipeline Project previous investigation, there is a strong belief that the addition of Gazprom will help unlock the original Kudu-Gas-to-Power Project.

On issuance of the new production licence upstream parties had pledged to make the original "Pipeline Project" work, that is, to say they will carry out the necessary upstream development activities to deliver gas by means of a pipeline to an 800MW CCGT Power Station at Oranjemund in the South-Western corner of Namibia. The packaging of the project entails carrying out extensive technical, environmental, geotechnical, financial and commercial feasibility studies.

NamPower on its part, as the lead developer of the downstream project (Kudu Power Station), has recommenced development activities to re-package the downstream project by both revisiting some of the work carried out during the period 2004 to 2007, as well as progressing the project activities to the Final Investment Decision (FID) stage, and ultimately to the Financial Close (FC) stage to kick-start the construction activities.

Baynes Hydro Power Plant

The on-going Baynes Hydro project on the Cunene River Basin is still being driven by the Namibian-Angola Permanent Joint Technical Commission (PJTC) on behalf of the respective governments. The PJTC appointed a Consortium of four Brazilian companies (called Cunene Consortium), to conduct a three phased Techno-Economic study on the Baynes Hydro Power Project. The final phase of Techno-Economic study is expected to be completed by May 2011.

The final phase of the Environmental and Social Impact Assessment (ESIA) for the Baynes Hydropower Project by the renowned international environmental company, Environmental Resources Management (ERM) is expected to be completed by May 2011. With all fieldwork including the stream flow measurements and specialist work on the ecology already completed, the social and public consultation component of the overall study is still ongoing.

It is worth mentioning that NamPower has continued to play a crucial role in the development and completion of this project.

MANAGING DIRECTOR'S REPORT (CONTINUED)

TRANSMISSION PROJECTS

Transmission adopting best practices

The Transmission Business Unit continues to maintain its high standards of technical excellence through innovation, customer-focus and pro-activeness. The Unit has adopted and is committed to the philosophy – "if you do not measure, you cannot improve". As a result, the Unit remains committed to reporting system performance in accordance to world best practices. Thus, its incorporation of the Customer Average Interruption Duration Index (CAIDI), System Average Interruption Frequency Index (SAIFI), System Average Interruption Duration Index (SAIDI) and fault rate per 100km system performance parameters into on our current records.

Everything was not rosy during the year under review; two major disturbances were recorded due to severe weather conditions. Firstly, the 132kV line between Harib and Rock was lost as a result of extreme winds and another, 132 kV line 2, was also lost between Kokerboom and Namib, each having different impact on existing structures and system performance.

The second system disturbance was on the Omaere–Ganzi 132 kV line which took forty-seven hours and 21 minutes to restore. Some minor disturbances were also recorded during the period under review most of which were due to load encroachment and broken line structure poles.

Scheduled system minute losses during the period under review were 513.2 compared to last year's 551.8. On the other hand, unscheduled system minute losses have increased from 324.09 to 415. 21 which can be explained by the power disturbances due to natural phenomena as explained above. Fault rates per 100km on the NamPower main grid remained very low during the period under review - with figures of 0.00 on the 400kV, 0.206 and 0.196 for the 330kV and 220kV respectively.

Also, on the 16th June 2010, NamPower recorded a new National demand landmark of 564.288 MW, inclusive of the Skorpion Mine total demand.

Caprivi Link Interconnector

The 951km 350KV HVDC lines and converter stations linking the far north-east with central Namibia has been commissioned in time (May 2010) to reinforce and stabilise supplies to Namibia. In this project the voltage source converter technology based upon IGBTs was employed instead of the conventional line commutated technology based upon thyristors. The decision was based on the electrically weak systems in both Zambia and Namibia. The HVDC Light project supplied by ABB can be described as a highly complex technology. The Caprivi Link provides a north-south interconnector within the Southern African Power Pool which forms 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.

The Project which was completed within budget was also in time for the 2010 Soccer World Cup Tournament in South Africa.

The electrode stations design on either side, although not required for the initial operation, is currently being finalised. Utilising earth electrodes will result in reduction of losses and consequently, a reduction in the energy being sourced.

West-Coast Development

The Uranium rush along Namibia's central west coast necessitated extensive transmission infrastructure planning and development. To this effect the 220kV transmission backbone is being reinforced with a second line and a dedicated 220kV line has been completed to service the new Trekkopje Uranium Mine including a desalination plant and two water booster stations.

Additional requests from this sector have been received and are being processed. Once these developments commence, more 220kV lines and substation extensions need to be built to reinforce supply to all areas.

Ohorongo Cement Plant

Supply to the new Ohorongo Cement plant between Tsumeb and Otavi was completed 4 months earlier than planned, while upgrade of the large distribution transformers at the main Otjikoto distribution station is expected to be concluded during the course of 2010.

ZIZABONA Interconnector

Due to the delays experienced in the project, members were forced to relook at the development process of this project. The following options were put forward by the ZIZABONA Management Committee and presented to the ZIZABONA Project Steering Committee members to try and expedite the development of this project.

Options Considered:

- **Option 1:** Engage a qualified consultant through a competitive bidding process who would prepare and package the project to bankability using the availed grant funds. The terms of reference for the consultant would be prepared by the SAPP-CC.
- **Option 2:** Members should continue the current arrangements whereby the wheeling agreements (WAs) between ZESA-NamPower and ZESCO-NamPower should be concluded. The Wheeling Agreements (WAs) would then be used to seek funding for the capital portion corresponding to the capacity contracted by NamPower. NamPower is willing to negotiate WAs with ZESA and ZESCO bilaterally.
- **Option 3:** Invite other SAPP Members to take up the remaining capacity and have them sign Wheeling Agreements (WAs) and/or power purchase agreements (PPAs). Financiers to be approached after signing the Wheeling Agreements (WAs) and Power Purchase Agreements (PPAs)
- **Option 4:** If no further WAs and/or PPAs can be obtained from other SAPP members, seek grant funding for the remaining capital requirement on the assumption that utilisations of the project will be through other SAPP trading opportunities such as the Day Ahead Market.

Option preferred: The Zizabona Project Steering Committee met on the 23rd March 2010 in Tanzania and discussed the abovementioned options, and agreed on option 1. With this route, it is expected that it will provide the necessary clear picture as how the project should be handled. The SAPP Coordination Centre will utilise funds from the Government of Norway, DBSA and AFD (France) as well as NEPAD.

The way forward

The SAPP CC applied for project preparatory funding from the Government of Norway and a sum of USD 500, 000 has since been secured and is ready for use. A further USD 500, 000 has also been secured from DBSA and the access conditions are being worked on. An additional funding of USD1, 000, 000 has also been promised by the French (AFD) and NEPAD.

Other Transmission Projects

Continuous system improvements at transmission level are planned and implemented to facilitate a reliable and continuous supply to all customers. To this effect a new 80km 132kV transmission line is under construction to reinforce the supply to the central-southern area around Rehoboth.

The Power Systems Development Business Unit tasked with the planning and execution of all large capital projects continues to fulfil its mandate as expected. While the human resources needed to execute all these projects are limited, there are programmes put in place to train and mentor young and upcoming engineers to be able to take over these functions.

MANAGING DIRECTOR'S REPORT (CONTINUED)

ENERGY TRADING, ELECTRIFICATION & RENEWABLE ENERGY

Power Supply Agreements

Renewal of the Eskom/NamPower Supplemental Agreement

The supplemental agreement between NamPower and Eskom has been in force as from the 1st of June 2008. This agreement is renewable on an annual basis. It ensures security of supply in Namibia as evidently depicted in the percentage of Eskom's share of total imports below. The agreement was last renewed on the 1st of April 2010 and it will reign until the 31st of March 2011. The importance of this agreement to Namibia's security of supply is evident in the percentage of Eskom's share of total imports during the period under review.

NamPower/ZETDC (ZESA) Power Supply Agreement

NamPower continues to receive the 150 MW Firm supplies constantly. The performance of this agreement has proven to be reliable except during periods when wheeling constraints are experienced on the South African system.

NamPower/ZESCO Power Supply Agreement

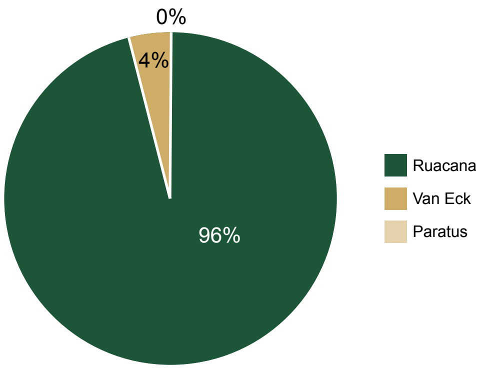
The long awaited NamPower-ZESCO supply agreement came into effect on 16th January 2010. In terms of this agreement, NamPower will be receiving a 50MW for the period of 10 years.

NamPower/EDM Power Supply Agreement (non-firm)

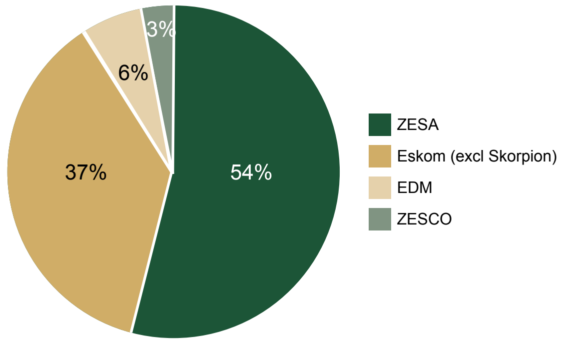
The agreement between the National Utility of Mozambique, EDM and NamPower proved to be very reliable. The average quantum of trade has been 25 MW. NamPower is pursuing further trading opportunities in Mozambique.

Power Supply Outlook (July 2009-June 2010)

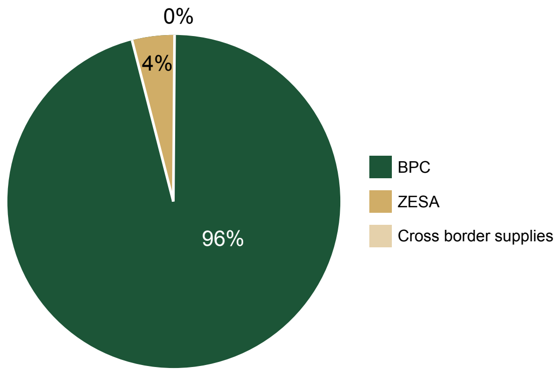
Local Generation GWh



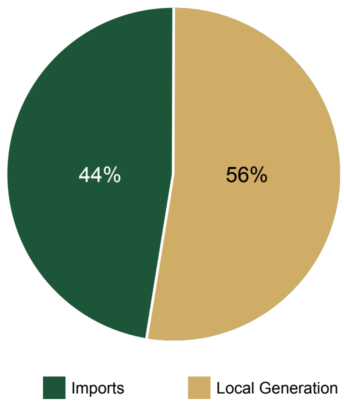
Total Imports GWh



Total Exports GWh



Total Imports vs Local Generation for 2009/2010 Financial Year



MANAGING DIRECTOR'S REPORT (CONTINUED)

Energy Trading Platform

The Energy Trading Platform project which Energy Trading embarked on late last year is now implemented. The official switch-over from the conventional system took place on 1st July 2010. This robust system enables Energy Trading to successfully perform all the trading activities accurately. The system covers a wide spectrum of trading with emphasise on; Load forecasting, Market Scheduling, Energy Settlement, Financial Settlement and Reporting.

The Southern African Power Pool (SAPP)

In accordance with regional integration initiatives i.e the collective pursuit of energy growth and development in the region, NamPower remains active and continues to play a pivotal role in SAPP.

Electrification

In line with its corporate social responsibility and within the parameters of its mandate, NamPower will continue to electrify localities in rural areas. The recent high influx of people from rural areas to urban centres and the consequent mushrooming of informal settlements in and around towns/cities has become a heavy burden to the REDs, municipalities, Village Councils and Regional Councils to supply basic services including electricity.

NamPower will also continue with commercial electrification in the Central and Southern regions due to uncertainty around the establishment of RED's in these regions.

CURRENT MAJOR ELECTRIFICATION PROJECTS

Region	Localities	Start Date	Delivery Date	Comments
Kunene Phase 1	Omazu, Oukongo, Otjiyandjazemo, Ondore-Orokapare, Otwani, Okatutura, De Riet, Otjihama, Bloemhof, Morewag, Queen Sofia and Terra Mea Junction	Sept' 09	Aug' 10	Completion certificates Issued to supply authorities
Kunene Phase 2	Etoto East, Ehombo, Onbombo, Otjokavare,Eersbegin, !Naraxa-ams, Gainatseb, East wood, Tsumamas, Onverwag and Werda Gate	-	-	Funds to be requested from EIB for 2010/11 budget
Hardap	Amalia, Asab, Bahnhoff, Groendraai, Grundorn, Komaseb, Kries, Middel Plaas, Nabasib, Swartwater and Voightsgrun	May'10	4th Quarter 2010	-
Kavango	Sikanduko, Kaauwa and Ngangwal	April'10	-	-
Kavango Phase 2	Manwangombe, Cuma, Masivi, Shinguruve, Mutwandjara, Mukuni, Dosa, Kanyumara, Shipando, Dimwagha, Mukuvi, Mwitjiku, Tjeye, Mbeyo, Sigone, Ekandjo,Ou Cordon, Yinzu and Mururani	-	-	Funds to be requested from EIB for 2010/11 budget
Caprivi	33kV line from Kashese to Kongola and the Electrification of Kongola and Makanga.	Dec.'09	-	-
Capri vi Phase 2	Bitto, Choi, Kaliangile, Kalubi, Kanono, Lizauli, Lubuta, Luso, Malanga, Malengalenga, Newlook, Sachinga, Sachona, Sesheke, Sibinda, Sikaunga and Singalamwe	-	-	Funds to be requested from EIB for 2010/11 budget
Ohangwena	Ondeikela	April'10	3rd Quarter' 2010	-
Omusati	Onheleiwa, Onampila, Okampelo and Olupandu	Oct.'09	Jun'10	Completion certificates Issued to supply

UPDATE ON COMMERCIAL ELECTRIFICATION PROJECTS (2009/10 FINANCIAL YEAR)

Project	Number
Total applications received	147
Applications processed	114
Jobs completed	76
Jobs in progress	30

CURRENT PROJECTS

Renewable Energy

In line with the global pressure for sustainable and environmental friendlier energy generation and usage, 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 ECB has issued all three parties with conditional generation licenses. The proposed installed capacities are still being negotiated. NamPower is further providing technical advice to a PV/Diesel hybrid mini-grip installation initiative in Tsumkwe.

Private developers have also 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 purely on the basis of proving the concept. Technical advice to interconnect them to the Cenored distribution network was also provided.

Such developments are seen as an interim step to provide remote locations with access to electricity. Once demand increases a grid connection may become commercially viable, allowing the hybrid system to be placed at another remote location.

Wind Energy Projects

Collaboration with Polytechnic of Namibia

NamPower continues to work with Polytechnic of Namibia on the five-year Cooperation Agreement and the Wind Measurement Supplemental Agreement which was signed in December 2008. The two parties have mutually agreed to cooperate in research and other areas of common interest and capacity.

The equipment for these two NamPower's sites was delivered in January 2010. Although, there is a slow progress in obtaining relevant permits for the site in Luderitz area, but once permits are obtained equipment installation will be arranged.

IPPs - Interests to Implement Wind Energy Projects

Discussions are underway between NamPower and the three companies holding conditional generation licences, namely Aeolus, Electrawinds and Innowind.

Economic Framework on Renewable Energy

MMA consulting was appointed in January 2009 to examine the policy and commercial issues for the integration of renewable energy resources into the NamPower system, and a report has been finalised.

Solar Energy

Tsumkwe Solar hybrid mini-grid system

NamPower partnered with the European Commission, Desert Research Foundation of Namibia and Otjozondjupa Regional Council to implement the Tsumkwe Solar hybrid mini-grid system.

Progresses recorded so far on the above project are as follows:

- Original Hybrid System design Tender issued under EU/EC rules by DRFN, but due to tariff consideration, the EU requested a change in sustainability design. New design is now issued for procurement.
- Installation of LPG gas appliances and Solar Water Heaters are now in progress with about 85% completed.
- Design and draft tender of Mini-Grid extension and rehabilitation completed and awaiting Regional Council's funding and action.
- New Hybrid System design is now to be fast tracked for installation to minimise project delivery delay.
- As per EU Mid-term review recommendations, data are now being collected to expand the reach to the San Inhabitants for simple Lighting and LPG appliances.

Biomass Energy

C-Bend Project (Combating Bush Encroachment for Namibia's Development)
In 2010 C-BEND obtained a generation licence of 250 kW. Negotiations on a Power Purchase Agreement have started. Plant is expected to be commissioned by 4th quarter of 2010.

Future Research Projects

PV / LPG / SWH Project – NamPower Building

The site visit required to choose the preferred site was carried out in October 2009 and the NamPower Gym and Sports Hall have been chosen to be fully suitable for the implementation of the PV/SWH/LPG project.

Full load studies will be revisited to review current load utilisation for Capital budgets in 2011/2012.

Investigation on the Use of Concentrated Solar Power technologies - CSP
A desk-top study on technologies as well as site visits was conducted towards end of 2009. In 2010 two financial institutions have been approached for financing a Pre-feasibility study.

Capacity building in the field of Renewable Energy

SIDA –Wind Power Development

The training programme by the Swedish International Development Cooperation Agency, SIDA, done during 2009 - 2010 is now completed.

Two NamPower employees, one from Ministry of Mines and Energy and one from the Polytechnic of Namibia's REEEI have benefited from the programme. This programme was specifically in the area of "Advanced Wind Power Development".

More opportunities are available for the second and third intakes on the same course that is currently running.

Pipe Section at Ruacana Power Station

MANAGING DIRECTOR'S REPORT (CONTINUED)

CORPORATE SERVICES BUSINESS UNIT

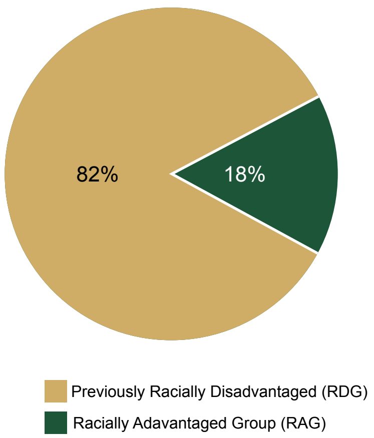
Human Resources Management (HRM) Section

Staff's Profile and Affirmative Action

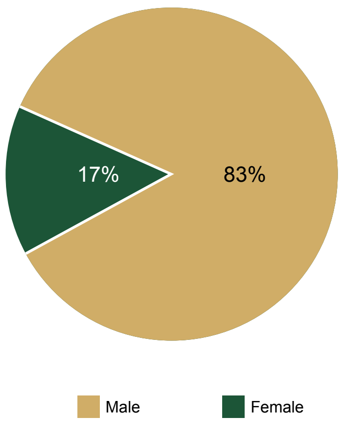
The total staff complement for the NamPower by 30 June 2010 was 910, a 2.4% increase on the 2008/09 value. This figure includes 65 fixed term contract employees. The latter include the NamPower's graduates on development programmes. The current NamPower employment profile is reflected by the diagrams/figures and tables below:

	2005	2006	2007	2008	2009	2010
Number of Permanent Employees	795	793	796	785	813	845
Number of Temporary Employees	42	61	47	59	75	65
Total Number of Employees	837	854	843	844	888	910

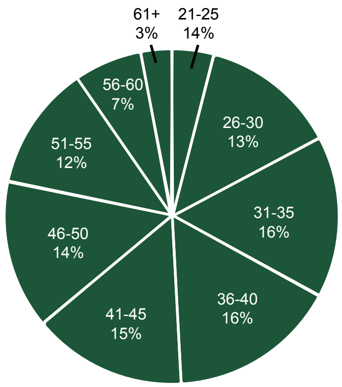
Diversity



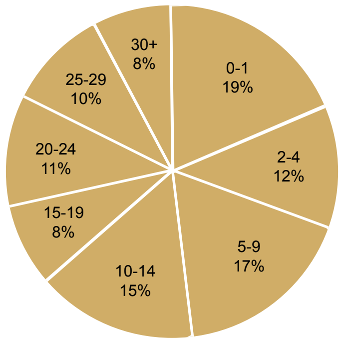
Gender balance



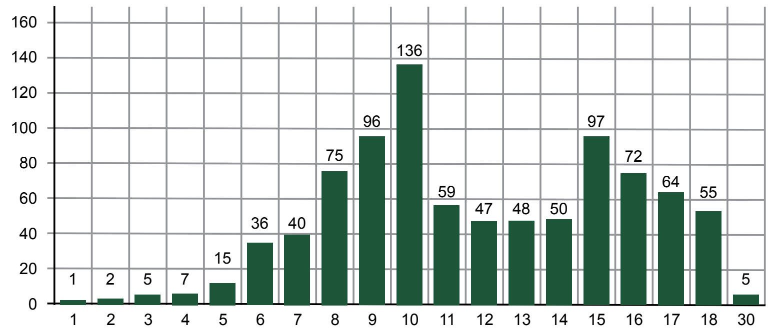
Average Age is 41 years



Average number of years of staff in the employment of NamPower is 13.5 years



Grade Categories



Grading data includes both permanent and contract employees

MANAGING DIRECTOR'S REPORT (CONTINUED)

AA Categories

AA CATEGORY	RDG	RAG	PWD
Senior Management	6	2	0
Management /Specialist	2	13	0
Middle Management	25	10	0
Specialised/supervisory	60	38	0
Skilled	245	73	1
Semi Skilled	160	5	1
Unskilled	204	0	0
Total Permanent	**702**	**141**	**2**
On Short Contract	63	2	0
Total	**765**	**143**	**2**

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

Employees Sustainability Effort

NamPower has moved from a comfortable and steady operating environment to a much more challenging and dynamic environment. For NamPower to be successful in the new environment it needs to reposition itself as a major regional player with adequate internal Generation and Transmission capacity and high quality skilled employees in all areas of business. Thus, the HRM needs to organise regular trainings for our various employees on current and best practices in their various fields of expertise, plus encouragement of self development in each area of interest.

Performance Management System (PMS)

The PMS was implemented to the satisfaction of various stakeholders in the organisation. During the year under review a system was popularised in NamPower to inform all associates about the way in which NamPower conducts its business and was consequently institutionalised. Performance planning and evaluation were conducted during the year under review wherein performance agreements were signed between supervisors and their associate subordinates and in mid-year and year-end, performance reviews were conducted. In order to complement our evaluation of employees' performance NamPower's corporate balance scorecard was also reviewed and realigned to the core strategic themes in the corporate strategic plan.

The last milestone in the implementation of the performance management system was to design schemes for rewarding and recognising performance. The guidelines for reward and recognition of performance was formulated which aim at reinforcing a performance culture that is supportive of NamPower's corporate vision, mission, objectives and shareholders' expectations. Once the guidelines are approved by the Board of Directors, it is anticipated that NamPower will be in better position to reward the efforts of those empolyees whose performance contributed to the desired outcomes.

During the year under review, NamPower also reviewed its remuneration structure, in accordance with best practices in the Industry. The process included a review of employees' benefit arrangements and related conditions of service. NamPower also investigated the possibility and implications of potential changes and improvements to the remuneration structure. In an attempt to improve the NamPower remuneration structure, a decision was taken to implement a total guaranteed package as a way of remuneration with effect from July 2010. The improved method of remuneration has a greater flexibility since it is easier to structure packages in accordance with individual needs; both the fixed and guaranteed costs are known as there are no hidden costs. With total guaranteed package, NamPower is in a better position to attract and retain the best quality personnel since simplified and accurate market comparisons and benchmarking can easily be made within the total guaranteed package structure.

MANAGING DIRECTOR'S REPORT (CONTINUED)

Safety Health Environmental and Wellness Section

The section involved itself in all the recent projects within NamPower, where it is responsible for assisting in reviewing all Environmental Impact Assessments and Environmental Management Plans. Continuous environmental monitoring is conducted on all projects to ensure that the company complies with all legal requirements as well as other requirements stipulated in the Environmental Management Plans. Each effort aims to minimise the impact of each project on the receiving environment and community. Bird diverters have been installed on the 350HVDC line running from Zambezi substation to Gerus substation where the line crosses main water bodies such as the Kwando and the Kavango rivers. This is the first time that NamPower has used bird diverters of the kind. Another advancement that the company is particularly proud of is the installation of solar powered lights over these rivers.

The Ruacana Power Station has been able to maintain its ISO 14001 certification, indicating that the environmental management system at the power station is now fully operational. Activities related to ensuring that the essence of this certification is maintained include the review of environmental management documentation and regular management review meetings.

NamPower's management through the Safety, Health, Environment and Wellness section successfully launched a series of employees' wellness initiatives like the Project Nzira-Choose the Right Way, a voluntary and confidential HIV status/ empowerment testing by employees to know their HIV status and other lifestyle diseases. Besides the fact that the over 75% participation of the employees exceeded the campaign's target, it was encouraging to notice the interest shown by the workforce in their health.

Information Services (iServ)

The discontinued iServ helpdesk system paved the way for the just acquired ITIL compliant system called Alloy Service Desk. This system is much more flexible and customizable than the previous one.

An increase in resource requirement led to the servers becoming out-dated at the regional offices. During the server consolidation project, from the previous year, it was realised that there are some underutilised servers at the disaster protection site. These servers were upgraded and were used to replace the old regional servers.

Also to mitigate the risk posed by using a single Internet Service Provider (ISP), a second ISP was added.

iServ started to upgrade all the Group's servers to Windows 2008 Release 2 and also embarked on a project to upgrade all its workstations to Microsoft Windows 7. This project resulted in the replacement of 22% of old computers stocks and additional 48% systems upgrade for performance and compliance.

In conjunction with Energy Trading Unit, NamPower was able to implement an electricity prepaid system for few towns in the South of Namibia. The technology connects the NamPower 3G AP to the head office, and via an internet VPN to Cape Town, South Africa.

The Energy Trading Systems has been upgraded as well. As a parallel exercise the servers were also updated to accommodate the new software.

SAP

As part of the SAP Server hardware consolidation the SAP System was moved from the old SUN hardware onto the new HP hardware. The project is in its final stages, with Cluster configuration and SIM implementation being underway.

To be compliant with SAP's future strategy of Unicode compliant systems, NamPower has initiated a SAP Unicode conversion exercise. At the moment, the Development and Quality Assurance (QA) systems are all migrated.

NamPower's corporate firewall has been moved from the old Solaris based hardware onto purpose-built appliances as part of an upgrade to the new R70 release.

The Environment Health and Safety (EHS) module of SAP was successfully integrated to the Logistics modules. This helps to reduce the impact of fatigue on manual effort and increase the level of information sharing with the supplier. Consultations captured at the clinic are automatically created and invoices sent via an EDI to NamPower's medical aid service provider.

SAP's Enhancement Package 3 (SAP's method for delivering additional functionality without a full upgrade) was successfully implemented. This also led to the technical implementation of a Pool Asset Management in conjunction with existing SAP system. This functionality will be rolled out later in the year to facilitate booking of pool assets.

Furthermore, the use of electronic banking as a means of payment of suppliers (in the light of Bank of Namibia regulations regarding cheque value limits) was expanded during the year under review. Iserv also facilitated the emailing of account statements to our suppliers on a monthly basis, to ensure the correctness of our computerised records.

In April, 2010, The Documentation and Records Management (DRM) project was launched with the aim to radically changing the way NamPower manages its documentation, records and information by developing a file plan and a strategy to implement an Electronic Document & Records Management System (EDRMS) in the future. The strategy development phase of the project with implementation of a pilot site is planned to be concluded in December 2010.

This initiative will ensure that NamPower is compliant with the National Archives Act and in the process become much more transparent, accountable, effective and productive.

MARKET OUTREACH

The 2009/10 financial year witnessed the launch of an extraordinarily successful public education campaign to raise awareness of power saving measures for all sectors of the economy. Given the imminent power shortage in the region Nampower plans to intensify the campaign for coming financial year.

Less visible, but not less significant was the execution and completion of a stakeholder satisfaction survey focusing mainly on needs and expectations. The latter will form the foundations of vital new initiatives to improve services to, and create new service offerings for such stakeholders. NamPower once more continued its tradition of reaching out to communities by investing huge amounts in corporate social responsibility programmes. Worth mentioning are the annual ICT equipment donations to schools in remote parts of the country and boxing sponsorship.

As reported in the previous financial year NamPower established the NamPower Foundation – a vehicle to carry out its long-term corporate social responsibility programmes. During the year under review, the Foundation faced structural challenges that hampered its operations and on the recommendation of its Trustees, the Foundation was deregistered as a Trust and is now a section within NamPower. However, former Trustees members, remain very instrumental in the operation of the NamPower fondation, but now as the NamPower Foundation advisory committee.

Based on the Foundation's Advisory Committee deliberations a number of applications for funding were processed and considered. The Foundation adopted the National Science Fair, as one of it's flagship projet which was held at the science fair in September 2009 in Windhoek. In addition, a number of identified flagship and social partnership projects, e.g, the Ruacana Vegetable Garden were supported.

MANAGING DIRECTOR'S REPORT (CONTINUED)

STRATEGIC BUSINESS PLANNING AND STRUCTURAL REALIGNMENT

Following the approval of the new 2009 – 2013 Corporate Strategic & Business Plan, it was imperative that top management ensures that the company is structured in such a manner that it is well situated to achieve its strategic imperatives.

The structure was re-aligned to have a more focused executive team to drive the strategic mandate as required. This resulted in reduction of the eight members' executive team into a-four main Chief Officers in:

- Technical,
- Power System Development,
- Finance, Treasury and Property Management and
- Corporate Services.

The new structure is believed to strengthen the functional units through competent and experienced divisional leaders who will implement strategic imperatives operationally. These divisional heads, reporting to their respective Chief Officers, have the capacity to direct, coach, mentor and advise team members within their divisions.

Through this exercise the Office of the Managing Director would be capacitated to allow the incumbent with ability and time to engage stakeholders at all levels thus ensuring that the Group achieves its overarching strategic goals.

Through reallocation exercise the following functions were reallocated:

- Special Projects was reallocated from the OMD to PSD;
- Provident Fund was reallocated from OMD to Finance, Treasury and Property Management;
- NamPower Foundation was reallocated from OMD to Corporate Services
- New Ventures and Research & Development from OMD to PSD;
- Renewable energy development to PSD;
- While Distribution and electrification were considered of strategic importance and hence escalated and positioned within the Office of the MD.

The critical importance of research and development of exploring renewable energies, the development of Namibia's nuclear capacity and exploring all potential new ventures, inter alia, the achievement of NamPower's strategic objectives and mandates led to the creation and approval of a new position: the Senior Manager: Renewable energies, New ventures, Research and Development, reporting to the Chief Officer: PSD. This position is critical to future sustainability of NamPower's value offering to the Namibian Nation and is linked to Vision 2030 and the National Development Plan III.

ACKNOWLEDGEMENTS

Substantial credit for NamPower's achievements during the 2009/10 financial year rests with colleagues on the company's Board. The consistency and support of the Board has assisted NamPower through many shoals in the past, and the Board's vision and leadership are the basis for our new five year strategic business plan that heralds our future. Our stakeholders, particularly our customers, are worthy of mention and should be applaued for their demands and expectations as much as for their loyal support. My fellow managers and the entire NamPower's group associates should take pride and satisfaction from the year's results which demonstrate that sustained success need not lead to the complacency inimical to such success.

Finally, as I had the privilege of working with both men, I can only echo the Chairman's profound thanks to the former Minister of Mines and Energy; the Honourable Erikki Nghimtina and the former Deputy Minister of Mines and Energy; Honourable Bernard Esau, and our full faith in their successors; Honourable Isak Katali, Minister of Mines and Energy, and Honourable Willem Isaacks, Deputy Minister of Mines and Energy.

We are confident that, as Namibia and the SADC region enter a new era of increased electricity shortage, wisdom and constructive engagement will continue to be the hallmarks of governance.

VALUE ADDED STATEMENT

for the year ended 30 June 2010

	GROUP				COMPANY			
	2010		2009		**2010**		2009	
	N$'000	**%**	N$'000	%	**N$'000**	**%**	N$'000	%
VALUE ADDED								
Turnover	**1,804,177**		1,524,920		**1,804,177**		1,524,920	
Less: Cost of primary energy, materials and services	**1,082,738**		1,053,700		**1,082,690**		1,024,129	
Value added by operations	**721,439**	**66.64**	471,220	40.39	**721,487**	**66.34**	500,791	46.97
Interest and sundry income	**361,201**	**33.36**	695,338	59.61	**366,151**	**33.66**	565,438	53.03
	1,082,640	**100.00**	1,166,558	100.00	**1,087,638**	**100.00**	1,066,229	100.00
VALUE DISTRIBUTED								
To remunerate employees	**318,479**	**29.42**	258,760	22.18	**318,479**	**29.28**	288,283	27.04
To providers of capital	**141,559**	**13.08**	105,342	9.03	**141,559**	**13.02**	105,342	9.88
- Dividend	**-**		-		**-**		-	
- Interest	**141,559**		105,342		**141,559**		105,342	
	460,038	**42.50**	364,102	31.21	**460,038**	**42.30**	393,625	36.92
VALUE RETAINED								
To maintain and develop operations	**622,602**	**57.50**	802,456	68.79	**627,600**	**57.70**	672,604	63.08
	1,082,640	**100.00**	1,166,558	100.00	**1,087,638**	**100.00**	1,066,229	100.00

DIRECTORS' RESPONSIBILITY STATEMENT

The Company's directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements comprising the statements of financial position on 30 June 2010, and the statements of comprehensive income, the statements of changes in equity and statements cash flow 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 in the manner required by the Namibian Companies Act.

The directors' responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these 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.

The directors' responsibilities also includes maintaining adequate accounting records and an effective system of risk management as well as the supplementary schedules included in the financial statements.

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

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

Approval of consolidated and separate financial statements

The consolidated and separate financial statements for the year which ended on 30 June 2010 are set out on page 44 to 141 were approved by the board of directors on 8 December 2010 and signed on their behalf 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 2010, 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 note, and directors' report, as set out on pages 44 to 140.

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 the financial statements based on our audit. We conducted our audit in accordance with International Standards of 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 2010, 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

KPMG
Registered Accountants and Auditors
Chartered Accountants (Namibia)

16 February, 2011
30 Schanzen Road, Klein Windhoek, Windhoek, Namibia

DIRECTORS' REPORT

The directors have pleasure in presenting their report for the year ended 30 June 2010.

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, associate and joint ventures 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 as set out below:

	GROUP		COMPANY	
	2010 N$'000	2009 N$'000	**2010 N$'000**	2009 N$'000
Operating income	**1,804,177**	1,524,920	**1,804,177**	1,524,920
Sales of electricity	**1,747,191**	1,479,679	**1,747,191**	1,479,679
Extension charges received	**46,874**	39,741	**46,874**	39,741
Contributions by customers	**10,112**	5,500	**10,112**	5,500
Cost of Electricity	**(764,762)**	(683,989)	**(764,762)**	(683,989)
Gross profit	**1,039,415**	840,931	**1,039,415**	840,931
Other income	**71,376**	295,042	**76,326**	165,142
Sundry income	**14,614**	221,422	**19,564**	91,522
Government Grant Received	**56,762**	73,620	**56,762**	73,620
Operating expenditure	**(636,455)**	(931,973)	**(636,407)**	(931,926)
Operating and administrative expenditure	**(502,033)**	(572,545)	**(502,033)**	(572,545)
Net Treasury Income/(Expenses)	**104,642**	(131,378)	**104,642**	(131,378)
Depreciation and amortisation	**(239,064)**	(228,051)	**(239,016)**	(228,003)
Operating profit/(loss) before net fair value adjustments and net finance income	**474,336**	204,000	**479,334**	74,147
Net fair value profit/ (loss)	**(265,465)**	303,502	**(265,465)**	303,502
Net fair value loss on derivatives and foreign loans	**(112,703)**	(253,582)	**(112,703)**	(253,582)
Net fair value profit on embedded derivatives	**58,505**	52,982	**58,505**	52,982
Net fair value (loss)/profit on firm commitments	**(211,267)**	504,102	**(211,267)**	504,102
Operating profit before net finance income	**208,871**	507,502	**213,869**	377,649

DIRECTORS' REPORT (CONTINUED)

2. Operating Results (continued)

	GROUP		COMPANY	
	2010 N$'000	2009 N$'000	**2010 N$'000**	2009 N$'000
Net finance income	**148,267**	294,954	**148,267**	294,954
Finance income	**289,826**	400,296	**289,826**	400,296
Finance costs	**(141,559)**	(105,342)	**(141,559)**	(105,342)
Share of profit/(loss) from associates	**14,277**	(33,861)	**-**	-
Profit before taxation	**371,415**	768,595	**362,136**	672,603
Taxation	**(98,246)**	(146,010)	**(98,213)**	(145,977)
Profit for the year from continuing operations	**273,169**	622,585	**263,923**	526,626
Discontinued operations				
(Loss)/profit for the year from discontinued operations	**(84)**	6	**-**	-
Profit for the year	**273,085**	622,591	**263,923**	526,626
Other comprehensive income				
Net change in fair value of available-for-sale financial assets	**155**	40	**155**	40
Income tax on other comprehensive income	**-**	-	**-**	-
Other comprehensive income for the period, net of taxation	**155**	40	**155**	40
Total comprehensive income for the period	**273,240**	622,631	**264,078**	526,666
Dividend declared	**-**	-	**-**	-
Retained Income	**273,240**	622,631	**264,078**	526,666
Retained Income for:	**273,240**	622,631	**264,078**	526,666
- Reserve Fund	**55,207**	75,483	**55,207**	75,483
- Development Fund	**218,033**	547,148	**208,871**	451,183
- Minority interest	**-**	-	**-**	-

As a result of tax allowances on incurred expenditure on completed capital projects, the Company has no current tax charge for the year under review. (2009: N$ Nill).

DIRECTORS' REPORT (CONTINUED)

2. Operating Results (continued)

Units into the system and sold:

	GROUP		COMPANY	
	2010 GWh	2009 GWh	**2010 GWh**	2009 GWh
Units into the system and sold:				
Ruacana Hydro Power Station	**1,247**	1,409	**1,247**	1,409
Van Eck Power Station	**55**	78	**55**	78
Eskom	**1,429**	1,501	**1,429**	1,501
ZESCO	**47**	29	**47**	29
Paratus Power Station	**3**	3	**3**	3
STEM	**-**	-	**-**	-
EDM	**95**	24	**95**	24
ZESA	**891**	648	**891**	648
Total units into system	**3,767**	3,692	**3,767**	3,692
To customers in Namibia	**2,681**	2,651	**2,681**	2,651
Exports	**294**	144	**294**	144
To Skorpion	**673**	639	**673**	639
Total units sold	**3,648**	3,434	**3,648**	3,434
Transmission losses	**3.17%**	6.99%	**3.17%**	6.99%

Growth

During the year under review there was a increase of 1.13% in units sold to customers in Namibia excluding Skorpion (2009: decrease of 1.16%). The power imported during the year under review increased by 261 million units (2009: increase of 55 million units).

3. Dividend

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

4. Subsidiaries, Associates and Joint Ventures

Relevant information is disclosed in note 6 to the financial statements.

5. Capital Expenditure

The expenditure on property, plant and equipment during the financial year amounted to: Group N$1.8 billion (2009: N$1.3 billion), Company N$1.8 billion (2009: N$1.3 billion). The expenditure on intangible assets during the financial year amounted to: Group N$148 thousand (2009: N$1,7 million), Company N$148 thousand (2009: N$1,7 million).

This expenditure is mainly attributable to:

5.1 Electrification:

- Tutungeni Township
- NNF/NamPower Wildlife Conflict Project
- Naute Dam – Agriculture
- MME: Vergenoeg Village
- MME: Otjimangombe Village
- Karas Regional Council: Kutenhoas
- Kalahari Red Dunes Lodge
- Farm Jakkalswater
- Cell One: Several Tower Lines
- MTC: Several Tower Lines
- 2M Tannery Witvlei
- Groot Aub Settlement
- Grid Connection – Kunene Region
- Grid Connection – Caprivi Region
- Grid Connection – Hardap Region
- Grid Connection – Ohangwena Region
- Grid Connection – Kavango Region

DIRECTORS' REPORT (CONTINUED)

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

5.3 Refurbishment and Upgrading:

- Ministry of Defence: Oamites Substation
- Matimba and Ombika Substations: Recloser Upgrade
- Northern Substations: Install Earthing Equipment
- Central Substations: Install Earthing Equipment
- Southern Substations: Install Earthing Equipment

5.4 Transmission System:

- Gerus-Zambesi 350kV DC Line – Caprivi Link Inter-connecter
- Otjikoto-Ohorongo 132kV Line
- West Coast Uranium Project: Lines
- Auas-Naruchas 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. The diversion weir was revalued on 30 June 1992 by NamPower engineers. NamPower has granted a N$3,7 million loan in respect of the Gove dam to the Angolan authorities. The recovery of this loan depends on the rehabilitation of the Gove dam by the Angolan Authorities and the implementation of the principles embodied in the 1969 agreement.

The Calueque dam that was erected by NamPower (Pty) Ltd at a cost of N$28,9 million, is also situated in Angola. The full utilisation of this asset still depends on its final completion and the reinstatement of control to NamPower (Pty) Ltd. The Company, thus far, could not derive any benefit from these assets.

The assets and the loan granted are currently reflected in the company's books at nil book value.

7. Shareholder

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

8. Post balance sheet event

8.1 Loan raised

On 29 September 2010, NamPower concluded a loan agreement equivalent to the Rand counter value of 35 million Euros with the Germany Development Bank KfW to co-finance installation of a fourth Turbine of 92 megawatt at the Ruacana Hydro Power Station. The loan agreement is for a period of 10 years.

DIRECTORS' REPORT (CONTINUED)

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. Full compliance has not been practically possible with respect to certain provisions of 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.

Whilst discussions with SOEG Council are on-going, the Group continues to apply and comply with provisions of the Companies Act and its internal governance procedures in directing and managing the business. 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.

9.1 Directorate

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

9.2 Board Committees

In conformity with Corporate Governance, Namibia Power Corporation (Pty) Ltd 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;

P A Kiiyala	Chairman
G Narib	
R N Hanghuwo	

9.2.2 Remuneration and Nomination Committee

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

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

DIRECTORS' REPORT (CONTINUED)

9.2.3 Board Tender Committee

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

R N Hanghuwo	Chairperson
G Narib	
P J Maritz	

9.2.4 Investment Committee

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

G Narib	Chairman
R N Hanghuwo	
G Amanyanga	

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:	11	7	4	5	3
Attendance:					
A L Hungamo	7	n/a	n/a	n/a	n/a
P I Shilamba	9	n/a	4	n/a	n/a
G Narib	11	5	n/a	3	3
R N Hanghuwo	11	7	n/a	5	3
P A Kiiyala	10	6	3	n/a	n/a
P J Maritz	7	n/a	4	5	n/a
G Amanyanga	10	n/a	4	n/a	3

10. Secretary

Ms S Mavulu held office as Company Secretary for the year under review. The business and postal addresses are shown on page 141.

STATEMENTS OF FINANCIAL POSITION

at 30 June 2010

	NOTE	GROUP 2010 N$'000	GROUP 2009 N$'000	COMPANY 2010 N$'000	COMPANY 2009 N$'000
Assets					
Total non-current assets		**10,691,632**	9,127,232	**10,591,771**	9,036,650
Property, plant and equipment	**5**	**9,248,035**	7,587,086	**9,245,284**	7,584,287
Investment properties	**7**	**10,040**	9,096	**10,040**	9,096
Intangible assets	**8.1**	**6,739**	9,741	**6,739**	9,741
Investment in subsidiaries	**6.1**	**-**	-	**7,186**	7,186
Investment in associates	**6.5**	**277,528**	268,201	**173,232**	173,232
Investments	**11**	**574,948**	497,400	**574,948**	497,400
Derivative assets	**21.1**	**389,729**	548,771	**389,729**	548,771
Loans and other receivables	**9**	**184,613**	206,937	**184,613**	206,937
Total current assets		**3,790,332**	3,540,219	**3,790,416**	3,540,223
Inventories	**12**	**169,911**	221,029	**169,911**	221,029
Trade and other receivables	**13**	**482,828**	602,214	**482,811**	602,205
Investments	**11**	**2,885,591**	2,069,815	**2,885,591**	2,069,815
Cash and cash equivalents	**14**	**189,252**	573,993	**189,252**	573,993
Loans and other receivables	**9**	**62,505**	72,835	**62,505**	72,835
Non-current assets held for sale	**10**	**245**	333	**346**	346
Total assets		**14,481,964**	12,667,451	**14,382,187**	12,576,873
Equity					
Total equity attributable to equity holders of the Company		**7,947,634**	7,674,394	**7,842,118**	7,578,040
Issued share capital	**16.2**	**165,000**	165,000	**165,000**	165,000
Share premium	**16.3**	**900,000**	900,000	**900,000**	900,000
Development fund		**2,271,085**	2,053,207	**2,227,533**	2,018,817
Capital revaluation reserve		**3,326,952**	3,326,952	**3,264,988**	3,264,988
Reserve fund		**1,273,885**	1,218,678	**1,273,885**	1,218,678
Strategic stock revaluation reserve		**10,487**	10,487	**10,487**	10,487
Available for sale fair value adjustment reserve		**225**	70	**225**	70
Non-controlling interest		**-**	-	**-**	-
Total equity		**7,947,634**	7,674,394	**7,842,118**	7,578,040
Liabilities					
Total non-current liabilities		**5,772,564**	4,197,377	**5,778,308**	4,203,151
Interest bearing loans and borrowings	**17**	**2,706,645**	1,408,054	**2,706,645**	1,408,054
Loans due to subsidiaries	**6.1**	**-**	-	**6,384**	6,381
Deferred revenue liabilities	**18**	**108,396**	47,822	**108,396**	47,822
Provisions	**22**	**137,740**	111,071	**137,740**	111,071
Retention creditors	**20.3**	**46,712**	22,170	**46,712**	22,170
Derivative liabilities	**21.2**	**382,119**	315,554	**382,119**	315,554
Deferred tax liabilities	**19**	**2,390,952**	2,292,706	**2,390,312**	2,292,099
Total current liabilities		**761,766**	795,680	**761,761**	795,682
Trade and other payables	**20**	**503,263**	545,943	**503,258**	545,945
Derivative liabilities	**21.2**	**26,343**	105,014	**26,343**	105,014
Interest bearing loans and borrowings	**17**	**65,790**	77,955	**65,790**	77,955
Deferred revenue liabilities	**18**	**166,370**	66,768	**166,370**	66,768
Total liabilities		**6,534,330**	4,993,057	**6,540,069**	4,998,833
Total equity and liabilities		**14,481,964**	12,667,451	**14,382,187**	12,576,873

STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 30 June 2010

	NOTE	GROUP 2010 N$'000	GROUP 2009 N$'000	COMPANY 2010 N$'000	COMPANY 2009 N$'000
Continuing operations					
Revenue	25	**1,804,177**	1,524,920	**1,804,177**	1,524,920
Cost of electricity		**(764,762)**	(683,989)	**(764,762)**	(683,989)
Gross profit		**1,039,415**	840,931	**1,039,415**	840,931
Operating expenditure		**(636,455)**	(931,973)	**(636,407)**	(931,926)
Other income		**71,376**	295,042	**76,326**	165,142
Operating profit before net fair value adjustments and net finance income		**474,336**	204,000	**479,334**	74,147
Net fair value loss on derivatives and foreign loans		**(112,703)**	(253,582)	**(112,703)**	(253,582)
Net fair value profit on embedded derivatives		**58,505**	52,982	**58,505**	52,982
Net fair value (loss)/profit on firm commitments		**(211,267)**	504,102	**(211,267)**	504,102
Operating profit before net finance income		**208,871**	507,502	**213,869**	377,649
Net finance income		**148,267**	294,954	**148,267**	294,954
Finance income	24	**289,826**	400,296	**289,826**	400,296
Finance costs	24	**(141,559)**	(105,342)	**(141,559)**	(105,342)
Share of profit/(loss) of Associates net of tax	6.5	**14,277**	(33,861)	**-**	-
Profit before taxation	26	**371,415**	768,595	**362,136**	672,603
Taxation	15	**(98,246)**	(146,010)	**(98,213)**	(145,977)
Profit for the year from continuing operations		**273,169**	622,585	**263,923**	526,626
Discountinued operations					
(Loss)/profit for the year from discontinued operations	27	**(84)**	6	**-**	-
Profit for the period		**273,085**	622,591	**263,923**	526,626
Other comprehensive income					
Net change in fair value of available-for-sale financial assets		**155**	40	**155**	40
Income tax on other comprehensive income		**-**	-	**-**	-
Other comprehensive income for the period, net of taxation		**155**	40	**155**	40
Total comprehensive income for the period		**273,240**	622,631	**264,078**	526,666
Profit attributable to:					
Owners of the Company		**273,240**	622,631		
Non-controlling interest		**-**	-		
Profit for the period		**273,240**	622,631		
Total comprehensive income attributable to:					
Owners of the Company		**273,240**	622,631		
Non-controlling interest		**-**	-		
Total comprehensive income for the period		**273,240**	622,631		

STATEMENTS OF CHANGES IN EQUITY

for the year ended 30 June 2010

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 period				
Profit or loss	-	-	-	-
Other comprehensive income				
Revaluation of property plant and equipment, net of tax	-	-	-	-
Revaluation of strategic stock, net of tax	-	-	-	-
Impairment of strategic stock, net of tax	-	-	-	-
Net Changes in fair value of available-for sale financial assets transferred to profit or loss, net off tax	-	-	-	-
Total other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	-	-
Transactions with owners, recorded directly in equity				
Contributions by and distributions to owners				
Increase in share capital	-	-	-	-
Share premium - arising on share issue	-	-	-	-
Impairment of strategic stock	-	-	-	-
Impairment on previously revalued assets (net of deferred taxation)	-	-	-	-
Revaluation of Property, plant and equipment	-	-	-	-
Dividend declared	-	-	-	-
Disposal of joint venture	-	-	-	-
Reduction of investment in subsidiary to an associate	-	-	-	-
Allocation from retained income	-	-	55,207	217,878
Interest earned	-	-	55,207	-
Funds for capital expenditure requirements	-	-	-	217,878
Total contributions by and distributions to owners	-	-	**55,207**	**217,878**
Balance at 30 June 2010	**165,000**	**900,000**	**1,273,885**	**2,271,085**

Capital Revaluation Reserve N$'000	Strategic Stock Revaluation Reserve N$'000	Available for sale Fair value adjustment Reserve N$'000	Retained earnings N$'000	Total N$'000	Non-controlling Interest N$'000	Total equity N$'000
3,326,952	**10,487**	**70**	**-**	**7,674,394**	**-**	**7,674,394**
-	-	-	273,085	273,085	-	273,085
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	155	-	155	-	155
-	-	**155**	-	**155**	-	**155**
-	-	**155**	**273,085**	**273,240**	-	**273,240**
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-		-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	(273,085)	-	-	-
-	-	-	(55,207)	-	-	-
-	-	-	(217,878)	-	-	-
-	-	-	**(273,085)**	-	-	-
3,326,952	**10,487**	**225**	**-**	**7,947,634**	**-**	**7,947,634**

STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

for the year ended 30 June 2009

Group	Share Capital N$'000	Share Premium N$'000	Reserve Fund N$'000	Development Fund N$'000
Balance at 1 July 2008	**140,000**	**675,000**	**1,143,195**	**1,506,099**
Total comprehensive income for the period				
Profit or loss	-	-	-	-
Other comprehensive income				
Revaluation of property, plant and equipment, net of tax	-	-	-	-
Revaluation of strategic stock, net of tax	-	-	-	-
Impairment of strategic stock, net of tax	-	-	-	-
Net Changes in fair value of available-for sale financial assets transferred to profit or loss, net off tax	-	-	-	-
	-	-	-	-
Total other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	-	-
Transactions with owners, recorded directly in equity	-	-	-	-
Contributions by and distributions to owners	-	-	-	-
Increase in share capital	25,000	-	-	-
Share premium - arising on share issue	-	225,000	-	-
Impairment of strategic stock	-	-	-	-
Impairment on previously revalued assets (net of deferred taxation)		-	-	-
Revaluation of Property, plant and equipment	-	-	-	-
Dividend declared	-	-	-	-
Disposal of joint venture	-	-	-	-
Reduction of investment in subsidiary to an associate	-	-	-	-
	-	-	-	-
Allocation from retained income	-	-	75,483	547,108
Interest earned	-	-	75,483	-
Funds for capital expenditure requirements	-	-	-	547,108
Total contributions by and distributions to owners	**25,000**	**225,000**	**75,483**	**547,108**
Balance at 30 June 2009	**165,000**	**900,000**	**1,218,678**	**2,053,207**

Capital Revaluation Reserve N$'000	Strategic Stock Revaluation Reserve N$'000	Available for sale Fair value adjustment Reserve N$'000	Retained earnings N$'000	Total N$'000	Non-controlling Interest N$'000	Total equity N$'000
3,326,952	**10,487**	**30**	**-**	**6,801,763**	**-**	**6,801,763**
-	-	-	622,591	622,591	-	622,591
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-		
-	-	40	-	40	-	40
-	-	**40**	-	**40**	-	**40**
-	-	**40**	**622,591**	**622,631**	-	**622,631**
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	25,000	-	25,000
-	-	-	-	225,000	-	225,000
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	(622,591)	-	-	-
-	-	-	(75,483)	-	-	-
-	-	-	(547,108)	-	-	-
-	-	-	**(622,591)**	**250,000**	-	**250,000**
3,326,952	**10,487**	**70**	**-**	**7,674,394**	-	**7,674,394**

STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

for the year ended 30 June 2010

Company

	Share Capital N$'000	Share Premium N$'000	Reserve Fund N$'000
Balance at 1 July 2009	**165,000**	**900,000**	**1,218,678**
Total comprehensive income for the period			
Profit or loss	-	-	-
Other comprehensive income			
Revaluation of property, plant and equipment, net of tax	-	-	-
Revaluation of strategic stock, net of tax	-	-	-
Net Changes in fair value of available-for sale financial assets transferred to profit or loss, net off tax	-	-	-
Total other comprehensive income	-	-	-
Total comprehensive income for the period	-	-	-
Transactions with owners, recorded directly in equity			
Contributions by and distributions to owners			
Increase in share capital	-	-	-
Share premium - arising on share issue	-	-	-
Impairment of strategic stock	-	-	-
Impairment on previously revalued assets (net of deferred taxation)	-	-	-
Revaluation of Property, plant and equipment	-	-	-
Dividend declared	-	-	-
Disposal of joint venture	-	-	-
Reduction of investment in subsidiary to an associate	-	-	-
Allocation from retained income	-	-	55,207
Interest earned	-	-	55,207
Funds for capital expenditure requirements	-	-	-
Total contributions by and distributions to owners	-	-	**55,207**
Balance at 30 June 2010	**165,000**	**900,000**	**1,273,885**

Development Fund N$'000	Capital Revaluation Reserve N$'000	Strategic Stock Revaluation Reserve N$'000	Available for sale Fair value adjustment Reserve N$'000	Retained earnings N$'000	Total N$'000
2,018,817	**3,264,988**	**10,487**	**70**	**-**	**7,578,040**
-	-	-	-	263,923	263,923
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	155	-	155
-	-	-	**155**	-	**155**
-	-	-	**155**	**263,923**	**264,078**
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
208,716	-	-	-	(263,923)	-
-	-	-	-	(55,207)	-
208,716	-	-	-	(208,716)	-
208,716	-	-	-	**(263,923)**	-
2,227,533	**3,264,988**	**10,487**	**225**	**-**	**7,842,118**

STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

for the year ended 30 June 2009

Company

	Share Capital N$'000	Share Premium N$'000	Reserve Fund N$'000
Balance at 1 July 2008	**140,000**	**675,000**	**1,143,195**
Total comprehensive income for the period			
Profit or loss	-	-	-
Other comprehensive income			
Revaluation of property, plant and equipment, net of tax	-	-	-
Revaluation of strategic stock, net of tax	-	-	-
Impairment of strategic stock, net of tax	-	-	-
Net Changes in fair value of available-for sale financial assets transferred to profit or loss, net off tax	-	-	-
Total other comprehensive income	-	-	-
Total comprehensive income for the period	-	-	-
Transactions with owners, recorded directly in equity			
Contributions by and distributions to owners			
Increase in share capital	25,000	-	-
Share premium - arising on share issue	-	225,000	-
Impairment of strategic stock	-	-	-
Impairment on previously revalued assets (net of deferred taxation)	-	-	-
Revaluation of Property, plant and equipment	-	-	-
Dividend declared	-	-	-
Disposal of joint venture	-	-	-
Reduction of investment in subsidiary to an associate	-	-	-
Allocation from retained income	-	-	75,483
Interest earned	-	-	75,483
Funds for capital expenditure requirements	-	-	-
Total contributions by and distributions to owners	**25,000**	**225,000**	**75,483**
Balance at 30 June 2009	**165,000**	**900,000**	**1,218,678**

Development Fund N$'000	Capital Revaluation Reserve N$'000	Strategic Stock Revaluation Reserve N$'000	Available for sale Fair value adjustment Reserve N$'000	Retained earnings N$'000	Total N$'000
1,567,674	**3,264,988**	**10,487**	**30**	**-**	**6,801,374**
-	-	-	-	526,626	526,626
					-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	40	-	40
-	-	-	**40**	-	**40**
-	-	-	**40**	**526,626**	**526,666**
-	-	-	-	-	25,000
-	-	-	-	-	225,000
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
451,143	-	-	-	(526,626)	**-**
-	-	-	-	(75,483)	**-**
451,143	-	-	-	(451,143)	**-**
451,143	-	-	-	**(526,626)**	**250,000**
2,018,817	**3,264,988**	**10,487**	**70**	**-**	**7,578,040**

STATEMENTS OF CASH FLOWS

for the year ended 30 June 2010

	NOTE	GROUP 2010 N$'000	GROUP 2009 N$'000	COMPANY 2010 N$'000	COMPANY 2009 N$'000
Cash flows from operating activities					
Cash receipts from customers		**1,880,502**	1,525,563	**1,880,502**	1,525,563
Cash paid to suppliers and employees		**(1,386,981)**	(933,160)	**(1,386,975)**	(933,154)
Cash generated from operations	A	**493,521**	592,403	**493,527**	592,409
Increase in retention payable		**24,542**	-	**24,542**	-
Finance income		**235,124**	300,851	**235,124**	300,851
Finance cost		**(79,494)**	(61,695)	**(79,494)**	(61,695)
Taxation paid	B	**-**	(63,157)	**-**	(63,157)
Government Grant received		**150,000**	40,000	**150,000**	40,000
Dividend received		**-**	-	**4,950**	3,300
Net cash from operating activities		**823,693**	808,402	**828,649**	811,708
Cash flows from investing activities					
Proceeds from the sale of property, plant and equipment		**1,830**	1,553	**1,830**	1,553
Acquistions of intangible assets	8.1	**(148)**	(1,739)	**(148)**	(1,739)
Extension and replacement of property, plant and equipment to maintain operations	5.1	**(1,772,295)**	(1,257,651)	**(1,772,295)**	(1,257,651)
(Increase)/ decrease in investment in associates		**4,950**	3,230	**-**	(70)
(Increase)/decrease in non-current assets held for sale		**-**	70	**-**	70
Proceeds from disposal of investment in associate	C	**-**	117,848	**-**	117,848
Discontinued operations	27	**6**	6	**-**	-
(Increase)/decrease in investments		**(77,396)**	71,756	**(77,396)**	71,756
(Increase) in short term investments		**(815,776)**	410,565	**(815,776)**	410,565
(Increase)/ decrease in loans receivable		**32,654**	(34,624)	**32,654**	(34,624)
Net cash used in investing activities		**(2,626,175)**	(688,986)	**(2,631,131)**	(692,292)
Cash flows from financing activities					
Loans raised		**1,162,029**	60,000	**1,162,029**	60,000
Interest rate subsidy received		**65,977**	-	**65,977**	-
Proceeds from share issue		**-**	250,000	**-**	250,000
Proceeds from bonds issue		**250,000**	-	**250,000**	-
Repayment of interest bearing loans and borrowings		**(60,265)**	(66,010)	**(60,265)**	(66,010)
Net cash from (used in) financing activities		**1,417,741**	243,990	**1,417,741**	243,990
Net (decrease)/increase in cash and cash equivalents		**(384,741)**	363,406	**(384,741)**	363,406
Cash and cash equivalents at 1 July		**573,993**	210,587	**573,993**	210,587
Cash and cash equivalents at 30 June	D, 14	**189,252**	573,993	**189,252**	573,993

NOTES TO THE CASH FLOW STATEMENTS

for the year ended 30 June 2010

	GROUP		COMPANY	
	2010	2009	**2010**	2009
A. CASH GENERATED BY OPERATIONS	**N$'000**	N$'000	**N$'000**	N$'000
Profit before taxation and interest	**208,871**	507,502	**213,869**	377,649
Adjustments for:				
- Dividend received	**-**	-	**(4,950)**	(3,300)
- Net accrued interest	**(3,088)**	-	**(3,088)**	-
- Fair value movements on long-term liabilities	**(69,610)**	(30,322)	**(69,610)**	(30,322)
- Fair value movements on derivative contracts	**72,845**	118,805	**72,845**	118,805
- Fair value movements on firm commitments	**211,267**	(504,102)	**211,267**	(504,102)
- Fair value movements embedded derivative Power Purchase Agreement (PPA)	**(179,097)**	117,223	**(179,097)**	117,223
- Fair value movements embedded derivative Power Sales Agreement (PSA)	**120,591**	(170,205)	**120,591**	(170,205)
- Fair value movement on forward exchange contract	**(78,671)**	281,047	**(78,671)**	281,047
- Fair value movements on investment properties	**(918)**	(761)	**(918)**	(761)
- Depreciation on property, plant and equipment	**235,914**	224,917	**235,866**	224,869
- Amortisation charge - intangible asset	**3,150**	3,133	**3,150**	3,133
- Profit on sale of interest in associate	**-**	(168,539)	**-**	(35,339)
- Government Grant recognised in income	**(56,762)**	(73,620)	**(56,762)**	(73,620)
- Movement in the long term deferred revenue liability	**595**	(8,317)	**595**	(8,317)
- Movement in the short term deferred revenue liability	**366**	-	**366**	-
- Movement in loans due to subsidiaries	**-**	-	**-**	1
- Transfer to Strategic stock from Inventory	**(137,567)**	-	**(137,567)**	-
- Strategic stock items written off	**1,363**	638	**1,363**	638
- Increase in provisions	**26,670**	32,412	**26,670**	32,412
- Loss/(gain) on realisation of property, plant and equipment	**1,474**	(1,472)	**1,474**	(1,472)
Operating profit before working capital changes	**357,393**	328,339	**357,393**	328,339
Decrease / (increase) in inventories	**59,423**	(34,477)	**59,423**	(34,477)
Decrease / (increase) in trade and other receivables	**119,386**	45,185	**119,393**	45,190
(Decrease) / increase in trade payables	**(42,681)**	253,356	**(42,682)**	253,357
	493,521	592,403	**493,527**	592,409
B. TAXATION PAID				
Amount due to Receiver of Revenue at beginning of year	**-**	(63,157)	**-**	(63,157)
Income statement charge	**-**	-	**-**	-
Amount due to Receiver of Revenue at end of year	**-**	-	**-**	-
	-	(63,157)	**-**	(63,157)
C. DISPOSAL OF INVESTMENT IN ASSOCIATE - POWERCOM				
Cost of investment	**-**	130,430	**-**	130,430
Equity accounted losses	**-**	(133,200)	**-**	-
Net investment in Associate at date of disposal	**-**	(2,770)	**-**	130,430
	-			
Proceeds received on disposal	**-**	117,848	**-**	117,848
Portion of disposal price receivable in the future	**-**	58,474	**-**	58,474
Fair value adjustment in respect of discounting of future receivable	**-**	(10,553)	**-**	(10,553)
Profit on disposal of Associate	**-**	168,539	**-**	35,339

D. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand and cash held at banks. (Refer to note 14).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

1. REPORTING ENTITY

Namibia Power Corporation (Pty) Ltd a company and holding company of the Group is incorporated and domiciled in Namibia. The consolidated financial statements for the year ended 30 June 2010 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 adopted by the International Accounting Standards Board (IASB) and the requirements of the Namibian Companies Act.

The consolidated financial statements were authorised for issue by the Board of Directors on 8 December, 2010.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

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

(b) Basis of measurement

The financial statements are presented in Namibia Dollars, rounded to the nearest million. They are prepared on the historical cost basis, except for financial instruments that are carried at fair value through profit or loss, available-for-sale financial instruments, embedded derivative assets and liabilities, derivatives, revalued 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 financial statements are presented in Namibia dollars (N$), which is the Company's functional currency. All financial information presented in Namibia dollars (N$) has been rounded to the nearest million.

(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 policies and reported amounts of assets and 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.

In particluar, information about significant areas of estimation uncertainty and critical judgements 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 7 - valuation of investment property;
- Note 19 - utilisation of tax losses;
- Note 28 - provisions and contingencies and
- Note 31 - valuation of financial instruments.

(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 discrete financial information is available.

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for the year ended 30 June 2010

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 are currently excerisable or convertable, 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 derecognise, the assets and liabilities of the subsidiary, any non-controlling interests and the other components of any equity related to the subsidairy. 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 subsidairy, 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) Investment in equity-accounted investees

The Group's share of its associates and joint ventures post acquisition profits or loss is recognised within share of profit of entity-accounted investees, and its share of post-acquisition movement in reserve is recognised in reserves. 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. When the Company's share of losses exceeds its interest in an associate, the Company's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of an associate.

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. The Group discontinues the equity method from the date on which it ceases to have joint control over, or have significant influences in, jointly control 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 purchase method of accounting is used to account for the acquisiton 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, plus cost directly attributable to the acquisition. Identifiable assets acquired and liabilities and contigent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date, irrespective of the extent of any non-controlling interest. 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.

(b) Property, plant and equipment

(i) Owned assets

Property, plant and equipment are initially recognised at cost. Costs 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 are stated at revalued amounts less accumulated depreciation (see below) and impairment losses (see accounting policy 3 (e)).

(b) Property, plant and equipment (continued)

The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs.

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

Plant and equipment are revalued at the estimated replacement value thereof as adjusted in relation to the remaining useful lives of these assets. Property is revalued to its market value. Valuations 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 a knowledgeable person.

Any revaluation increase arising on the revaluation of such property, plant and equipment is credited to 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 the income statement to the extent of the decrease previously charged. A decrease in the carrying amount arising on the revaluation of such property, plant and equipment is 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 a revalued property, plant and equipment, the attributable revaluation surplus remaining in the capital revaluation reserve is transferred directly to retained earnings.

(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 profit or loss as an expense is incurred.

(**iii) Strategic stock**

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.

Assets under construction

Work under construction are stated at cost which includes costs of materials and direct labour and any cost incurred in bringing it to its present location and condition. Materials used in the construction of property, plant and equipment are stated at weighted average cost.

(iv) 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.

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 is not depreciated.

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

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

The depreciation methods and useful lives are reassessed annually. The residual value, if not significant, is reassessed annually.

Disposal

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

(v) 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.

(b) Property, plant and equipment (continued)

(vi) Reclassification to investment Property

When the use of property changes from owner-occupied to investment property, the property is measured at fair value and reclassified as investment property. Any gain arising on measurement is recognised in profit or loss to extent that it reverses a previous impairment loss on specific property with any remaining gain recognised in other comprehensive income and presented in the revaluation reserve in equity. Any loss is recognised immediately in profit or loss.

(c) Intangible assets

(i) Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries, associates and joint ventures. In respect of business acquisitions that have occurred since 1 July 2003, goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generated units and is tested annually for impairment (see accounting policy 3(e)). The Group allocates goodwill to each business segment in each country in which it operates. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate and is tested for impairment as part of the overall balance.

Goodwill on acquisition of subsidiaries is included in intangible assets.

Negative goodwill arising on an acquisition is recognised directly in profit or loss, after reassessing the net identifiable assets and liabilities on acquisition.

(ii) 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 intents 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 the income statement as an expense when incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses (see accounting policy 3(e)).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 stated at cost less accumulated amortisation and impairment losses (see accounting policy 3(e)).

(iii) Computer Software

Acquired computer software are 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 intergral to the functionality of related equipment, than it is capitalised as part of the equipment. Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. 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 relevent overheads.

Expenditure on internally generated goodwill and brands is recognised in profit or loss as an expense is incurred.

(iv) 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.

(v) 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. Goodwill and intangible assets with an indefinite useful life are systematically tested for impairment at each reporting date. Other 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 financial year end and adjusted if appropriate.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

(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 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 acquistion of the investment property. The cost of self - constructed investment property includes the cost of materials and direct labour and other costs directy 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

The carrying amounts of the Group's 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.

For goodwill, intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each reporting date.

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.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity 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.

(i) Calculation of recoverable amount

The recoverable amount of the Group's investment in held-to-maturity securities and receivables carried at amortised cost is calculated at 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 duration are not discounted.

The recoverable amount of other 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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment

An impairment loss in respect of a held-to-maturity security or receivable 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 not reversed through profit or loss. 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.

An impairment loss in respect of goodwill is not reversed.

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

(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, where appropriate, 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.

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.

The Group recognises provision for decommissioning of a plant or part thereof in accordance with the provisions of other laws, particularly those related to health, safety and the environment. The Group has no present legal or constructive obligation in respect of decommissioning of its plant or part thereof and thus no provision for decommissioning for the year under review has been recognised.

(i) Site restoration

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

(ii) 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.

(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 rate applied is the weighted average of the borrrowing costs applicable to the borrowing of the 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 catergory.

(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
- it transfers the financial asset including substantially all risks and rewards of ownership of the asset; or
- it 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.

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 to another party and consideration paid, including any non-cash assets transferred or liabilities assumed, shall be 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

(i) Financial Instruments (continued)

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.

(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 above categories of financial assets.The group's investments in equity securities and certain debt securities are classified as available-for-sale financial assets. 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 and loss.

(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 equivalent trade and other 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 and loss.

(viii) Non-derivative financial Liabilities

Other financial liabilities comprises loans and borrowings (other than those designated at fair value through profit or loss), bank overdrafts, trade and other payables.

Non-derivative financial liabilities are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, financial liabilities are stated 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 stated 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, recognition of any resultant gain or loss depends on the nature of the item being hedged.

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.

(i) Financial Instruments (continued)

(x) Hedging

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss in the derivative financial instrument is recognised directly in equity. When the forecasted transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated cumulative gain or loss is removed from equity and included in the initial cost or other carrying amount of the non-financial asset or liability. If a hedge of a forecasted transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains and losses that were recognised directly in equity are reclassified into profit or loss in the same period or periods during which the asset or liability assumed affects profit or loss (i.e. when interest income or expense is recognised).

For cash flow hedges, other than those covered by the preceding two policy statements, the associated cumulative gain or loss is removed from equity and recognised in profit or loss in the same period or periods during which the hedged forecast transaction affects profit or loss. The ineffective part of any gain or loss is recognised immediately in profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised immediately in profit or loss.

Economic Hedging

The Group does not apply hedge accounting as the derivatives are used for economic hedging. Changes in fair value of these derivative instruments are recognised in the profit or loss within net fair value gains or losses on financial instruments.

(j) Embedded derivatives

Recognition

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 and
- 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 host contract of an 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.

Fair value

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

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for the year ended 30 June 2010

(j) Embedded derivatives (continued)

flows by using the relevant interest rate curve and only then is the net present value of the cash flows converted at the relevant rand/foreign currency spot rate to the reporting currency.

The determination of the host contract of an electricity contract 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/supplier.

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.

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.

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.

(k) Foreign Currency Transactions

Transactions in foreign currencies of Group entities are translated to Namibia dollars (N$) at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to Namibia dollars (N$) at the exchange rate ruling at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated 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.

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

Immediately before classification as held for sale, the measurement of the assets (and all assets and liabilities in a disposal group) is brought up-to-date in accordance with applicable International Financial reporting standards. 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 instrument: 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 cash flow statement are represented as if the operation had been discontinued from the start of the comparative period.

(m) Deferred income

(i) Government grants

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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

(m) Deferred income (continued)

(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.

(n) Appropriation of Funds

The Company 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 Company is compelled to apply funds derived from its activities after provision for taxation, as follows:

- Reserve Fund - the Board of Directors have decided that the current level of funding is adequate. The Fund will in future only be credited with interest earned, after deduction of income tax, on the monthly balance.
- Development Fund - to be utilised for the total or partial financing of capital works and extensions to power stations, transmission and distribution networks. The annual profit after the interest allocation to the reserve fund will be transferred to this fund.

(o) 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, in which case it is recognised in equity.

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 provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, 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 substantially 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 current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised 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.

(p) Revenue

Revenue comprises electricity sales, extention charges and contributions received or receivable excluding value added tax. 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.

(q) 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.

(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 income and finance expenses

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, changes 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. 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.

Finance costs comprise interest expense on borrowings classified as liabilities, changes 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. 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.

(r) Employee benefits

(i) Short-term employee benefits

The cost of all short term employee benefits is recognised 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 provisions have been calculated at undiscounted amounts based on current wage and salary rates.

(ii) Retirement Benefits

The Company and its subsidiaries contribute to a defined contribution plan. Contributions to the defined contribution funds is charged against income as incurred. 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. Provision is made to account 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.

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) Severance Pay Retirement Benefits

The Group makes provision for statutory severance benefits, which are payable on resignation or retirement at the age of 65. The provision is discounted to account for the present value of the future benefits payable on resignation or retirement on reaching the age of 65.

Actuarial gains and losses are recognised in the profit or loss in full.

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.

(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, equipment, fixtures and fittings is based on the market approach and cost approaches using quoted market prices for similar items when available and replacement cost when appropriate.

(ii) Intangible assets

Intangible assets are measured at cost upon initial recognition. Subsequent to initial recognition, the intangible asset is measured at cost less accumulated amortisation and impairment losses.

(iii) Investment property

An external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Company'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.

4. DETERMINATION OF FAIR VALUES (CONTINUED)

(iv) Inventories

The fair value of inventories acquired in a business combination is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

(v) 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.

(vi) Trade and other receivables

The fair value of trade and other receivables, excluding construction work in progress is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

(vii) Derivatives

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market 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 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.

(viii) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. 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.

4.1 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 2010, the following Standards and Interpretations which affects the Group and Company were in issue but not yet effective:

Standard/Interpretation early adopted	**Effective date***
IFRS 1: First-time Adoption of International Financial Reporting Standards - Amendments relating to oil and gas assets and determining whether an arrangement contains a lease.	Annual periods commencing on or after 1 January 2010
IFRS 1 : First Time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and separate financial statements.	Annual periods commencing on or after 1 July 2010

* All standards will be adopted at the effective date.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

4.1 STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE (CONTINUED)

Standard/Interpretation not early adopted	Effective date*
IFRS 2 amendment : Share based Payment - Amendments relating to group cash-settled share-based payment transactions	Annual periods commencing on or after 1 January 2010
IFRS 3: Business Combinations - Amendments resulting from May 2010 Annual improvements to IFRS	Annual periods commencing on or after 1 July 2010
IFRS 5: Non Current Assets Held for Sale and Discontinued Operations	Annual periods commencing on or after 1 January 2010
IFRS 8: Operating Segments - Amendments resulting from April 2009 Annual Improvements to IFRS	Annual periods commencing on or after 1 January 2010
IFRS 9: Financial instruments - Classification and Measurement	Annual periods commencing on or after 1 January 2013
IAS 1: Presentation of Financial Statements - Amendments resulting from April 2009 Annual Improvements to IFRS	Annual periods commencing on or after 1 January 2010

* All standards will be adopted at the effective date.

Standard/Interpretation not early adopted	Effective date*
IAS 7: Statement of Cash Flows - Amendments resulting from April 2009 Annual Improvements to IFRS	Annual periods commencing on or after 1 January 2010
IAS 17: Leases - Amendments resulting from April 2009 Annual Improvements to IFRS	Annual periods commencing on or after 1 January 2010
IAS 24: Related Party disclosures - Revised definition of related parties	Annual periods commencing on or after 1 January 2011
IAS 27: Consolidated and Seperate Financial Statements - Amendments resulting from May 2010 Annual Improvements to IFRS	Annual periods commencing on or after 1 July 2010
IAS 32: Financial Instruments: Classification of rights issues (amended)	Annual periods commencing on or after 1 February 2010
IAS 34: Interim Financial Reporting - Amendments resulting from May 2010 Annual Improvements to IFRS	Annual periods commencing on or after 1 January 2011

* All standards will be adopted at the effective date.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

4.1 STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE (CONTINUED)

Standard/Interpretation not early adopted	Effective date*
IAS 36: Impairment of Assets - Amendments resulting from April 2009 Annual Improvements to IFRS	Annual periods commencing on or after 1 January 2010
IAS 39: Financial Instruments: Recognition and Measurement - Amendments resulting from April 2009 Annual Improvements to IFRS	Annual periods commencing on or after 1 January 2010
IFRIC 14 IAS 19: The limit on a defined benefit asset, minimum funding requirements and their interaction (amended)	Annual periods commencing on or after 1 January 2011
IFRIC 19: Extinguishing financial liabilities with equity instruments	Annual periods commencing on or after 1 July 2010

* All standards will be adopted at their effective date.

* All standards will be adopted at the effective date.

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

IFRS 1 : First-time Adoption of International Financial Reporting Standards

The amendments address the retrospective application of IFRS to particular situations and are aimed at ensuring that entities applying IFRS will not face undue cost or effort in the transition process. The amendments exempt entities using the full cost method from retrospective application of IFRS for oil and gas assets. The amendments further exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with IFRIC 4 Determining whether an Arrangement contains a Lease when the application of their national accounting requirements produced the same result. This interpretation is not applicable to the Group as the Group has already adopted IFRS.

IFRS 1 : First Time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and separate financial statements.

The amendments to IFRS 1 allow first time adopters of IFRS 1 to use a deemed cost option for determining the cost of an investment in a subsidiary, jointly controlled entity or associate. This amendment will not impact the Group as the Group has already adopted IFRS.

IFRS 2 amendment : Share based Payment

The amendment to IFRS 2 clarify that vesting conditions are performance conditions and services conditions only. The amendment also clarify that cancellations of share options by parties other than the entity are to be accounted for in the same way as cancellations by the entity. This interpretation is not applicable to the Group and therefore would not have impacts on the Group.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

4.1 STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE (CONTINUED)

IFRS 3 : Business Combinations

IFRS 3 supersedes the previous IFRS 3 as issued in 2004. The standard has introduced various terminology and scope changes. The most significant amendments are that the acquisition related costs will now be recognised as an expense in profit or loss when incurred, rather than including it in goodwill. The revised IFRS 3 also states that contingent consideration must be recognised and measured at fair value at the acquisition date. Subsequent changes in fair value are recognised in accordance with other IFRSs, usually in the profit or loss rather than by adjusting goodwill. The amendment is expected to affect the Group's accounting for business combinations after the effective date.

IFRS 5 : Non-current Assets Held for Sale and Discontinued Operations

The amendment to IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held-for-sale or discontinued operations. Disclosures in other IFRSs do not apply to such assets (or disposal groups) unless those IFRSs require specific disclosures in respect of non-current assets (or disposal groups) classified as held-for-sale or discontinued operations; or disclosures about measurement of assets and liabilities within a disposal group that are not within the scope of the measurement requirements of IFRS 5 and such disclosures are not already provided in the other notes to the financial statements.

IFRS 8 : Operating Segments - Amendments resulting from April 2009 Annual Improvements to IFRS

IFRS 8 replaces IAS 14 Segment Reporting. IFRS 8 requires an entity to report financial and descriptive information about its reportable segments, which are operating segments that meet specified criteria. Operating segments are components of an entity about which seperate financial information is availablle and that is evaluated regularly by the Chief Operating decision maker in deciding how to allocate resources and assesing performance. This standard addresses disclosure in the annual finacial statements and will not effect recognition and measurement. The impact on the revised disclosure is not expected to be significant.

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.

IAS 1: Presentation of Financial Statements - Amendments resulting from April 2009 Annual Improvements to IFRS

The main changes in the revised IAS 1 is the requirement to present all non-owner transactions in the statement of comprehensive income. The amendment also requires two sets of comparative numbers to be provided for the financial position in any year where there has been a restatement or reclassification of balances. The amendments will not affect the financial position or results of the Group but will introduce some changes to the presentation of the financial position, changes in equity and financial results of the Group.

IAS 7: Statement of Cash Flows - Amendments resulting from April 2009 Annual Improvements to IFRS

The amendment address the issue that whether expenditures that do not result in the recognition of an asset can be classified as a cash flow from investing activities in accordance with IAS 7. The issue is most prevalent in extractive industries due to the accounting policy choice provided in IFRS 6 Exploration for and Evaluation of Mineral Resources as an asset or an expense, but could be easily extended to other scenarios. This amendment is not expected to impact the Group's results significantly.

IAS 17: Leases - Amendments resulting from April 2009 Annual Improvements to IFRS

The amendment prescribes for lessees and lessors the appropriate accounting policies and disclosures to apply in relation to finance and operating leases other than lease agreements for minerals, oil, natural gas, and similar regenerative resources and licensing agreements for films, videos, plays, manuscripts, patents, copyrights and similar items.This amendment is not expected to impact the Group's results significantly.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

4.1 STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE (CONTINUED)

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 satements but eliminates requirements to disclose information that is costly to gather and less value to users. The standard only requires disclosure if transactions are individually or collectivelly significant.The Group is still determining the impact of the revised standard on the financial statement.

IAS 27 : Consolidated and Seperate Financial Statements - Amendments resulting from May 2010 Annual Improvements to IFRS

The amendment affect the treatment of non controlling interest and transactions with non controlling interest where control in the subsidiary is retained by the Group. The amendment also affect the allocation of losses of a subsidiary to the non controlling interest. All of these changes are to be prospectively applied and do not require the restatement of amounts recognised prior to the effected date. This amendment is not expected to impact the Group's results significantly.

IAS 32 : Financial Instruments: Presentation - Classification of rights issue

The amendment to IAS 32 in respect of the classification of rights issues states that rights issues offered pro rata to all of an entity's existing shareholders in the same class for a fixed amount of currency, should be classified as equity regardless of the currency in which the exercise price is denominated. The amendment is not expected to have an impact on the Group's financial statements.

IAS 34 : Interim Financial Reporting - Amendments resulting from May 2010 Annual Improvements to IFRS

IAS 34 specifies the content of an interim financial report that is described as conforming to International Financial Reporting Standards. The standard encourages publicly-traded entities to provide interim financial reports that conform to the recognition, measurement and disclosure principles set out in IAS 34, at least as of the end of the first half of their financial year. Such reports should be made available not later than 60 days after the end of the interim period. The amendment is not expected to have an impact on the Group's financial statements as the Group does not publish interim financial reports.

IAS 36 : Impairment of Assets - Amendments resulting from April 2009 Annual Improvements to IFRS

The amendments align the disclosure requirements required when the unit's (or group of units) recoverable amount is based on fair value less costs to sell determined using discounted cash flows with those required when the recoverable amount is based on value in use. The amendment is not expected to have an impact on the Group's financial statements.

IAS 39 : Financial Instruments - Recognition and Measurement - Amendments resulting from April 2009 Annual Improvements to IFRS

The objective of this Standard is to establish principles for recognising and measuring financial assets, financial liabilities and some contracts to buy or to sell non-financial items. The Group is still determining the impact of the revised standard on the financial statements.

IFRIC 14 IAS 19 : The limit on a defined benefit asset, minimum funding requirements and their interaction (amended)

The amendment applies in limited circumstances when an entity is subject to minimum funding requirements and makes a voluntary early payment of contributions to cover those requirements. The amendment permits such an entity to treat the benefit of such an early payment as an asset. The amendment is not expected to have an impact on the Group.

IFRIC 19 : Extinguishing financial liabilities with equity instruments

This interpretation provides guidance on the accounting treatment of transactions where a financial liability is extinguished by the issue of equity instruments. These transactions are often referred to as debt for equity swaps. This amendment is not expected to impact the Group's results significantly.

5. PROPERTY, PLANT AND EQUIPMENT

GROUP	Revalued/cost	Accumulated depreciation	Accumulated impairment	Carrying amount
2010	**N$'000**	**N$'000**	**N$'000**	**N$'000**
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 stock	**166,220**	**-**	**-**	**166,220**
Total	**10,667,862**	**(1,311,775)**	**(108,052)**	**9,248,035**
2009				
Ruacana Power Station	1,189,757	(122,515)	-	1,067,242
Van Eck Power Station	234,762	(149,034)	(71,781)	13,947
Paratus Power Station	85,031	(24,734)	(20,318)	39,979
Transmission systems	5,286,231	(599,037)	(6,731)	4,680,463
Machinery and equipment	277,652	(175,750)	-	101,902
Land and Buildings	210,066	(29,831)	(9,222)	171,013
Assets under construction	1,475,019	-	-	1,475,019
Strategic stock	37,521	-	-	37,521
Total	8,796,039	(1,100,901)	(108,052)	7,587,086

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

COMPANY	Revalued/cost	Accumulated depreciation	Accumulated impairment	Carrying amount
2010	**N$'000**	**N$'000**	**N$'000**	**N$'000**
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 stock	**166,220**	**-**	**-**	**166,220**
Total	**10,661,959**	**(1,308,623)**	**(108,052)**	**9,245,284**
2009				
Ruacana Power Station	1,189,757	(122,515)	-	1,067,242
Van Eck Power Station	234,762	(149,034)	(71,781)	13,947
Paratus Power Station	85,031	(24,734)	(20,318)	39,979
Transmission systems	5,286,104	(598,910)	(6,731)	4,680,463
Machinery and equipment	275,154	(173,252)	-	101,902
Land and Buildings	206,788	(29,352)	(9,222)	168,214
Assets under construction	1,475,019	-	-	1,475,019
Strategic stock	37,521	-	-	37,521
Total	8,790,136	(1,097,797)	(108,052)	7,584,287

5.1 Property, plant and equipment (continued)

GROUP 2010	Ruacana Power Station N$'000	Van Eck Power Station N$'000	Paratus Power Station N$'000	Transmission systems N$'000
Carrying amount at 1 July 2009	**1,067,242**	**13,947**	**39,979**	**4,680,463**
- At cost/valuation	1,189,757	234,762	85,031	5,286,231
- Accumulated impairment	-	(71,781)	(20,318)	(6,731)
- Accumulated depreciation	(122,515)	(149,034)	(24,734)	(599,037)
Additions	-	-	-	6,209
Transfer from inventory	-	-	-	-
Transfer to inventory				
Assets under construction completed	186	6,831	38	1,019,764
Assets impaired	-	-	-	-
Transfer to investment property	-	-	-	-
Disposals	-	-	-	(3,299)
- At cost/valuation	-	-	-	(4,383)
- Accumulated depreciation	-	-	-	1,084
Depreciation for the year	(30,766)	(13,763)	(3,635)	(152,357)
Carrying amount at 30 June 2010	**1,036,662**	**7,015**	**36,382**	**5,550,780**
- At cost/valuation	1,189,943	241,593	85,069	6,307,821
- Accumulated impairment	-	(71,781)	(20,318)	(6,731)
- Accumulated depreciation	(153,281)	(162,797)	(28,369)	(750,310)

Included in additions are borrowing costs capitalized of N$57 million (2009: N$41 million) for the Group and Company.

Machinery and equipment N$'000	Land and Buildings N$'000	Assets under construction N$'000	Strategic stock N$'000	Total N$'000
101,902	**171,013**	**1,475,019**	**37,521**	7,587,086
277,652	210,066	1,475,019	37,521	8,796,039
-	(9,222)	-	-	(108,052)
(175,750)	(29,831)	-	-	(1,100,901)
26,957	-	1,738,329	801	1,772,296
-	-	-	137,567	137,567
			(8,305)	(8,305)
597	1,862	(1,029,278)	-	-
-	-	-	(1,364)	(1,364)
-	(26)	-	-	(26)
(6)	-	-	-	(3,305)
(23,962)	-	-	-	(28,345)
23,956	-	-	-	25,040
(29,838)	(5,555)			(235,914)
99,612	**167,294**	**2,184,070**	**166,220**	**9,248,035**
281,244	211,902	2,184,070	166,220	10,667,862
-	(9,222)	-	-	(108,052)
(181,632)	(35,386)	-	-	(1,311,775)

NOTES TO THE FINANCIAL STATEMENTS

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5.1 Property, plant and equipment (continued)

GROUP 2009	**Ruacana Power Station** N$'000	**Van Eck Power Station** N$'000	**Paratus Power Station** N$'000	**Transmission systems** N$'000
Carrying amount at 1 July 2008	**1,095,308**	**26,980**	**43,613**	**4,816,488**
- At cost/valuation	1,187,157	234,410	85,031	5,271,767
- Accumulated impairment	-	(71,781)	(20,318)	(6,731)
- Accumulated depreciation	(91,849)	(135,649)	(21,100)	(448,548)
Additions	-	-	-	-
Transfer from strategic stock	-	-	-	-
Transfer to strategic stock	-	-	-	-
Transfer to inventory	-	-	-	-
Assets under construction completed	2,112	307	-	14,952
Intangible asset capitalised	-	-	-	-
Assets impaired	-	-	-	-
Transfer to investment property	-	-	-	-
Transfer to Van Eck Power Station	-	45	-	-
Transfer to Ruacana Power Station	488	-	-	(488)
Disposals	-	-	-	-
- At cost/valuation	-	-	-	-
- Accumulated depreciation	-	-	-	-
Depreciation for the year	(30,666)	(13,385)	(3,634)	(150,489)
Carrying amount at 30 June 2009	**1,067,242**	**13,947**	**39,979**	**4,680,463**
- At cost/valuation	1,189,757	234,762	85,031	5,286,231
- Accumulated impairment	-	(71,781)	(20,318)	(6,731)
- Accumulated depreciation	(122,515)	(149,034)	(24,734)	(599,037)

Included in additions are borrowing costs capitalized of N$41 million (2008: N$44 million) for the Group and Company.

Machinery and equipment N$'000	Land and Buildings N$'000	Assets under construction N$'000	Strategic stock N$'000	Total N$'000
78,679	**174,731**	**286,868**	**36,318**	**6,558,985**
240,301	208,284	286,868	36,318	7,550,136
-	(9,222)	-	-	(108,052)
(161,622)	(24,331)	-	-	(883,099)
36,139	-	1,220,777	735	1,257,651
-	-	142	(142)	-
-	-	-	1,589	1,589
-	-	-	(341)	(341)
8,409	1,849	(27,629)	-	-
-	-	(5,139)	-	(5,139)
-	-	-	(638)	(638)
-	(22)	-	-	(22)
-	(45)	-	-	-
-	-	-	-	-
(82)	-	-	-	(82)
(7,197)	-	-	-	(7,197)
7,115	-	-	-	7,115
(21,243)	(5,500)	-	-	(224,917)
101,902	**171,013**	**1,475,019**	**37,521**	**7,587,086**
277,652	210,066	1,475,019	37,521	8,796,039
-	(9,222)	-	-	(108,052)
(175,750)	(29,831)	-	-	(1,100,901)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

5.1 Property, plant and equipment (continued)

COMPANY 2010	Ruacana Power Station N$'000	Van Eck Power Station N$'000	Paratus Power Station N$'000	Transmission systems N$'000
Carrying amount at 1 July 2009	**1,067,242**	**13,947**	**39,979**	**4,680,463**
- At cost/valuation	1,189,757	234,762	85,031	5,286,104
- Accumulated impairment	-	(71,781)	(20,318)	(6,731)
- Accumulated depreciation	(122,515)	(149,034)	(24,734)	(598,910)
Additions	-	-	-	6,209
Transfer from inventory	-	-	-	-
Transfer to inventory				
Assets under construction completed	186	6,831	38	1,019,764
Assets impaired	-	-	-	-
Transfer to investment property	-	-	-	-
Disposals	-	-	-	(3,299)
- At cost/valuation	-	-	-	(4,383)
- Accumulated depreciation	-	-	-	1,084
Depreciation for the year	(30,766)	(13,763)	(3,635)	(152,357)
Carrying amount at 30 June 2010	**1,036,662**	**7,015**	**36,382**	**5,550,780**
- At cost/valuation	1,189,943	241,593	85,069	6,307,694
- Accumulated impairment	-	(71,781)	(20,318)	(6,731)
- Accumulated depreciation	(153,281)	(162,797)	(28,369)	(750,183)

Included in additions are borrowing costs capitalized of N$57 million (2009: N$41 million) for the Group and Company.

Machinery and equipment N$'000	Land and Buildings N$'000	Assets under construction N$'000	Strategic stock N$'000	Total N$'000
101,902	**168,214**	**1,475,019**	**37,521**	**7,584,287**
275,154	206,788	1,475,019	37,521	8,790,136
-	(9,222)	-	-	(108,052)
(173,252)	(29,352)	-	-	(1,097,797)
26,957	-	1,738,329	801	1,772,296
-	-	-	137,567	137,567
			(8,305)	(8,305)
597	1,862	(1,029,278)	-	-
-	-	-	(1,364)	(1,364)
-	(26)	-	-	(26)
(6)	-	-	-	(3,305)
(23,962)	-	-	-	(28,345)
23,956	-	-	-	25,040
(29,838)	(5,507)	-	-	(235,866)
99,612	**164,543**	**2,184,070**	**166,220**	**9,245,284**
278,746	208,624	2,184,070	166,220	10,661,959
-	(9,222)	-	-	(108,052)
(179,134)	(34,859)	-	-	(1,308,623)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

5.1 Property, plant and equipment (continued)

COMPANY 2009	**Ruacana Power Station** N$'000	**Van Eck Power Station** N$'000	**Paratus Power Station** N$'000	**Transmission systems** N$'000
Carrying amount at 1 July 2008	**1,095,308**	**26,980**	**43,613**	**4,816,488**
- At cost/valuation	1,187,157	234,410	85,031	5,271,640
- Accumulated impairment	-	(71,781)	(20,318)	(6,731)
- Accumulated depreciation	(91,849)	(135,649)	(21,100)	(448,421)
Additions	-	-	-	-
Transfer to strategic stock	-	-	-	-
Transfer to inventory	-	-	-	-
Transfer from strategic stock	-	-	-	-
Assets under construction completed	2,112	307	-	14,952
Intangible asset capitalised	-	-	-	-
Transfer to Van Eck Power Station	-	45	-	-
Transfer to Ruacana Power Station	488	-	-	(488)
Assets impaired	-	-	-	-
Kudu transmission research expenses incurred	-	-	-	-
Transfer to investment property	-	-	-	-
Disposals	-	-	-	-
- At cost/valuation	-	-	-	-
- Accumulated depreciation	-	-	-	-
Depreciation for the year	(30,666)	(13,385)	(3,634)	(150,489)
Carrying amount at 30 June 2009	**1,067,242**	**13,947**	**39,979**	**4,680,463**
- At cost/valuation	1,189,757	234,762	85,031	5,286,104
- Accumulated impairment	-	(71,781)	(20,318)	(6,731)
- Accumulated depreciation	(122,515)	(149,034)	(24,734)	(598,910)

Included in additions are borrowing costs capitalized of N$41 million (2008: N$44 million) for the Group and Company.

Machinery and equipment N$'000	Land and Buildings N$'000	Assets under construction N$'000	Strategic stock N$'000	Total N$'000
78,679	**171,884**	**286,868**	**36,318**	**6,556,138**
237,803	205,006	286,868	36,318	7,544,233
-	(9,222)	-	-	(108,052)
(159,124)	(23,900)	-	-	(880,043)
36,139	-	1,220,777	735	1,257,651
-	-	-	1,589	1,589
-	-	-	(341)	(341)
-	-	142	(142)	-
8,409	1,849	(27,629)	-	-
-	-	(5,139)	-	(5,139)
-	(45)	-	-	-
-	-	-	-	-
-	-	-	(638)	(638)
-	-	-	-	-
-	(22)	-	-	(22)
(82)	-	-	-	(82)
(7,197)	-	-	-	(7,197)
7,115	-	-	-	7,115
(21,243)	(5,452)	-	-	(224,869)
101,902	**168,214**	**1,475,019**	**37,521**	**7,584,287**
275,154	206,788	1,475,019	37,521	8,790,136
-	(9,222)	-	-	(108,052)
(173,252)	(29,352)	-	-	(1,097,797)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

5.2 Property, plant and equipment under construction

GROUP & COMPANY	Power Stations N$'000	Transmission systems N$'000	Machinery and equipment N$'000	Land and Buildings N$'000	Total N$'000
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**
Transfer from strategic stock	**-**	**-**	**-**	**-**	**-**
Assets 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**
2009					
Opening balance	41,861	240,952	690	3,365	286,868
Reclassification	(35,760)	22,456	13,304	-	-
Additions	89,542	1,115,429	12,964	2,842	1,220,777
Transfer from strategic stock	-	142	-	-	142
Transfer from Land & Buildings to Power Stations	16	-	1	(17)	-
Assets capitalised	(2,419)	(14,952)	(8,409)	(1,849)	(27,629)
Intangible asset capitalised	-	-	(5,139)	-	(5,139)
Closing balance	93,240	1,364,027	13,411	4,341	1,475,019

5.3 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.

5.4 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.

5.5 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.

5.6 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 2005 by independent valuers namely, Mott MacDonald Limited and Emcon Namibia, on the basis of their replacement value as adjusted for the remaining useful lives of the assets.

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

5.7 Valuation of owner-occupied properties

The properties were externally revalued effective 1 July 2005 by an independent valuer, Gert Hamman. The valuations were performed on the basis of replacement value where no ready market exists or market value as estimated by sworn appraisers.

Francis Turbine runner from Old Ruacana Small Hydro

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

6. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

6.1 Subsidiary companies

Name	Nature of operation	Date of incorporation	Issued Share Capital N$ '000	Percentage holding (%) 2010	Percentage holding (%) 2009
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**	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 by/(due to)

Capricorn Power Supply (Pty) Ltd
NamPower International (Pty) Ltd
Premier Electric (Pty) Ltd
Okaomba Investment (Pty) Ltd

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

Premier Electric (Pty) Ltd

6.2 After year end, NamPower International was deregistered.

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

6.4 Trade and other receivables/payables to the subsidiaries are disclosed in note 29.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

Shares at Cost N$'000	Total Investment 2010 N$'000	Total Investment 2009 N$'000	Directors' valuation 2010 N$'000	Directors' valuation 2009 N$'000
2	**2**	2	**2**	2
(2)	**(2)**	(2)	**-**	-
66	**66**	66	**66**	66
5,000	**5,000**	5,000	**6,389**	6,389
944	**944**	944	**10,240**	7,742
6,010	**6,010**	6,010	**16,697**	14,199

Due by/(due to) Subsidiaries 2010 N$'000	Due by/(due to) Subsidiaries 2009 N$'000
-	-
330	330
2	2
844	844
1,176	1,176
7,186	7,186
(6,384)	(6,381)

6. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (CONTINUED)

6.5 Associates

	GROUP 2010 N$'000	GROUP 2009 N$'000	COMPANY 2010 N$'000	COMPANY 2009 N$'000
Carrying amount of associates				
Carrying amount at beginning of year	**268,201**	302,522	**173,232**	303,592
Disposal of interest in associate - Powercom (Pty) Ltd	**-**	2,770	**-**	(130,430)
Assets transferred to associate - Cenored (Pty) Ltd	**-**	70	**-**	70
Equity accounted earnings/(losses)	**14,277**	(33,861)	**-**	-
Dividend received	**(4,950)**	(3,300)	**-**	-
	277,528	268,201	**173,232**	173,232
Directors' valuation	**277,528**	268,201		
Post-acquisition reserves				
Retained earnings	**16,642**	7,315		
Share of opening retained earnings	**7,315**	(87,794)		
Dividends declared	**(4,950)**	(3,300)		
Disposal of interest in associate - Powercom (Pty) Ltd	**-**	132,270		
Share of current year income/(loss)	**14,277**	(33,861)		
Non-distributable reserves	**260,886**	260,886		
Share of opening revaluation and development reserve	**260,886**	390,316		
Share of current year movements	**-**	(129,430)		
	277,528	268,201		

The Group acquired a 33.33% equity interest in Nored Electricity (Pty) Ltd, an electrical distribution company on 27 April 2001.

During 2006, the Company held a 50.20% investment in Central-North Electricity Distribution Company (Properietary) Limited (Cenored). The 50.20% was an interim shareholding until such a time as the distribution assets of the Company had been valued. The valuation of the distribution assets which were contributed to the Company by the various shareholders was conducted during the 2006/2007 financial year. The valuation of the assets contributed by the various shareholders resulted in the percentage holding in Cenored by NamPower reducing to 45.05% on 28 June 2007.

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

	2010 N$'000	2009 N$'000
Non current assets	**734,814**	670,254
Current assets	**166,949**	144,978
Non current liabilities	**(170,184)**	(134,394)
Current liabilities	**(121,681)**	(74,811)
	609,898	606,027
Statement of comprehensive income		
Revenue	**497,002**	396,709
Expenditure	**(460,968)**	(360,595)
Profit before taxation	**36,034**	36,114
Taxation	**(4,238)**	(14,356)
Profit after taxation	**31,796**	21,758
Cash Flow		
Cash utilised in operating activities	**43,666**	40,792
Cash utilised in investing activities	**(48,017)**	(38,954)
Cash flow from financing activities	**2,010**	(1,128)
Net cash flows	**(2,341)**	710

6.6 The associates and joint ventures are all incorporated in Namibia.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

7. INVESTMENT PROPERTIES

	GROUP		COMPANY	
	2010 N$'000	2009 N$'000	**2010 N$'000**	2009 N$'000
Opening balance	**9,096**	8,313	**9,096**	8,313
Fair value adjustment	**918**	761	**918**	761
Transfer from property, plant and equipment	**26**	22	**26**	22
Closing balance	**10,040**	9,096	**10,040**	9,096

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 26.

During June 2010 the fair value of all investment properties was determined by an independent qualified property valuer (Friederich A Frank-Schultz) 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 Replacement Cost Method of valuation. This method is based on the depreciated replacement cost of the improvements and the market value of the land.

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.

8. INTANGIBLE ASSETS

8.1 Computer software

	GROUP		COMPANY	
	2010 N$'000	2009 N$'000	**2010 N$'000**	2009 N$'000
Cost	**61,795**	61,647	**61,795**	61,647
Accumulated amortisation	**(55,056)**	(51,906)	**(55,056)**	(51,906)
	6,739	9,741	**6,739**	9,741
Opening carrying amount - 1 July	**9,741**	5,996	**9,741**	5,996
Additions	**148**	1,739	**148**	1,739
Asset under construction completed	**-**	5,139	**-**	5,139
Amortisation	**(3,150)**	(3,133)	**(3,150)**	(3,133)
Closing carrying amount - 30 June	**6,739**	9,741	**6,739**	9,741

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

9. LOANS AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2010 N$'000	2009 N$'000	**2010 N$'000**	2009 N$'000
Employee loans	**904**	881	**904**	881
Loan to ZESA Holdings (Pty) Ltd	**236,689**	268,294	**236,689**	268,294
Loan to Ohorongo Cement (Pty) Ltd	**9,525**	10,597	**9,525**	10,597
	247,118	279,772	**247,118**	279,772
Less: Instalments receivable within one year transferred to current assets.	**62,505**	72,835	**62,505**	72,835
	184,613	206,937	**184,613**	206,937

Employee loans comprise of:

Employee study loans, computer loans and car 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, while car loans are repayable over 4-5 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 Company (Pty) Ltd (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%.

The loan is repayable by an amount of U$5.14/kW per month which shall be deducted by way of set off from the effective Firm Capacity Rate of U$12.02/kW per month for the purpose of redeeming the loan advanced in terms of the Loan Agreement plus interest thereon. The net payment of U$6.94/kW shall be payable for a 5 year period for the full 150 MW Guaranteed Firm Capacity. The loan has been fully utilised.

The short term portion of the ZESA loan was based on the following assumptions: That NamPower will receive on average 130 MW for the following twelve months at a rate of U$5.14 KW per month, amounting to U$668 200 per month translated at an exchange rate of U$1=N$7.6615 at 30 June 2010.

Loan to Ohorongo Cement (Pty) Ltd

The Company approved a loan to Ohorongo Cement (Pty) Ltd amounting to N$22,218 million for the additional capital contribution for the power supply to Ohorongo Cement factory. The loan shall be 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$10,718 million
- Phase 2 - Main Supply (25 MVA) - N$11,500 million

The loan is repayable by monthly instalments over a period of ten years at a variable interest rate of prime less 2%. As at 30 June 2010 only the phase 1 portion of the loan was advanced.

10. NON-CURRENT ASSETS HELD FOR SALE

	GROUP		COMPANY	
	2010 N$'000	2009 N$'000	**2010 N$'000**	2009 N$'000
Property, plant and equipment to be transfered to:				
- Otavi Electrical Company (Pty) Ltd	**245**	333	**346**	346
	245	333	**346**	346

The audited financial statements of Otavi Electrical Company (Proprietary) Limited have been incorporated in the consolidated financial statements. The Group acquired a 50% interest in the Company to provide electricity to the town of Otavi in Namibia. Otavi is located within the central northern region and its operations have been taken over by CENORED during October 2005. The joint venture has thus been classified as a discontinued operation in the records of the Company and the Group. Pending income tax assessment for the year 2005 where by an objection has been lodged with the Receiver of Revenue, the Company will be deregistered.

11. INVESTMENTS

	GROUP 2010 N$'000	GROUP 2009 N$'000	COMPANY 2010 N$'000	COMPANY 2009 N$'000
Non-current investments	**574,948**	497,400	**574,948**	497,400
Held-to-maturity debt instruments at amortised cost	**551,872**	474,324	**551,872**	474,324
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	**2,885,591**	2,069,815	**2,885,591**	2,069,815
Available-for-sale				
- listed equity	**591**	436	**591**	436
Held-to-maturity debt instruments at amortised cost	**-**	125,655	**-**	125,655
Fixed deposits	**2,885,000**	1,943,724	**2,885,000**	1,943,724
Total investments	**3,460,539**	2,567,215	**3,460,539**	2,567,215

Held to maturity investments with a carrying value of N$122 million (2009: N$110,3 million) have been encumbered and act as security for long-term loans (refer note 17.1.5).

The Group's exposure to credit, currency and interest rate risk related to investments is disclosed in note 31.

12. INVENTORIES

	GROUP 2010 N$'000	GROUP 2009 N$'000	COMPANY 2010 N$'000	COMPANY 2009 N$'000
Construction and consumable stores	**86,651**	148,312	**86,651**	148,312
Fuel	**83,260**	72,717	**83,260**	72,717
	169,911	221,029	**169,911**	221,029

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

13. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2010 N$'000	2009 N$'000	**2010 N$'000**	2009 N$'000
Trade receivables	**219,352**	175,569	**219,352**	175,569
- Gross receivables	**245,388**	202,352	**245,388**	202,352
- Provision for doubtful debt	**(26,036)**	(26,783)	**(26,036)**	(26,783)
External Project receivables	**14,111**	5,134	**14,111**	5,134
Prepayments	**2,896**	1,051	**2,896**	1,051
Project and other advances	**20,809**	154,378	**20,809**	154,377
Value Added Taxation	**87,375**	-	**87,375**	-
Receivable from the disposal of the Group's interest in Powercom (Pty) Ltd	**82,131**	65,783	**82,114**	65,775
Accrued interest receivable	**-**	96,966	**-**	96,966
Other receivables	**56,154**	103,333	**56,154**	103,333
	482,828	602,214	**482,811**	602,205

An impairment loss of N$3,9 million (2009: N$14,2 million) in respect of trade receivables was recognised in profit or loss.

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in note 31.

Related party receivables

Included in trade and other receivables are amounts due from related parties, these have been disclosed in note 29.

14. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2010 N$'000	2009 N$'000	**2010 N$'000**	2009 N$'000
Cash and cash equivalents consist of:				
Cash on hand	**52**	10	**52**	10
Bank balances	**181,691**	288,870	**181,691**	288,870
Short term deposits	**7,509**	285,113	**7,509**	285,113
	189,252	573,993	**189,252**	573,993

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

15. TAXATION

	GROUP		COMPANY	
	2010 N$'000	2009 N$'000	**2010 N$'000**	2009 N$'000
Namibian company tax				
Current taxation	**-**	-	**-**	-
Deferred taxation	**98,246**	146,010	**98,213**	145,977
	98,246	146,010	**98,213**	145,977
Tax rate reconciliation	**%**	%	**%**	%
Standard Tax Rate	**34.00**	34.00	**34.00**	34.00
Adjusted for:				
Items not deductible for tax purposes	**4.76**	3.37	**4.76**	4.02
Prior year error	**-**	(0.75)	**-**	(0.89)
Exempt income	**(11.39)**	(10.79)	**(11.39)**	(6.31)
Effect of tax rate change	**-**	(7.64)	**-**	(9.12)
Effective tax rate	**27.37**	18.19	**27.37**	21.70

Taxation recognised in other comprehensive income

	GROUP & COMPANY 2010			GROUP & COMPANY 2009		
	Before tax	**Tax (expense) benefit**	**Net of tax**	**Before tax**	**Tax (expense) benefit**	**Net of tax**
Available-for-sale financial assets	**155**	**-**	**155**	**40**	**-**	**40**
	155	**-**	**155**	**40**	**-**	**40**

16. SHARE CAPITAL AND RESERVES

	GROUP		COMPANY	
	2010 N$'000	2009 N$'000	**2010 N$'000**	2009 N$'000
16.1 Authorised				
365 000 000 ordinary shares at N$1	**365,000**	365,000	**365,000**	365,000
16.2 Issued				
165 000 000 (2009 : 165 000 000) ordinary shares at N$1	**165,000**	165,000	**165,000**	165,000
16.3 Share premium				
Share premium arising on shares issued Nil (2009: 100 000 000 Ordinary shares of N$1 each and share premium of N$9.)	**900,000**	900,000	**900,000**	900,000

16.4 Development fund

The development fund is to be utilised for the total or partial financing of capital works and extensions to power station, transmission and distribution networks. The annual profit after the interest allocation to the reserve fund is transferred to this fund.

16.5 Capital revaluation reserve

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

16.6 Reserve fund

In conjunction with the development fund the reserve fund was created to address any funding requirements by NamPower. Currently the level of funding is deemed to be adequate and the fund will only be increased with interest (net of tax) on its monthly balance.

16.7 Strategic stock revaluation reserve

The revaluation reserve relates to the revaluation of strategic stock items.

16.8 Available for sale fair value adjustment reserve

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

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

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

17.1 Interest bearing borrowings - secured Loans

					30 June 2010		30 June 2009	
					N$'000	N$'000	N$'000	N$'000
	Currency	Nominal interest rate	Effective interest rate	Year of maturity	Carrying amount	Face value	Carrying amount	Face value
17.1.1 Agence Francaise de Development *	EUR	**3.00%**	**9.39%**	2019	**34,784**	**24,563**	43,662	27,149
17.1.2 European Investment Bank - loan I *	EUR	**3.81%**	**13.89%**	2018	**292,912**	**197,819**	368,951	219,415
17.1.3 AB Svensk Exportkrediet *	ZAR	**7.62%**	**7.62%**	2015	**40,127**	**40,127**	48,153	48,153
17.1.4 African Development Bank *	ZAR	**Jibar6m+.50**	**10.30%**	2018	**33,622**	**33,622**	37,824	37,824
17.1.5 Development Bank of Southern Africa ^	ZAR	**9.82%**	**9.82%**	2022	**220,000**	**220,000**	220,000	220,000
17.1.6 European Investment Bank - loan II *	GBP	**3.00%**	**7.62%**	2021	**179,462**	**251,727**	205,556	265,090
17.1.7 NMP20N Bonds issued - Caprivi Link Interconnector	ZAR	**9.35%**	**9.35%**	2020	**500,000**	**500,000**	500,000	500,000
17.1.8 Development Bank of Namibia *	NAD	**6.75%**	**6.75%**	2024	**59,499**	**59,499**	61,863	61,863
17.1.9 NMP19N Bonds issued - Ruacana 4th unit	NAD	**10.00%**	**10.00%**	2019	**250,000**	**250,000**	-	-
17.1.10 European Investment Bank - loan III	ZAR	**9.26%**	**9.26%**	2029	**395,729**	**395,729**	-	-
17.1.11 Agence Francaise de Development II	ZAR	**6.10%**	**6.10%**	2027	**375,000**	**375,000**	-	-
17.1.12 KFW Bunkengruppe	ZAR	**5.29%**	**5.29%**	2020	**391,300**	**391,300**	-	-
					2,772,435	**2,739,386**	1,486,009	1,379,494
Less: Instalments payable within one year transferred to current liabilities					**65,790**	**65,790**	77,955	77,955
					2,706,645	**2,673,596**	1,408,054	1,301,539

* The loans are secured by the Government of the Republic of Namibia.
^ The loan is secured by a pledge of investments of a carrying value of N$122 million and a nominal value of N$220 million.

Refer to note 31.1 (classification of the statement of financial position classes into IAS 39 categories) and 31.6.2 (currency risk).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

18. DEFERRED REVENUE LIABILITY

	GROUP		COMPANY	
	2010 N$ '000	2009 N$ '000	**2010 N$ '000**	2009 N$ '000
Non-current liability				
Nam Zinc (Pty) Ltd	**39,505**	47,822	**39,505**	47,822
Grant Funding	**11,911**	-	**11,911**	-
Interest rate subsidy - EIB Loan III	**56,980**	-	**56,980**	-
	108,396	47,822	**108,396**	47,822
Current liability				
Deferred revenue government grant	**151,689**	58,451	**151,689**	58,451
Short-term portion Nam Zinc (Pty) Ltd	**8,317**	8,317	**8,317**	8,317
Short-term portion Grant Funding	**366**	-	**366**	-
Short-term portion Interest rate subsidy - EIB Loan III	**5,998**	-	**5,998**	-
	166,370	66,768	**166,370**	66,768

18.1 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 Scorpion 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 and is recognised, over the ten year period.

18.2 Deferred revenue - Government Grant

A government grant of N$150 million (2009: N$40 million) was received during the year under review. The grant was in respect of subisidising the Company's power generation expenditure. Of this grant N$56,7 million (2009: N$73,6 million) was recognised as income during the current year while the N$151,7 million (2009: N$58,5 million) represents deferred income and will be recognised over one year in the statement of comprehensive income as electricity generation expenditure is incurred.

18.3 Interest rate subsidy - EIB Loan III

An interest rate subsidy of N$65,98 million (2009: N$ Nil) was received during the year under review. 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$65,98 million to enable EIB to make available finance to NamPower at reduced interest rates. The Parties have agreed that the interest rate subsidy be applied upfront in order to reduce the loan balance repayable. Of this grant N$2,9 million (2009: N$ Nil) was recognised as income during the current year whilst the remaining N$62,9 million (2009: N$ Nil) represents deferred income and will be recognised over the life span of the loan of 20 years.

19. DEFERRED TAXATION

	GROUP		COMPANY	
	2010 N$ '000	2009 N$ '000	**2010 N$ '000**	2009 N$ '000
Balance at the beginning of the year	**2,292,706**	2,146,696	**2,292,099**	2,146,122
Current charge	**98,246**	146,010	**98,213**	145,977
Temporary differences	**120,493**	241,286	**121,099**	241,859
Effect of change in tax rate	**-**	(61,318)	**-**	(61,318)
Assessed loss utilised to reduce liability	**(21,970)**	(34,564)	**(21,970)**	(34,564)
Prior year error	**(916)**	-	**(916)**	-
Property, plant and equipment	**639**	606	**-**	-
Balance at end of year	**2,390,952**	2,292,706	**2,390,312**	2,292,099
The balance comprises:				
Property, plant and equipment	**2,591,538**	2,277,353	**2,590,898**	2,276,747
Interest accrued	**28,804**	26,776	**28,804**	26,776
Doubtful debt allowance	**(6,730)**	(7,114)	**(6,730)**	(7,114)
Severance Pay liability	**(8,766)**	(8,256)	**(8,766)**	(8,256)
Fair value swaps, loans and unrealised foreign exchange losses	**(56,388)**	(51,845)	**(56,388)**	(51,845)
Post Retirement Medical Benefit	**(38,066)**	(30,425)	**(38,066)**	(30,425)
Power purchase and power sales agreement- embedded derivative	**(8,282)**	(28,174)	**(8,282)**	(28,174)
Other temporary differences	**(111,158)**	114,391	**(111,158)**	114,390
	2,390,952	2,292,706	**2,390,312**	2,292,099
Deferred tax asset	**-**	-	**-**	-
Deferred tax liability	**(2,390,952)**	(2,292,706)	**(2,390,312)**	(2,292,099)
	(2,390,952)	(2,292,706)	**(2,390,312)**	(2,292,099)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

20. TRADE PAYABLES

	GROUP		COMPANY	
	2010 N$ '000	2009 N$ '000	**2010 N$ '000**	2009 N$ '000
Trade payables	**289,042**	280,203	**289,037**	280,205
Leave and bonus accruals	**37,845**	33,483	**37,845**	33,483
Swap and loan interest payable	**138,028**	181,640	**138,028**	181,640
Retention creditors - short term portion	**38,348**	50,617	**38,348**	50,617
	503,263	545,943	**503,258**	545,945

20.1 Leave and bonus accruals

The Group provides for leave pay and bonuses for all employees. The value of the accrual at 30 June 2010 was determined by reference to the leave days accrued and proportionate annual bonus accrual. The accrual is expected to be utilised within the following financial year.

20.2 Related party payables

Trade and other payables due to related parties have been disclosed in note 29.

20.3 Retention creditors

Non Current	**46,712**	22,170	**46,712**	22,170
Currrent (included in trade payables)	**38,348**	50,617	**38,348**	50,617
	85,060	72,787	**85,060**	72,787

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

21. DERIVATIVES

21.1 Derivative assets

Interest rate and cross currency swaps	**68,243**	195,114	**68,243**	195,114
Embedded Derivatives - Power Purchase/Sales Agreement (PPA/ PSA)	**288,820**	109,724	**288,820**	109,724
Firm commitments	**32,666**	243,933	**32,666**	243,933
	389,729	548,771	**389,729**	548,771

The electricity purchase and selling price in terms of the PPA and PSA with ZETCO 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 a foreign currency and inflation-linked embedded derivatives.

21.2 Derivative liabilities

Current liabilities				
Forward exchange contract liabilities	**26,343**	105,014	**26,343**	105,014
	26,343	105,014	**26,343**	105,014
Non-current liabilities				
Interest rate and cross currency swaps	**68,939**	122,965	**68,939**	122,965
Embedded derivative Power Purchase/Sales Agreement (PPA/PSA)	**313,180**	192,589	**313,180**	192,589
	382,119	315,554	**382,119**	315,554

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 17 for the hedged loan repayment dates.
The above swaps are economic hedges as hedge accounting is not applied.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

	GROUP		COMPANY	
	2010 N$ '000	2009 N$ '000	**2010 N$ '000**	2009 N$ '000

22. PROVISIONS

Post Retirement Medical Benefits	**111,959**	86,790	**111,959**	86,790
Severance pay provision	**25,781**	24,281	**25,781**	24,281
	137,740	111,071	**137,740**	111,071

22.1 Post Retirement Medical Benefits

Present value of net obligations	**111,959**	86,790	**86,790**	86,790
Present value of unfunded obligations	**111,959**	86,790	**86,790**	86,790
Present value of funded obligations	**-**	-	**-**	-
Fair value of plan assets	**-**	-	**-**	-
Unrecognised actuarial gains and losses	**-**	-	**-**	-
Recognised liability for defined benefit obligations	**111,959**	86,790	**86,790**	86,790
Liability for long-service leave	**-**	-	**-**	-
Cash-settled transactions liability	**-**	-	**-**	-
Total employee benefits	**111,959**	86,790	**86,790**	86,790

22.1.1 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.

There are currently no assets set aside to fund the liability. The funding will be of a financial position nature until funds are set aside to meet the liability.

The present value of the provision at 30 June 2010, as determined by an actuarial valuation, was N$111, 959 million. This actuarial valuation was performed by Jacques Malan Consultants and Actuaries. The provision is expected to be utilised over 20 years.

The Group expects to pay N$65,484 million in contibutions to the defined benefit plans in 2011.

Liability for defined benefit obligations

Principal actuarial assumptions at the reporting date	**%**	%	**%**	%
Discount rate at 30 June	**9.04**	10.06	**9.04**	10.06
Expected return on plan assets at 30 June	**-**	-	**-**	-
Future salary increases	**-**	-	**-**	-
Medical cost trend rate	**7.04**	8.06	**7.04**	8.06
Future pension increases	**-**	-	**-**	-

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

1% increase in medical cost trend	**113,078**	87,658	**113,079**	87,658
1% decrease in medical cost trend	**110,839**	85,922	**110,839**	85,922

22. PROVISIONS (CONTINUED)

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

	GROUP		COMPANY	
	2010 N$ '000	2009 N$ '000	**2010 N$ '000**	2009 N$ '000
Net liability for defined obligations as at 1 July	**86,790**	78,659	**86,790**	78,659
Interest cost	**8,731**	8,299	**8,731**	8,299
Current service costs	**5,738**	5,483	**5,738**	5,483
Benefits paid	**(1,694)**	(1,642)	**(1,694)**	(1,642)
Actuarial loss/(gain) on obligation	**12,394**	(4,009)	**12,394**	(4,009)
Net liability for defined obligations as at 30 June	**111,959**	86,790	**111,959**	86,790

22.1.3 Expense recognised in the statement of comprehensive income

	26,863	9,773	**26,863**	9,773
Current service costs	**5,738**	5,483	**5,738**	5,483
Interest on obligation	**8,731**	8,299	**8,731**	8,299
Actuarial loss/(gain) on obligation	**12,394**	(4,009)	**12,394**	(4,009)
Benefits paid	**(1,694)**	(1,642)	**(1,694)**	(1,642)
Subsidy payments to pensioners	**1,694**	1,642	**1,694**	1,642
	26,863	9,773	**26,863**	9,773

The expense is included in the administrative expenses in the statement of comprehensive income:

22.2 Severance pay provision

Present value of net obligations	**25,781**	24,281	**25,781**	24,281
Present value of unfunded obligations	**25,781**	24,281	**25,781**	24,281
Present value of funded obligations	**-**	-	**-**	-
Fair value of plan assets	**-**	-	**-**	-
Unrecognised actuarial gains and losses	**-**	-	**-**	-
Recognised liability for defined benefit obligations	**25,781**	24,281	**25,781**	24,281
Liability for long-service leave	**-**	-	**-**	-
Cash-settled transactions liability	**-**	-	**-**	-
Total empolyee benefits	**25,781**	24,281	**25,781**	24,281

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

22.2 Severance pay provision (continued)

	GROUP		COMPANY	
	2010 N$ '000	2009 N$ '000	**2010 N$ '000**	2009 N$ '000
22.2.1 Liability for severance pay obligations				
Principal actuarial assumptions at the reporting date	**%**	%	**%**	%
Salary inflation rate at 30 June	**7.44**	8.68	**7.44**	8.68
Investment return at 30 June	**8.94**	10.18	**8.94**	10.18
Should the severance pay cost trend increase or decrease by 1% the severance pay provision would be as follows:				
1% increase in severance pay cost trend	**26,038**	24,524	**26,038**	24,524
1% decrease in severance pay cost trend	**25,523**	24,038	**25,523**	24,038
22.2.2 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	**24,281**	-	**24,281**	-
Interest cost	**2,472**	-	**2,472**	-
Current service costs	**960**	-	**960**	-
Benefits paid	**(607)**	-	**(607)**	-
Actuarial (gain)/ loss on obligation	**(1,325)**	24,281	**(1,325)**	24,281
Net liability for defined obligations as at 30 June	**25,781**	24,281	**25,781**	24,281
22.2.3 Expense recognised in the statement of comprehensive income.				
	2,107	24,281	**2,107**	24,281
Current service costs	**960**	-	**960**	-
Interest on obligation	**2,472**	-	**2472**	-
Expected return on plan assets	**-**	-	**-**	-
Actuarial (gain)/loss on obligation	**(1,325)**	24,281	**(1325)**	24,281
	2,107	24,281	**2,107**	24,281

The expense is included in the administrative expenses in the statement of comprehensive income:

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

23. CAPITAL COMMITMENTS

23.1 Projects for Capital Expenditure

	GROUP		COMPANY	
	2010 N$ '000	2009 N$ '000	**2010 N$ '000**	2009 N$ '000
Approved by Board of Directors	**3,999,257**	3,284,134	**3,999,257**	3,284,134
Less: Expenditure to 30 June	**(2,851,433)**	(1,308,574)	**(2,851,433)**	(1,308,574)
Amount still to be expended	**1,147,824**	1,975,560	**1,147,824**	1,975,560
Amounts contracted at year end	**181,707**	1,318,511	**181,707**	1,318,511
	181,707	1,318,511	**181,707**	1,318,511

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 other parties.

24. NET FINANCING INCOME

Recognised in profit or loss

Finance income	**289,826**	400,296	**289,826**	400,296
- Held-to-maturity debt instrument investments	**60,004**	63,608	**60,004**	63,608
- Call accounts and fixed deposits held with financial institutions	**187,029**	281,930	**187,029**	281,930
- Bank accounts	**27,682**	32,027	**27,682**	32,027
- Trade receivables and staff loans	**7,677**	2,438	**7,677**	2,438
- Loans receivable	**5,635**	11,382	**5,635**	11,382
- Unwinding of discounting of trade receivable	**757**	1,871	**757**	1,871
- Impaired trade receivables	**164**	472	**164**	472
- Renegotiated trade receivables	**878**	6,568	**878**	6,568
Finance costs	**(141,559)**	(105,342)	**(141,559)**	(105,342)
- Interest bearing loans	**(108,329)**	(74,563)	**(108,329)**	(74,563)
- Derivative instruments	**(33,230)**	(30,779)	**(33,230)**	(30,779)
	148,267	294,954	**148,267**	294,954

25. REVENUE

Revenue comprises:				
- Sales of electricity	**1,684,353**	1,479,679	**1,684,353**	1,479,679
- Extension charges	**46,874**	39,741	**46,874**	39,741
- Short Term Energy Market (STEM)	**62,284**	40,407	**62,284**	40,407
- Contribution Paratus	**553**	514	**553**	514
- Contributions by customers	**10,113**	5,500	**10,113**	5,500
	1,804,177	1,565,841	**1,804,177**	1,565,841

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.

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

26. PROFIT BEFORE TAXATION

Profit before taxation is stated after charging / (crediting):

	GROUP		COMPANY	
	2010 N$ '000	2009 N$ '000	**2010 N$ '000**	2009 N$ '000
Directors' emoluments				
fees for services as directors	**2,581**	2,411	**2,581**	2,411
- paid by Company	**506**	565	**506**	565
- paid by other Group companies	**-**	-	**-**	-
- for executive services	**2,075**	1,846	**2,075**	1,846
Auditors' remuneration	**1,531**	1,319	**1,531**	1,319
- audit fee	**1,531**	1,319	**1,531**	1,319
- other services	**-**	-	**-**	-
Depreciation of property, plant and equipment	**235,902**	224,904	**235,866**	224,868
Amortisation of intangible asset	**3,150**	3,133	**3,150**	3,133
Remuneration other than to employees for	**8,819**	16,907	**8,819**	16,907
- managerial services	**777**	1,320	**777**	1,320
- technical services	**6,312**	10,055	**6,312**	10,055
- other professional services	**1,730**	5,532	**1,730**	5,532
Research and development expenditure	**8,878**	3,608	**8,878**	3,608
Movement in provision for doubtful debts	**(1,504)**	12,816	**(1,504)**	12,816
Bad debts written off	**3,941**	13,088	**3,941**	13,088
Bad debts recovered	**(171)**	(281)	**(171)**	(281)
Contribution to Social Responsibility Programs	**2,483**	2,023	**2,483**	2,023
Loss/(gain) on disposal of property, plant and equipment	**1,474**	(1,472)	**1,474**	(1,472)
Gain on sale of interest in associate	**-**	(168,539)	**-**	(35,339)
Staff costs	**318,479**	288,295	**318,479**	288,295
Salaries and wages	**268,372**	242,713	**268,372**	242,713
Housing subsidies	**7,091**	9,931	**7,091**	9,931
Company contribution: Provident Fund	**30,559**	27,847	**30,559**	27,847
Others	**12,457**	7,804	**12,457**	7,804
Severance Pay	**1,580**	29,523	**1,580**	29,523
- Provision	**2,108**	24,281	**2,108**	24,281
- Benefits paid	**(528)**	5,242	**(528)**	5,242

26. PROFIT BEFORE TAXATION (CONTINUED)

	GROUP		COMPANY	
	2010 N$ '000	2009 N$ '000	**2010 N$ '000**	2009 N$ '000
Post retirement medical benefit	**26,863**	9,773	**26,863**	9,773
Foreign exchange gains on foreign exchange contracts				
- unrealised	**(9,096)**	(494,334)	**(9,096)**	(494,334)
Foreign exchange losses on foreign exchange contracts				
- unrealised	**244,578**	141,743	**244,578**	141,743
Foreign exchange gains	**(113,367)**	(445,966)	**(113,367)**	(445,966)
- realised	**(103,373)**	(424,448)	**(103,373)**	(424,448)
- unrealised	**(9,994)**	(21,518)	**(9,994)**	(21,518)
Foreign exchange losses				
- realised	**92,025**	590,931	**92,025**	590,931
Coal consumed	**52,845**	69,574	**52,845**	69,574
Furnace, diesel and lubrication oil consumed	**4,117**	3,957	**4,117**	3,957
Material used	**18,182**	24,266	**18,182**	24,266
IAS 39 Fair value adjustments	**61,740**	141,465	**61,740**	141,465
- Derivative contracts	**72,844**	118,805	**72,844**	118,805
- Foreign denominated loans	**(69,610)**	(30,322)	**(69,610)**	(30,322)
- Gain on embedded derivative Power Purchase Agreement (PPA) and Power Sales Agreement (PSA)	**179,097**	(117,223)	**179,097**	(117,223)
- Loss on embedded derivative Power Purchase Agreement (PPA) and Power Sales Agreement (PSA)	**(120,591)**	170,205	**(120,591)**	170,205
Government Grant	**56,762**	73,620	**56,762**	73,620
Property	**(1,365)**	(1,487)	**(1,365)**	(1,487)
- rental income	**(3,113)**	(3,434)	**(3,113)**	(3,434)
- direct operating expenses	**1,748**	1,947	**1,748**	1,947
Fair value adjustment on investment properties	**(918)**	(761)	**(918)**	(761)
Impairment: Loan advanced to Powercom (Pty) Ltd	**-**	2,714	**-**	2,714

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

27. DISCONTINUED OPERATIONS

During October 2005, the operations of Otavi Electrical Company (Pty) Ltd were discountinued 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.

	GROUP		COMPANY	
	2010 N$ '000	2009 N$ '000	**2010 N$ '000**	2009 N$ '000
Results of discontinued operations				
Revenue	**-**	-	**-**	-
Operating expenses including net finance costs	**(84)**	6	**-**	-
(Loss)/profit before taxation	**(84)**	6	**-**	-
Taxation	**-**	-	**-**	-
(Loss)/profit for the period from discountinued operations	**(84)**	6	**-**	-
Cash flows from discontinued operation				
Net cash inflow /(utilised) from/ in operating activities	**6**	6	**-**	-
Net cashflow from investing activities	**-**	-	**-**	-
Net cashflow utilised in financing activities	**-**	-	**-**	-
Net cash inflow / (utilised) from/ in activities	**6**	6	**-**	-

28. CONTINGENT LIABILITIES

The following contingent liabilities existed at year end:

A claim for N$8,5 million has been instituted against Namibia Power Corporation by the Municipality of Windhoek for asbestos contamination. This claim was instituted during 1996 and has to date not been heard in court. The Board of Directors is of the opinion that the claim against Namibia Power Corporation (Pty) Ltd will be unsuccessful.

A suretyship of USD16 million with Standard Bank Namibia Limited in favour of NamPower International supported by unrestricted pledge of various call deposit investments in the name of Namibia Power Corporation (Pty) Ltd with a minimum ZAR equivalent to USD16 Million (calculated at R7.5/USD)

Refer to note 31.4.2 for additional contingent liabilities.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

29. RELATED PARTIES

Identity of related parties

The Company has a related party relationships with its subsidiaries (see note 6.1), associates (see note 6.5), joint ventures (see note 6.6) and with its directors and key management personnel.

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		COMPANY	
	2010 N$ '000	2009 N$ '000	**2010 N$ '000**	2009 N$ '000
Short-term employee benefits	**14,938**	14,011	**14,938**	14,011
Other long-term employment benefits	**1,226**	1,644	**1,226**	1,644
	16,164	15,655	**16,164**	15,655

Total remuneration are included in 'personnel expenses' (see note 26)
Directors' emoluments are disclosed in note 26.

Dividends are disclosed in the Directors' Report.

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

	GROUP		COMPANY	
	2010 N$ '000	2009 N$ '000	**2010 N$ '000**	2009 N$ '000
Sales				
Associates				
Cenored (Pty) Ltd	**48,372**	38,259	**107,374**	84,925
- Electricity sales	**47,939**	37,777	**106,412**	83,855
- Service level agreement and technical support	**433**	482	**962**	1,070
Nored Electricity (Pty) Ltd	**47,876**	37,226	**143,643**	111,694
- Electricity sales	**47,643**	36,968	**142,943**	110,917
- Rental income	**20**	146	**61**	439
- Service level agreement and technical support	**213**	112	**639**	338

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

29. RELATED PARTIES (CONTINUED)

	GROUP		COMPANY	
	2010 N$ '000	2009 N$ '000	**2010 N$ '000**	2009 N$ '000
Fellow Government owned entities				
Electricity Sales	**117,706**	69,017	**117,706**	69,017
- Namibia Water Corporation	**50,477**	47,384	**50,477**	47,384
- Namibian Broadcasting Corporation (Pty) Ltd	**1,032**	856	**1,032**	856
- Namdeb Diamond Corporation (Pty) Ltd	**64,024**	19,274	**64,024**	19,274
- Roads Authority	**187**	158	**187**	158
- TransNamib (Pty) Ltd	**466**	15	**466**	15
- Telecom Namibia Limited	**1,520**	1,330	**1,520**	1,330
Other related party transactions				
Shareholder				
Ministry of Finance - Inland Revenue				
- Value added tax and other taxes	**218,772**	92,768	**218,772**	92,768
Associates				
Municipal services from related parties	**970**	645	**2,664**	1,878
- Nored Electricity (Pty) Ltd	**654**	572	**1,962**	1,717
- Cenored (Pty) Ltd	**316**	73	**702**	161
Fellow Government owned entities				
Telecommunication, Transport services & related services	**6,356**	7,195	**6,356**	7,195
- Telecom Namibia Limited	**3,285**	3,787	**3,285**	3,787
- Air Namibia (Pty) Ltd	**31**	15	**31**	15
- TransNamib (Pty) Ltd	**370**	776	**370**	776
- NamPost Limited	**65**	91	**65**	91
- Namibia Aiports Company	**144**	134	**144**	134
- Namibia Wildlife Resorts (Pty) Ltd	**3**	4	**3**	4
- Namibia Water Corporation (Pty) Ltd	**33**	22	**33**	22
- Namibia Tourism Board	**14**	25	**14**	25
- Road Fund Administrators	**926**	691	**926**	691
- National Housing Enterprises	**342**	564	**342**	564
- Social Security Commission	**1,143**	1,084	**1,143**	1,084
- NamPost Courier	**-**	2	**-**	2

29. RELATED PARTIES (CONTINUED)

	GROUP		COMPANY	
Related party balances Due from/(due to):	**2010** **N$ '000**	2009 N$ '000	**2010** **N$ '000**	2009 N$ '000
Shareholder				
- Inland Revenue	**87,369**	(1)	**87,369**	(1)
Associates	**13,410**	10,560	**34,422**	26,295
- Cenored (Pty) Ltd	**7,448**	6,897	**16,533**	15,311
- Cenored (Pty) Ltd	**-**	-	**-**	(4)
- Nored Electricity (Pty) Ltd	**5,962**	3,674	**17,889**	11,022
- Nored Electricity (Pty) Ltd	**-**	(11)	**-**	(34)
Fellow Government owned entities				
- Telecom Namibia Limited	**158**	118	**158**	118
- TransNamib (Pty) Ltd	**58**	7	**58**	7
- Namdeb Diamond Corporation (Pty) Ltd	**9,141**	3,802	**9,141**	3,802
- Namibia Water Corporation (Pty) Ltd	**7,010**	5,716	**7,010**	5,716
- Namibia Wildlife Resorts Limited	**-**	(4)	**-**	(4)
- NamPost Limited	**-**	(1)	**-**	(1)
- National Housing Enterprise	**(2)**	-	**(2)**	-
- Namibian Broadcasting Corporation (Pty) Ltd	**100**	76	**100**	76
- Road Fund Administrators	**(6)**	-	**(6)**	-
- Roads Authority	**29**	44	**29**	44
- Social Security Commission	**(93)**	(89)	**(93)**	(89)

30. EMPLOYEE INFORMATION

30.1 Retirement benefits

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

The NamPower Provident Fund is a defined contribution fund governed by the Pension Fund Act, and is for all its employees except for those who do not qualify in terms of the rules of the Fund. Of the employees, 97% 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$30,5 million (2009: N$27,8 million).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

31. FINANCIAL INSTRUMENTS

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

GROUP	Reference notes	Loans and receivables	Held-to-maturity	Available-for-sale	Designated fair value through profit or loss	Other financial assets and (liabilities)
2010						
Financial Assets						
Non-current investments	**11**	**-**	**551,872**	**-**	**-**	**23,076**
Derivative assets	**21.1**	**-**	**-**	**-**	**389,729**	**-**
Loans and other receivables	**9,13**	**247,117**	**-**	**-**	**-**	**-**
Trade and other receivables	**9,13**	**371,748**	**-**	**-**	**-**	**-**
Current investments	**11**	**2,885,000**	**-**	**591**	**-**	**-**
Cash and cash equivalents	**14**	**189,252**	**-**	**-**	**-**	**-**
Financial liabilities						
Non-current interest bearing loans and borrowings	**17**	**-**	**-**	**-**	**(2,673,596)**	**-**
Derivative liabilities	**21.2**	**-**	**-**	**-**	**(408,461)**	**-**
Non current retention creditors	**20.3**	**-**	**-**	**-**	**-**	**(46,712)**
Trade payables	**20**	**-**	**-**	**-**	**-**	**(503,263)**
Current interest bearing loans and borrowings	**17**	**-**	**-**	**-**	**(65,790)**	**-**
2009						
Financial Assets						
Non-current investments	11	-	474,324	-	-	23,076
Derivative assets	21.1	-	-	-	548,771	-
Loans and other receivables	9,13	283,914	-	-	-	-
Trade and other receivables	9,13	437,349	-	-	-	-
Current investments	11	1,943,724	125,655	436	-	-
Cash and cash equivalents	14	573,993	-	-	-	-
Financial liabilities						
Non-current interest bearing loans and borrowings	17	-	-	-	(1,408,054)	-
Derivative liabilities	21.2	-	-	-	(420,568)	-
Non current retention creditors	20.3	-	-	-	-	(22,170)
Trade and other payables	20	-	-	-	-	(545,943)
Current interest bearing loans and borrowings	17	-	-	-	(77,955)	-

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

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

COMPANY	Reference notes	Loans and receivables	Held-to-maturity	Available-for-sale	Designated fair value through profit or loss	Other financial assets and (liabilities)
2010						
Financial Assets						
Non-current investments	**11**	**-**	**551,872**	**-**	**-**	**23,076**
Derivative assets	**21.1**	**-**	**-**	**-**	**389,729**	**-**
Loans and other receivables	**9,13**	**247,117**	**-**	**-**	**-**	**-**
Trade and other receivables	**9,13**	**371,731**	**-**	**-**	**-**	**-**
Current investments	**11**	**2,885,000**	**-**	**591**	**-**	**-**
Cash and cash equivalents	**14**	**189,252**	**-**	**-**	**-**	**-**
Financial liabilities						
Non-current interest bearing loans and borrowings	**17**	**-**	**-**	**-**	**(2,673,596)**	**-**
Derivative liabilities	**21.2**	**-**	**-**	**-**	**(408,461)**	**-**
Non current retention creditors	**20.3**	**-**	**-**	**-**	**-**	**(46,712)**
Trade and other payables	**20**	**-**	**-**	**-**	**-**	**(503,258)**
Current interest bearing loans and borrowings	**17**	**-**	**-**	**-**	**(65,790)**	**-**
Loans due to subsidiaries	**6.1**	**-**	**-**	**-**	**-**	**(6,384)**
2009						
Financial Assets						
Non-current investments	11	-	474,324	-	-	23,076
Derivative assets	21.1	-	-	-	548,771	-
Loans and other receivables	9,13	283,914	-	-	-	-
Trade and other receivables	9,13	437,349	-	-	-	-
Current investments	11	1,943,724	125,655	436	-	-
Cash and cash equivalents	14	573,993	-	-	-	-
Financial liabilities						
Non-current interest bearing loans and borrowings	17	-	-	-	(1,408,054)	-
Derivative liabilities	21.2	-	-	-	(420,568)	-
Non current retention creditors	20.3	-	-	-	-	(22,170)
Trade and other payables	20	-	-	-	-	(545,945)
Current interest bearing loans and borrowings	17	-	-	-	(77,955)	-
Loans due to subsidiaries	6.1	-	-	-	-	(6,381)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

31. FINANCIAL INSTRUMENTS (CONTINUED)

31.2 Financial risk management

Overview

The Group 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's management of capital. Further quantitative disclosures are included throughout these consolidated 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.

31.3 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.

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.

At the reporting date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

31.3.1 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 and deposits made with counterparties. 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

31. FINANCIAL INSTRUMENTS (CONTINUED)

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 Officer Finance and reports on a quarterly basis to the Investment Committee. The activities of the 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 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; and
- 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.

Radiator Cooling Fan - Ruacana Emergency Diesels

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

31. FINANCIAL INSTRUMENTS (CONTINUED)

31.4 Exposure to credit risk

The Group limits its exposure to credit risk by only dealing with reputable financial institutions for investment and cash handling purposes.

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

	GROUP		COMPANY	
	2010 N$ '000	2009 N$ '000	**2010 N$ '000**	2009 N$ '000
Available-for-sale financial assets	**591**	436	**591**	436
Held-to-maturity investments	**551,872**	474,324	**551,872**	474,324
Loans and receivables	**3,716,815**	3,399,703	**3,716,806**	3,399,694
Financial assets designated through profit and loss	**389,729**	548,771	**389,729**	548,771
	4,659,007	4,423,234	**4,658,998**	4,423,225

31.4.1 Financial income and expenses
Recognised in profit or loss

Net gains and (losses) on financial assets and liabilities through profit or loss

	GROUP		COMPANY	
	2010 N$ '000	2009 N$ '000	**2010 N$ '000**	2009 N$ '000
Realised Swap losses	**(122,830)**	(253,582)	**(122,830)**	(253,582)
Realised Swap profits	**49,985**	134,777	**49,985**	134,777
Loss from Swaps currency valuation	**(107,537)**	(155,297)	**(107,537)**	(155,297)
Gain from Swaps currency valuation	**167,021**	185,620	**167,021**	185,620
Unrealised foreign exchange losses on forward exchange contract	**(244,578)**	(141,743)	**(244,578)**	(141,743)
Unrealised foreign exchange gain on forward exchange contract	**9,096**	494,334	**9,096**	494,334
Realised foreign exchange losses	**(92,024)**	(589,065)	**(92,024)**	(589,065)
Realised foreign exchange gain	**103,373**	408,407	**103,373**	408,407
Realised exchange rate loss fluctuations loans	**(1,954)**	(906)	**(1,954)**	(906)
Realised exchange rate gain fluctuations loans	**10,127**	16,041	**10,127**	16,041
Fair value adjustment on embedded derivative- Power Purchases Agreement/ Power Sales Agreement	**169,422**	(117,223)	**169,422**	(117,223)
Fair value adjustment on embedded derivative- Power Sales Agreement/ Power Purchase Agreement	**(110,917)**	170,205	**(110,917)**	170,205
Unrealised foreign exchange gain	**9,994**	21,518	**9,994**	21,518

Recoginised in equity

Net change in fair value of available-for-sale financial asset	**155**	40	**155**	40

31.4.2 Guarantees

The Group's policy is to provide financial guarantees only to wholly-owned subsidiaries. As at 30 June 2010 a guarantee of USD 16 million (30 June 2009: USD16 million) to NamPower International (Pty) Ltd was still outstanding.

The guarantee for USD16 million constituted an unrestricted pledge of various call deposit investments in the name of Namibia Power Corporation (Pty) Ltd with a minimum ZAR equivalent to USD16 million calculated at the exchange rate of R7.5/USD.

31. FINANCIAL INSTRUMENTS (CONTINUED)

NamPower employee home loans

Suretyship for N$18,9 million (2009: N$15,795 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.

31.4.3 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.

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 2010 was N$26 million (2009: N$26,8 million) (refer note 31.4.4). The enhancement of credit control strategies and monitoring of payment levels of all trade receivables continue to receive management attention.

(b) Other receivables

Other receivables include recoverable work, employee debtors and sundry debtors.

Recoverable work is mainly project work carried out by NamPower on behalf of external parties. The projects include repairing damaged power lines , moving of power lines or underground cables for the REDs and engineering-related work.

31. FINANCIAL INSTRUMENTS (CONTINUED)

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

	GROUP		COMPANY	
	2010 N$ '000	2009 N$ '000	**2010 N$ '000**	2009 N$ '000
Domestic- Namibia	**227,227**	194,922	**227,227**	194,922
Regional Exports/ Cross border customers	**18,161**	4,092	**18,161**	4,092
	245,388	199,014	**245,388**	199,014

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

	GROUP		COMPANY	
Distributors	**151,001**	132,226	**151,001**	132,226
Mining	**53,441**	42,489	**53,441**	42,489
End-user customers	**40,946**	24,299	**40,946**	24,299
	245,388	199,014	**245,388**	199,014

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:

	GROUP		COMPANY	
	2010 %	2009 %	**2010 %**	2009 %
Distributors	**62**	67	**62**	67
Mining	**22**	21	**22**	21
End-user customers	**16**	12	**16**	12
	100	100	**100**	100

(c) Insurance activities

NamPower insures its engineering assets, buildings, aircraft, motor fleet, personal accident classes and various other classes of the short term insurance business through an independent broker.

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

31. FINANCIAL INSTRUMENTS (CONTINUED)

GROUP & COMPANY

d) The following is a list of all the customers that have an instalment plan with NamPower as at year end:

2010

Customer Number:	Balance Outstanding at Year End: **N$ '000**	Portion of Balance Outstanding for 30 Days: **N$ '000**	Portion of Balance Outstanding for More Than 30 Days: **N$ '000**
360	**10,236**	**3,027**	**7,209**
8851	**5**	**2**	**3**
4482	**15**	**2**	**13**
355	**3,634**	**2,197**	**1,437**
281	**9**	**-**	**9**
2058	**100**	**11**	**89**
1490	**53**	**11**	**42**
3225	**11**	**-**	**11**
	14,063	**5,250**	**8,813**

2009

Customer Number:	Balance Outstanding at Year End: N$ '000	Portion of Balance Outstanding for 30 Days: N$ '000	Portion of Balance Outstanding for More Than 30 Days: N$ '000
360	3,170	1,245	1,925
8851	7	1	6
4482	6	2	4
355	2,397	945	1,452
281	25	15	10
2058	6	6	-
1490	15	15	-
3225	1	1	-
	5,627	2,230	3,397

31. FINANCIAL INSTRUMENTS (CONTINUED)

31.4.4 Impairment losses (Group and Company)

The aging of trade and other receivables at the reporting date was:

	2010 N$ '000 Gross	2010 N$ '000 Impairment	2009 N$ '000 Gross	2009 N$ '000 Impairment
Not past due	**322,586**	**833**	208,956	-
Past due 0-30 days	**7,473**	**889**	2,765	641
Past due 31-120 days	**25,266**	**1,701**	109,988	2,575
More than one year	**42,459**	**22,613**	31,760	23,567
	397,784	**26,036**	353,469	26,783

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

	GROUP		COMPANY	
	2010	2009	**2010**	2009
Balance 1 July	**26,783**	12,045	**26,783**	12,045
- Impairment loss recognised	**4,177**	14,227	**4,177**	14,227
- Impairment reversed	**(210)**	-	**(210)**	-
- Impairment Utilized	**(4,714)**	511	**(4,714)**	511
Balance at 30 June	**26,036**	26,783	**26,036**	26,783

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.

During the 2006 financial year the Group renegotiated the terms of a trade receivable of N$34,57 million from a long-standing customer. Other renegotiated trade receivable amounts amounted to N$27 million (2009: N$135,99 million). If it had not been for this renegotiation, the receivable would have been overdue for more than 120 days. Impairment loss recognised was N$2,56 million (2009: N$1.11 million).

Security relating to amounts receivable

The security held against trade and other receivables for the group comprises guarantees and deposits. The estimate of the fair value of the security is:

	GROUP & COMPANY	
	2010 N$'000	2009 N$'000
(a) Cash deposits		
Electricity receivables security deposit - cash		
Domestic Namibia	**7,450**	7,061
Regional Exports/ Cross Border customers	**423**	423
(b) Bank guarantees		
Domestic- Namibia	**38,660**	38,660
Cross border customers	**23**	23

31. FINANCIAL INSTRUMENTS (CONTINUED)

31.5 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 cashflows 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 2010

31. FINANCIAL INSTRUMENTS (CONTINUED)

31.5.1 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 gross inflows and outflows even though physically they are settled simultaneously.

GROUP

2010	Carrying amount	Total contractual cash flows	Contractual cash flows 1 year or less	Contractual cash flows 1- 5 years	Contractual cash flows 5 years and more
Non-derivative financial liabilities	**N$'000**	**N$'000**	**N$'000**	**N$'000**	**N$'000**
Secured long term loans					
- GBP fixed rate loan	**(179,462)**	**(213,173)**	**(17,754)**	**(71,028)**	**(124,391)**
- EUR floating rate loan	**(1,489,725)**	**(367,305)**	**(46,907)**	**(182,844)**	**(137,554)**
- ZAR denominated loans	**(793,749)**	**(3,249,904)**	**(209,251)**	**(1,115,769)**	**(1,924,883)**
Non-current retention creditors	**(46,712)**	**(46,712)**	**-**	**(46,712)**	**-**
Trade and other payables	**(503,263)**	**(503,263)**	**(503,263)**	**-**	**-**
Derivative financial liabilities					
- Interest rate swaps used for hedging	**(68,939)**	**(2,495)**	**(864)**	**(1,533)**	**(98)**
- Cross currency interest rate swaps used for hedging	**-**	**2,076**	**(22,900)**	**(19,652)**	**44,628**
- Forward exchange contract	**(26,343)**	**(26,343)**	**(23,659)**	**(2,684)**	**-**

2009	Carrying amount	Total contractual cash flows	Contractual cash flows 1 year or less	Contractual cash flows 1- 5 years	Contractual cash flows 5 years and more
Non-derivative financial liabilities	N$'000	N$'000	N$'000	N$'000	N$'000
Secured long term loans					
- GBP fixed rate loan	(205,556)	(255,005)	(19,611)	(78,433)	(156,961)
- EUR floating rate loan	(412,613)	(467,057)	(52,157)	(206,199)	(208,701)
- ZAR denominated loans	(805,977)	(1,654,174)	(95,382)	(426,716)	(1,132,076)
Non-current retention creditors	(22,170)	(22,170)	-	(22,170)	-
Trade and other payables	(545,943)	(545,943)	(545,943)	-	-
Derivative financial liabilities					
- Interest rate swaps used for hedging	(59,182)	(1,248)	(269)	(919)	(60)
- Cross currency interest rate swaps used for hedging	(63,783)	74,455	(15,875)	5,794	84,536
- Forward exchange contract	(105,014)	1,071,571	1,010,237	61,334	-

NOTES TO THE FINANCIAL STATEMENTS

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31. FINANCIAL INSTRUMENTS (CONTINUED)

COMPANY

2010	Carrying amount	Total contractual cash flows	Contractual cash flows 1 year or less	Contractual cash flows 1- 5 years	Contractual cash flows 5 years and more
Non-derivative financial liabilities	**N$'000**	**N$'000**	**N$'000**	**N$'000**	**N$'000**
Secured long term loans					
- GBP fixed rate loan	**(179,462)**	**(213,173)**	**(17,754)**	**(71,028)**	**(124,391)**
- EUR floating rate loan	**(1,489,725)**	**(367,305)**	**(46,907)**	**(182,844)**	**(137,554)**
- ZAR denominated loans	**(793,749)**	**(3,249,904)**	**(209,251)**	**(1,115,769)**	**(1,924,883)**
Non-current retention creditors	**(46,712)**	**(46,712)**	**-**	**(46,712)**	**-**
Trade and other payables	**(503,258)**	**(503,258)**	**(503,258)**	**-**	**-**
Loans due to subisidiaries	**(6,384)**	**(6,384)**	**(6,384)**	**-**	**-**
Derivative financial liabilities					
- Interest rate swaps used for hedging	**(68,939)**	**(2,495)**	**(864)**	**(1,533)**	**(98)**
- Cross currency interest rate swaps used for hedging	**-**	**2,076**	**(22,900)**	**(19,652)**	**44,628**
- Forward exchange contract	**(26,343)**	**(26,343)**	**(23,659)**	**(2,684)**	**-**

2009	Carrying amount	Total contractual cash flows	Contractual cash flows 1 year or less	Contractual cash flows 1- 5 years	Contractual cash flows 5 years and more
Non-derivative financial liabilities	N$'000	N$'000	N$'000	N$'000	N$'000
Secured long term loans					
- GBP fixed rate loan	(205,556)	(255,005)	(19,611)	(78,433)	(156,961)
- EUR floating rate loan	(412,613)	(467,057)	(52,157)	(206,199)	(208,701)
- ZAR denominated loans	(805,977)	(1,654,174)	(95,382)	(426,716)	(1,132,076)
Non-current retention creditors	(22,170)	(22,170)	-	(22,170)	-
Trade and other payables	(545,945)	(545,945)	(545,945)	-	-
Loans due to subisidiaries	(6,381)	(6,381)	(6,381)	-	-
Derivative financial liabilities					
- Interest rate swaps used for hedging	(59,182)	(1,248)	(269)	(919)	(60)
- Cross currency interest rate swaps used for hedging	(63,783)	74,455	(15,875)	5,794	84,536
- Forward exchange contract	(105,014)	1,071,571	1,010,237	61,334	-

31. FINANCIAL INSTRUMENTS (CONTINUED)

31.5.2 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 & COMPANY	
	2010 N$ '000	2009 N$ '000
Net interest rate and cross currency swaps	**(696)**	72,149
Forward exchange contracts	**546,979**	1,071,571

For a more detailed breakdown refer to note 21.

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

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:

	GROUP & COMPANY	
	2010 N$'000	2009 N$'000
General banking facilities	**313,500**	533,500

31.6 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.

Embedded derivatives

NamPower entered into a number of agreements to purchase and supply electricity from and /to 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$59 million (2009: N$53 million gain). At 30 June 2010 the embedded derivative asset amounted to N$279 million (2009: N$110 million) for the Group and Company. The embedded derivative liability at 30 June 2010 was N$304 million (2009: N$193 million) for the Group and Company.

The valuation methods and inputs are discussed in note 31.8. Risks arising from these contracts are discussed under the relevant risk areas as follows:

- interest rate risk (refer note 31.6.1)
- currency risk (refer note 31.6.2)
- other price risk (refer note 31.6.3)

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

31. FINANCIAL INSTRUMENTS (CONTINUED)

31.6.1 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 fixed 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. 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	
	2010 N$ '000	2009 N$ '000	**2010 N$ '000**	2009 N$ '000
Fixed rate financial instruments				
Financial assets	**3,436,869**	2,543,702	**3,436,869**	2,543,702
Financial liabilities	**(2,679,314)**	(1,386,322)	**(2,679,314)**	(1,386,322)
	757,555	1,157,380	**757,555**	1,157,380
Variable rate financial intruments				
Financial assets	**-**	-	**-**	-
Financial liabilities	**(162,060)**	(158,870)	**(162,060)**	(158,870)
	(162,060)	(158,870)	**(162,060)**	(158,870)

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.

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) profit or loss by the amounts shown below. The analysis assumes that all variables, in particular foreign currency rates remain constant. The analysis is performed on the same basis for 2009.

31. FINANCIAL INSTRUMENTS (CONTINUED)

	Profit or (loss) 100 bp increase	Profit or (loss) 100 bp decrease
30 June 2010		
Variable rate instruments		
Fixed rate instruments	**(21,572)**	**21,572**
Interest rate swap		
-EIB EUR		
ZAR Curve	**8,601**	**(8,601)**
EUR Curve	**(12,934)**	**12,934**
-AFD EUR		
ZAR Curve	**977**	**(977)**
EUR Curve	**(1,641)**	**1,641**
-EIB GBP		
ZAR Curve	**10,771**	**(10,771)**
GBP Curve	**(829)**	**829**
-ADB		
ZAR Curve	**1,066**	**(1,066)**
Cash flow sensitivity (net)	**(15,561)**	**15,561**
30 June 2009		
Variable rate instruments		
Fixed rate instruments	(10,808)	10,808
Interest rate swap		
-EIB EUR		
ZAR Curve	8,468	(8,468)
EUR Curve	(16,740)	16,740
-AFD EUR		
ZAR Curve	1,103	(1,103)
EUR Curve	(2,199)	2,199
-EIB GBP		
ZAR Curve	12,636	(12,636)
GBP Curve	(1,056)	1,056
-ADB		
ZAR Curve	1,265	(1,265)
Cash flow sensitivity (net)	(7,331)	7,331

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for the year ended 30 June 2010

31. FINANCIAL INSTRUMENTS (CONTINUED)

31.6.2 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 or South African Rand 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.

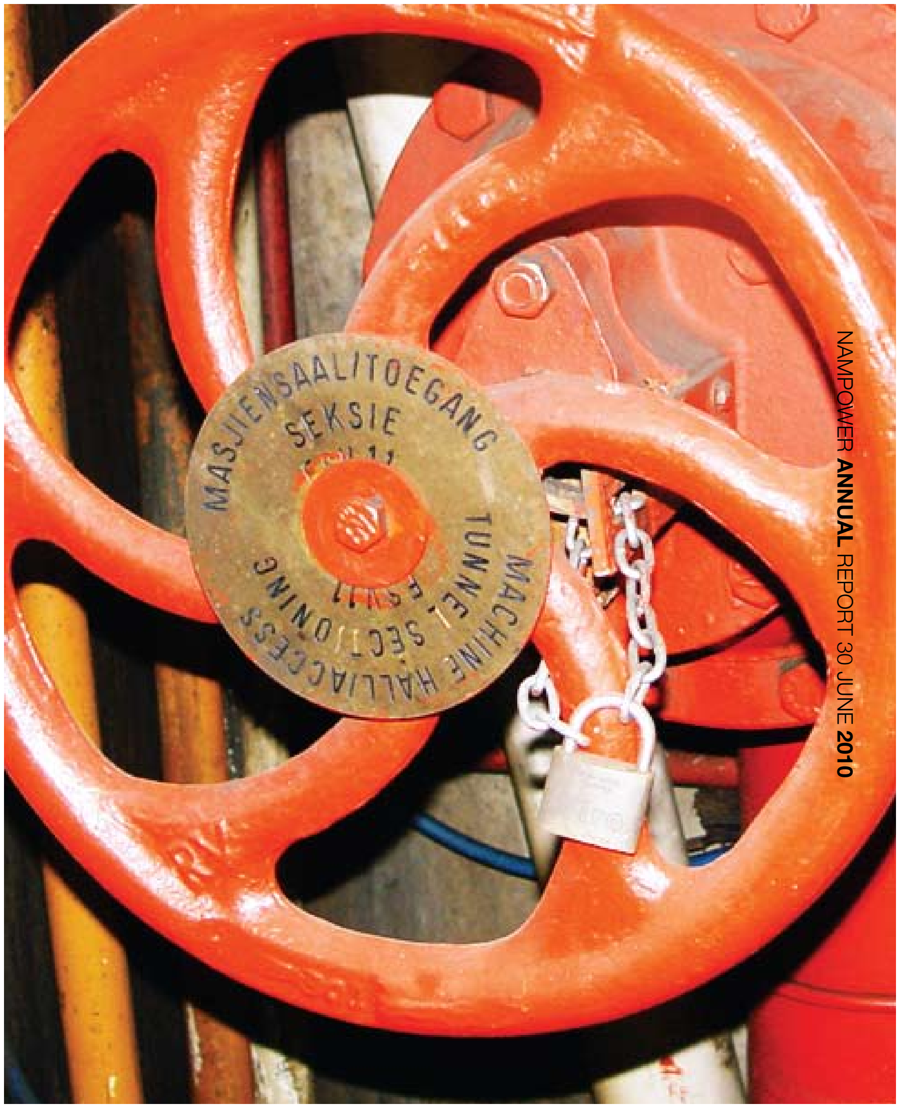
The loans denominated in foreign currency have been fully hedged using currency swaps that mature on the same date as the loans are due for repayment.

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 Agreement (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.



Fire hydrant valve in the machine hall entrance at Ruacana Hydro Power Station

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

31. FINANCIAL INSTRUMENTS (CONTINUED)

31.6.2 Currency risk (continued)

Group

The currency position at 30 June 2010 is set below N$ thousand	N$	Rand	US$	EURO	GBP	SEK	TOTAL
Assets							
Other financial assets	-	-	288,820	68,243	-	-	357,063
Loans and other receivables	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	68,257	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 12 months forecast sales	2,138,953	-	11,581	-	-	-	2,150,534
Next 12 months 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

Currency translation rates :	**30 June 2010**
1 SA Rand	N$1,00
1 SEK	N$1,01
1 US Dollar	N$7,66
1 Euro	N$9,36
1 GBP	N$11,54

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

The currency position at 30 June 2009 is set below N$ thousand	N$	Rand	US$	EURO	GBP	SEK	TOTAL
Assets							
Other financial assets	-	-	109,724	181,433	13,681	-	304,838
Loans and other receivables	11,478	-	268,294	-	-	-	279,772
Trade and other receivables	461,912	-	21,906	-	-	118,396	602,214
Current investments	1,929,815	140,000	-	-	-	-	2,069,815
Cash and cash equivalents	207,166	285,285	81,500	26	16	-	573,993
	2,610,371	425,285	481,424	181,459	13,697	118,396	3,830,632
Liabilities							
Interest bearing loans and borrowings	(561,863)	(305,977)	-	(412,613)	(205,556)	-	(1,486,009)
Other financial liabilities	-	-	(192,589)	(59,182)	(63,783)	-	(315,554)
Trade payables and other payables	(489,852)	(52,393)	(3,698)	-	-	-	(545,943)
Non-current retention creditors	(17,957)	-	(1,393)	-	-	(2,820)	(22,170)
	(1,069,672)	(358,370)	(197,680)	(471,795)	(269,339)	(2,820)	(2,369,676)
Gross statement of financial position exposure	1,540,699	66,914	283,744	(290,336)	(255,642)	115,576	1,460,955
Next 12 months forecast sales	1,699,481	-	25,031	-	-	-	1,724,512
Next 12 months forecast purchases	-	(489,894)	(310,295)	-	-	-	(800,189)
Gross exposure	3,240,180	(422,980)	(1,520)	(290,336)	(255,642)	115,576	2,385,278
Foreign exchange contracts	-	-	157,363	111,049	6,384	691,756	966,552
Net exposure	3,240,180	(422,980)	155,843	(179,287)	(249,258)	807,332	3,351,830

Currency translation rates :	**30 June 2009**
1 SA Rand	N$1,00
1 SEK	N$0,99
1 US Dollar	N$7,76
1 Euro	N$10,88
1 GBP	N$12,74

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

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31. FINANCIAL INSTRUMENTS (CONTINUED)

31.6.2 Currency risk (continued)

Company

The currency position at 30 June 2010 is set below N$ thousand	N$	Rand	US$	EURO	GBP	SEK	TOTAL
Assets							
Other financial assets	**-**	**-**	**288,820**	**68,243**	**-**	**-**	**357,063**
Loans and other receivables	**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 payables 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	**1,534,945**	**363,447**	**268,474**	**(1,527,649)**	**(177,770)**	**(10,520)**	**450,927**
Next 12 months forecast sales	**2,138,953**	**-**	**11,581**	**-**	**-**	**-**	**2,150,534**
Next 12 months 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**

Currency translation rates :	30 June 2010
1 SA Rand	N$1,00
1 SEK	N$1,01
1 US Dollar	N$7,66
1 Euro	N$9,36
1 GBP	N$11,54

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

The currency position at 30 June 2009 is set below N$ thousand	N$	Rand	US$	EURO	GBP	SEK	TOTAL
Assets							
Other financial assets	-	-	109,724	181,433	13,681	-	304,838
Loans and other receivables	11,478	-	268,294	-	-	-	279,772
Trade and other receivables	461,903	-	21,906	-	-	118,396	602,205
Current investments	1,929,815	140,000	-	-	-	-	2,069,815
Cash and cash equivalents	207,166	285,285	81,500	26	16	-	573,993
	2,610,362	425,285	481,424	181,459	13,697	118,396	3,830,623
Liabilities							
Interest bearing loans and borrowings	(561,863)	(305,977)	-	(412,613)	(205,556)	-	(1,486,009)
Other financial liabilities	-	(122,965)	(192,589)	-	-	-	(315,554)
Loans due to subsidiaries	(6,381)	-	-	-	-	-	(6,381)
Trade payables and other payables	(489,854)	(52,393)	(3,698)	-	-	-	(545,945)
Non-current retention creditors	(17,957)	-	(1,393)	-	-	(2,820)	(22,170)
	(1,076,055)	(481,335)	(197,680)	(412,613)	(205,556)	(2,820)	(2,376,059)
Gross statement of financial position exposure	1,534,307	(56,050)	283,744	(231,154)	(191,859)	115,576	1,454,564
Next 12 months forecast sales	1,699,481	-	25,031	-	-	-	1,724,512
Next 12 months forecast purchases	-	(489,894)	(310,295)	-	-	-	(800,189)
Gross exposure	3,233,788	(545,944)	(1,520)	(231,154)	(191,859)	115,576	2,378,887
Foreign exchange contracts	-	-	157,363	111,049	6,384	691,756	966,552
Net exposure	3,233,788	(545,944)	155,843	(120,105)	(185,475)	807,332	3,345,439

Currency translation rates :	30 June 2009
1 SA Rand	N$1,00
1 SEK	N$0,99
1 US Dollar	N$7,76
1 Euro	N$10,88
1 GBP	N$12,74

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

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31. FINANCIAL INSTRUMENTS (CONTINUED)

Sensitivity analysis

A strengthening of the N$ against the following currencies at 30 June would have increased (decreased) 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 2009, albeit that the reasonably possible foreign exchange rate variances were different, as indicated below.

	GROUP & COMPANY	
	2010	2009
	Profit or (Loss)	Profit or (Loss)
	N$,000	N$,000
US Dollar (10 percent strengthening)	**5,615**	36,661
Euro (10 percent strengthening)	**145,752**	41,264
GBP (10 percent strengthening)	**18,376**	4,817
SEK (10 percent strengthening)	**1,049**	11,840

A weakening of the N$ against the following currencies at 30 June would have increased (decreased) 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 2009.

US Dollar (10 percent weakening)	**(5,615)**	(36,661)
Euro (10 percent weakening)	**(145,752)**	(41,264)
GBP (10 percent weakening)	**(18,376)**	(4,817)
SEK (10 percent weakening)	**(1,049)**	(11,840)

31.6.3 Other price risk

Inflation price risk arises from embedded derivatives as discussed under note 31.6. The risk arises from movements in the foreign exchange and United States production price index (PPI).

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 foreign exchange and the United States PPI. 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 & COMPANY		GROUP & COMPANY	
	2010 1% increase N$'000	**2010 1% decrease N$'000**	2009 1% increase N$'000	2009 1% decrease N$'000
Profit/(loss), including embedded derivatives				
Foreign exchange (NAD/USD)	**(16,558)**	**16,558**	(5,067)	5,067
United States PPI	**(74,675)**	**71,323**	(20,876)	20,439
ZAR Discount Rate (Interest Rate)	**(244)**	**244**	(829)	829

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

31. FINANCIAL INSTRUMENTS (CONTINUED)

31.7 Capital management

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, which the Group defines as total shareholders' equity, excluding non-controlling interests, and the level of dividends to ordinary shareholders.

The major items that impact the equity 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);
- taxation and
- dividends

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

NamPower Treasury is tasked with the duties of managing the Company's short-term and long term capital requirements. The treasury section 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 foreign denominated loans certain covenants are imposed on NamPower's capital requirements. These covenants being a minimum Debt Service Cover Ratio of 1:5 and a ratio of 1:4 between own funds and long term borrowings. These covenants are to be strictly maintained throughout the term of the loans.

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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

31. FINANCIAL INSTRUMENTS (CONTINUED)

31.8 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 electricity to electricity-intensive industries where the revenue from these contracts is linked to foreign currency rates (only USD) and United State 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.

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					
2010							
Input	**Unit**	2010	2011	2012	2013	2014	2015
NAD/USD	USD per NAD						
Rand interest rates		7.8	8.13	8.63	9.15	9.64	10.18
United States PPI	Year-on-year (%)	0.92%	0.92%	1.78%	1.89%	2.69%	1.97%

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

31. FINANCIAL INSTRUMENTS (CONTINUED)

31.9 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:

	2010 Carrying amount N$'000	2010 Fair value N$'000	2009 Carrying amount N$'000	2009 Fair value N$'000
GROUP				
Assets carried at fair value				
Equity securities available-for-sale	**591**	**591**	436	436
Interest rate and cross currency swaps	**68,243**	**68,243**	195,115	195,115
Embedded derivative - Power Purchase/Sales Agreement (PPA/PSA)	**288,820**	**288,820**	109,724	109,724
Firm commitments	**32,666**	**32,666**	243,933	243,933
	390,320	**390,320**	549,208	549,208
Assets carried at amortised cost				
Loans and receivables	**3,325,511**	**3,325,511**	2,647,907	2,647,907
Debt securities held-to-maturity	**551,872**	**551,872**	474,324	474,324
Trade and other receivables	**482,828**	**482,828**	602,214	602,214
	4,360,211	**4,360,211**	3,724,445	3,724,445
Liabilities carried at fair value				
Interest rate and cross currency swaps	**(68,939)**	**(68,939)**	(122,965)	(122,965)
Forward exchange contract liability	**(26,343)**	**(26,343)**	(105,014)	(105,014)
Embedded derivative - Power Purchase/Sales Agreement (PPA/PSA)	**(313,180)**	**(313,180)**	(192,589)	(192,589)
Financial liabilities at fair value through profit and loss	**(2,706,645)**	**(2,706,645)**	(1,408,054)	(1,408,054)
	(3,115,107)	**(3,115,107)**	(1,828,622)	(1,828,622)
Liabilities carried at amortised cost				
Short-term portion of secured foreign loans	**(65,790)**	**(65,790)**	(77,955)	(77,955)
Trade and other payables	**(503,263)**	**(503,263)**	(545,943)	(545,943)
	(569,053)	**(569,053)**	(623,898)	(623,898)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

31. FINANCIAL INSTRUMENTS (CONTINUED)

31.9 Fair values (continued)

	2010 Carrying amount N$'000	**2010 Fair value N$'000**	2009 Carrying amount N$'000	2009 Fair value N$'000
COMPANY				
Assets carried at fair value				
Equity securities available for sale	**591**	**591**	436	436
Interest rate and cross currency swaps	**68,243**	**68,243**	195,115	195,115
Embedded derivative - Power Purchase/Sales Agreement (PPA/PSA)	**288,820**	**288,820**	109,724	109,724
Firm commitments	**32,666**	**32,666**	243,933	243,933
	390,320	**390,320**	549,208	549,208
Assets carried at amortised cost				
Loans and receivables	**3,325,511**	**3,325,511**	2,647,907	2,647,907
Debt securities held-to-maturity	**551,872**	**551,872**	474,324	474,324
Loans due from subsidiaries	**7,186**	**7,186**	7,186	7,186
Trade and other receivables	**482,811**	**482,811**	602,205	602,205
	4,367,380	**4,367,380**	3,731,622	3,731,622
Liabilities carried at fair value				
Interest rate and cross currency swaps	**(68,939)**	**(68,939)**	(122,965)	(122,965)
Forward exchange contract liability	**(26,343)**	**(26,343)**	(105,014)	(105,014)
Embedded derivative - Power Purchase/Sales Agreement (PPA/PSA)	**(313,180)**	**(313,180)**	(192,589)	(192,589)
Financial liabilities at fair value through profit and loss	**(2,706,645)**	**(2,706,645)**	(1,408,054)	(1,408,054)
	(3,115,107)	**(3,115,107)**	(1,828,622)	(1,828,622)
Liabilities carried at amortised cost				
Loans due (to)/from subsidiary	**(6,384)**	**(6,384)**	(6,381)	(6,381)
Short-term portion of secured foreign loans	**(65,790)**	**(65,790)**	(77,955)	(77,955)
Trade and other payables	**(503,258)**	**(503,258)**	(545,945)	(545,945)
	(575,432)	**(575,432)**	(630,281	(630,281)

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

31. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy

The table below analyses financial instruments carried at fair value by using 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).

in thousands of Namibian Dollar	Level 1	Level 2	Level 3	Total
30 June 2010				
Available-for-sale financial assets	**591**	**-**	**-**	**591**
Derivative financial assets	**-**	**68,243**	**-**	**68,243**
Embedded derivative assets	**-**	**-**	**288,820**	**288,820**
Firm Commitment		**32,666**	**-**	**32,666**
	591	**100,909**	**288,820**	**390,320**
Financial liabilities at fair value through profit and loss	**(2,772,435)**	**-**	**-**	**(2,772,435)**
Derivative financial liabilities	**-**	**(95,281)**	**-**	**(95,281)**
Embedded derivative liabilities	**-**	**-**	**(313,180)**	**(313,180)**
	(2,772,435)	**(95,281)**	**(313,180)**	**(3,180,896)**
30 June 2009				
Available-for-sale financial assets	436	-	-	436
Derivative financial assets	-	195,115	-	195,115
Embedded derivative assets	-	-	109,724	109,724
Firm Commitment		243,933	-	243,933
	436	439,048	109,724	549,208
Financial liabilities at fair value through profit and loss	(1,486,009)	-	-	(1,486,009)
Derivative financial liabilities	-	(227,980)	-	(227,980)
Embedded derivative liabilities	-	-	(192,589)	(192,589)
	(1,486,009)	(227,980)	(192,589)	(1,906,578)

31. FINANCIAL INSTRUMENTS (CONTINUED)

31.9.1 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 table above.

Securities
Fair value is based on quoted market prices at the statement of financial position date without any deduction for transaction costs.

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

Interest bearing loans and borrowings
Fair value is based on discounted expected future principal and interest cash flows. Refer note 17.

Trade and other receivables/payables
For receivables/payables with a remaining term of less than one year, the notional amount is deemed to reflect the fair value.

Loans and other receivables
For employees interest free study loans, the notional amount is deemed to reflect the fair value. Employee car and computer loans are discounted at 5% interest to reflect the fair value. Other loans receivable are discounted at LIBOR + 1 to reflect the fair value.

31.10 Borrowing costs

	GROUP		COMPANY	
	2010 N$ '000	2009 N$ '000	**2010 N$ '000**	2009 N$ '000
31.10.1 Brorrowing cost capitalised	**56,679**	43,796	**43,796**	43,796

Borrowing cost in respect of the construction of the Caprivi Link Interconnector and the Ruacan 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 .

31.11 Defaults and breaches

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

32. RECLASSIFICATIONS

To enhance disclosure, certain balances have been reclassified. These reclassifications were largely to better classify derivatives on the face of the statement of financial position as a separate line item. No material reclassifications between current and non-current liabilities or assets were done and therefore no third statement is presented.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

33. SEGMENT REPORTING

Business unit segments

The Group has three reportable segments, as described below, which are the Company'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 Company's reportable segments:

Generation : Supply of energy
Transmssion : Transmission of energy
Other Support Services, including Energy Trading : Short, medium and long term planning and management of energy and Power Systems Development resounsible 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

Amount in N$'000	Generation		Transmission		Other		Total	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
Total revenues	**345,741**	396,387	**2,952,951**	2,343,224	**1,568,007**	1,417,151	**4,866,699**	4,156,762
Intersegment revenue	**(345,741)**	(396,387)	**(1,408,676)**	(980,938)	**(1,308,105)**	(1,254,517)	**(3,062,522)**	(2,631,842)
Total Segment revenue	**-**	-	**1,544,275**	1,362,286	**259,902**	162,634	**1,804,177**	1,524,920
Interest Income	**3**	2	**1,987**	1,498	**287,836**	398,796	**289,826**	400,296
Interest expense	**-**	-	**(135,594)**	(99,899)	**(5,965)**	(5,443)	**(141,559)**	(105,342)
Depreciation & amortisation	**(50,321)**	(49,017)	**(153,989)**	(148,328)	**(34,706)**	(30,657)	**(239,016)**	(228,002)
Segment result (before tax)	**(158,507)**	(163,470)	**936,532**	739,738	**(415,889)**	96,335	**362,136**	672,603
Other material non-cash items:								
Impairment on property, plant and equipment, investments and intangible assets	**-**	-	**-**	-	**-**	(2,714)	**-**	(2,714)
Reportable segment assets	**1,550,291**	1,403,840	**7,533,691**	6,633,395	**5,124,973**	4,366,406	**14,208,955**	12,403,641
Investment in associate	**-**	-	**-**	-	**173,232**	173,232	**173,232**	173,232
Capital expenditure	**262,354**	91,278	**1,469,498**	1,136,506	**40,443**	29,866	**1,772,295**	1,257,650
Reportable segment liabilities	**(93,504)**	(43,931)	**(3,089,739)**	(1,805,514)	**(3,356,826)**	(3,149,388)	**(6,540,069)**	(4,998,833)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

33. SEGMENT REPORTING (CONTINUED)

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

	2010 N$'000	2009 N$'000
Revenues		
Total revenue for reportable segments	**4,866,699**	4,156,762
Other income	**76,326**	165,142
Elimination of intersegment revenue	**(3,062,522)**	(2,631,842)
	1,880,503	1,690,062
Profit or loss		
Total profit or loss	**362,136**	672,603
Other profits	**-**	-
Elimination of intersegment profits	**-**	-
Total profit before income tax	**362,136**	672,603
Assets		
Total assets for reportable segments	**14,208,955**	12,403,641
Investments in equity accounted investees	**173,232**	173,232
Consolidated total assets	**14,382,187**	12,576,873
Liabilities		
Total liabilities for reportable segments	**(6,540,069)**	(4,998,833)
Other liabilities	**-**	-
Consolidated total liabilities	**(6,540,069)**	(4,998,833)

Other material items 2010

	Reportable segment totals	**Adjustments**	Totals
in thousands Namibia Dollar			
Finance income	289,826	-	289,826
Finance expense	(141,559)	-	(141,559)
Capital expenditure	1,772,295	-	1,772,295
Depreciation and amortisation	(239,016)	-	(239,016)

Other material items 2009

	Reportable segment totals	**Adjustments**	Totals
in thousands Namibia Dollar			
Finance income	400,296	-	400,296
Finance expense	(105,342)	-	(105,342)
Capital expenditure	1,257,650	-	1,257,650
Depreciation and amortisation	(228,002)	-	(228,002)
Impairment on property, plant and equipment, investments and intangible assets	(2,714)	-	(2,714)

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Rotary wagon coal tippler at Van Eck Power Station

NOTE

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