ANNUAL REPORT 2010

NAMCOR

NATIONAL PETROLEUM CORPORATION OF NAMIBIA (PTY) LTD.

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NAMCOR

ANNUAL REPORT 2010

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Chairman

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Director

The directors of the group are responsible for the maintenance of adequate accounting records and the preparation and integrity of the financial statements and related information. The financial statements have been prepared in accordance with International Financial Reporting Standards and in the manner required by the Companies Act in Namibia. The group's independent external auditors have audited the annual financial statements and their report appears on pages 19 to 20.

The directors are also responsible for the internal control systems. These are designed to provide reasonable but not absolute assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect material misstatement and loss. The systems are implemented and monitored by suitably trained personnel with an appropriate segregation of authority and duties. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The annual financial statements are prepared on an ongoing concern basis.

DIRECTORS' APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The annual financial statements set out on pages 5 to 51 were approved by the board of directors on 16 September 2010 and are signed on their behalf by:

Siseho C. Simasiku **Chairman**	**Sam E. Beukes** **Managing Director**

Managing Director's and Chairman's Report

1. INTRODUCTION

The main feature of the year under review has been the significant turnaround in the Group's financial performance compared to the previous year. Whilst I reported an accumulated loss in excess of N$ 200 million last year due to a combination of factors, including extreme volatility in the market and a fuel importation business model which is non-cost recoverable, the Group managed an accumulated profit of N$ 14 million. This improvement is due not only to the implementation of various risk mitigation strategies particularly relating to the importation business model, but also to the generous support from our shareholder, the Namibian Government which made a cash injection of N$ 100 million through the National Energy Fund.

Siseho C. Simasiku
Chairman

The main activities of the Group under the two business legs, namely upstream and downstream, have equally enjoyed growth since last year. The Downstream division have primarily been preoccupied with NAMCOR's roll out of its Downstream Strategy which involves mainly the Group's participation in the full Downstream value chain, i.e. importation, distribution and marketing. This has resulted in NAMCOR investing in inland storage facilities through the acquisition of a fuel depot in Otjiwarongo which was commissioned in November 2009. We expect this trend to continue in the coming year with fuel depots at Keetmanshoop and Mariental being earmarked for acquisition and construction of similar facilities planned for Windhoek and Ondangwa.

Sam Beukes
Managing Director

To support this huge capital investment, NAMCOR has been driving an aggressive marketing agenda which resulted in it winning part of the Government fuel tender as well as other smaller supply engagements with various commercial customers. NAMCOR's entry into the fuels distribution and marketing sector has not only resulted in gaining a greater handle on security of supply, but has resulted in diversifying NAMCOR's revenue streams which represents achievement of a key objective in order to make the business more sustainable overall.

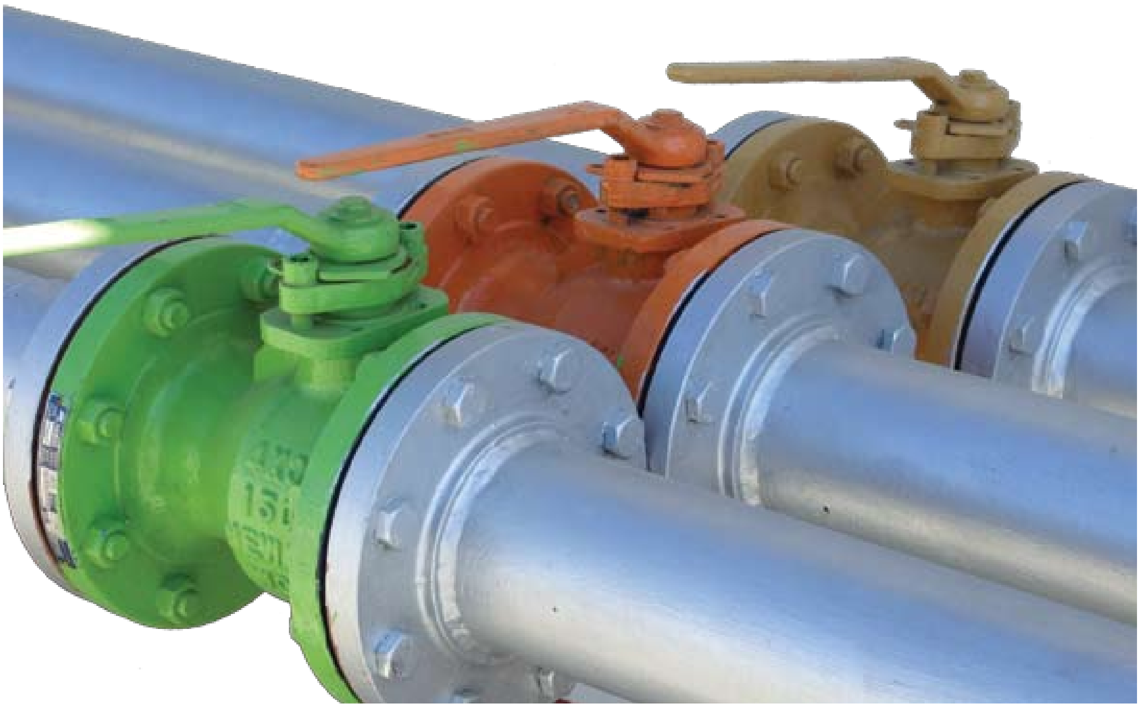
On the Upstream side, progress has been less dramatic although our strategic direction in this area remains focused on promotion activities to attract much needed foreign investment. The exploration for oil and gas, although a capital intensive exercise, still remains the single biggest contributor to ensuring lasting security of supply to the country. In my last report, I touched on the status of the Kudu Gas Project, which at the time, saw the introduction of a new investor namely Gazprom. Government has since expressed its desire that the Project be linked to a Gas-to-Power development scenario and the potential for an off taker of electricity in South Africa is currently being explored. Although this proposed development scenario offers much the same risks and challenges as was encountered some years back, the new consortium, and in particular, Gazprom's involvement may very well see these challenges resolved more quickly to ensure that the Kudu Gas is finally monetized.

On the whole, I am pleased to report that despite the Group's general financial difficulties, all its key activities as per its approved five year Strategic Plan have largely gone ahead unabated. An important driver in ensuring this success was the Board and Management's strong stance taken with respect to cost savings which resulted in a very minimal increase in the overall operating expenditure compared to the previous year.

2. OPERATIONAL OVERVIEW

2.1 GROUP FINANCIAL PERFORMANCE

As already said, the Group's financial performance during the year under review has significantly improved since the prior year. The accumulated loss of N$ 257 million incurred during 2008 was turned around into an accumulated N$ 14 million profit.

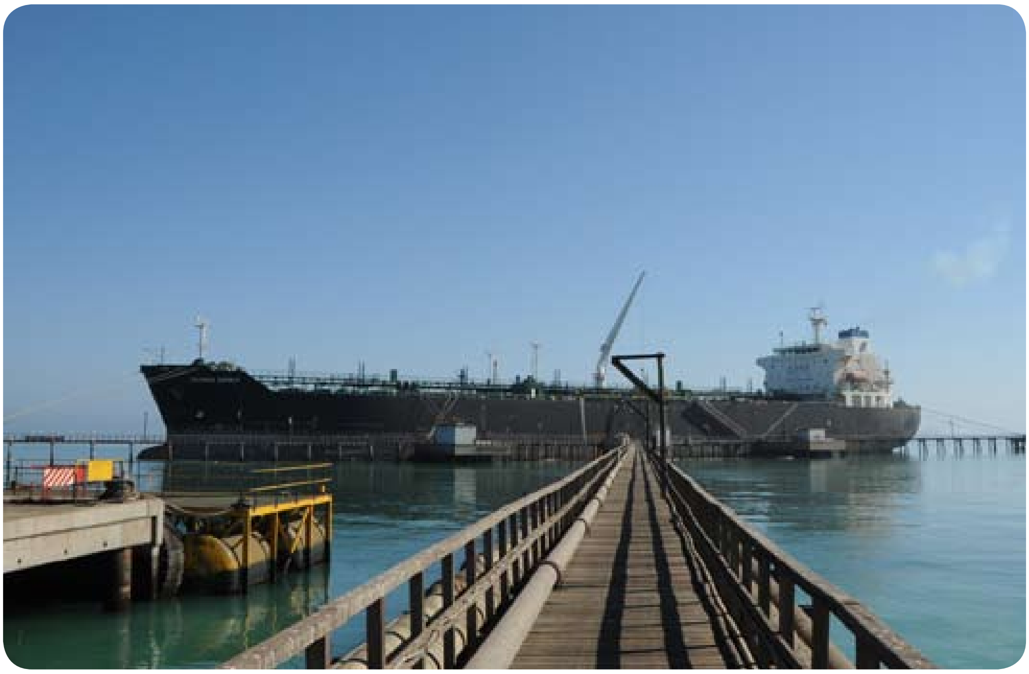


Group Financial Performance (continued)

This is predominantly attributable to improved performance of the trading subsidiary, NAMCOR Petroleum Trading and Distribution (Pty) Ltd (NPTD). Despite the fact that the deficiencies in the importation business model have not yet been corrected by Government, the trading company was nevertheless able to return a profit exceeding N$ 50 million for the year under review.

The main contributor to the large turnaround in the financial performance of the Group was an unconditional grant of N$ 100 million made by the Government through the National Energy Fund. The grant was aimed at making good part of the under-recoveries incurred in the prior year. The second main contributor to the improved results was the generally more favourable USD/ZAR exchange rates prevailing throughout the year. Another contributor is no doubt the significantly lower oil (and thus fuel) prices which caused a decrease in both the revenue and cost of sales items of the Statement of Comprehensive Income, this despite the fact that actual volumes of fuel imported were largely the same as in the prior year. Finally, the higher Gross Profit is attributable to renegotiated lower pricing on the petroleum products, as well as a favourable USD/ZAR exchange rate at year end, resulting in a neutral mark to market of foreign currency debts.

As part of the risk mitigation strategies adopted, tight expenditure control was exercised by the Group which resulted in operating expenditure only increasing by 2,4%. This was despite the activities pertaining to the roll-out of the Downstream business strategy which included the acquisition and refurbishment of the Otjiwarongo depot.



Group Financial Performance (continued)

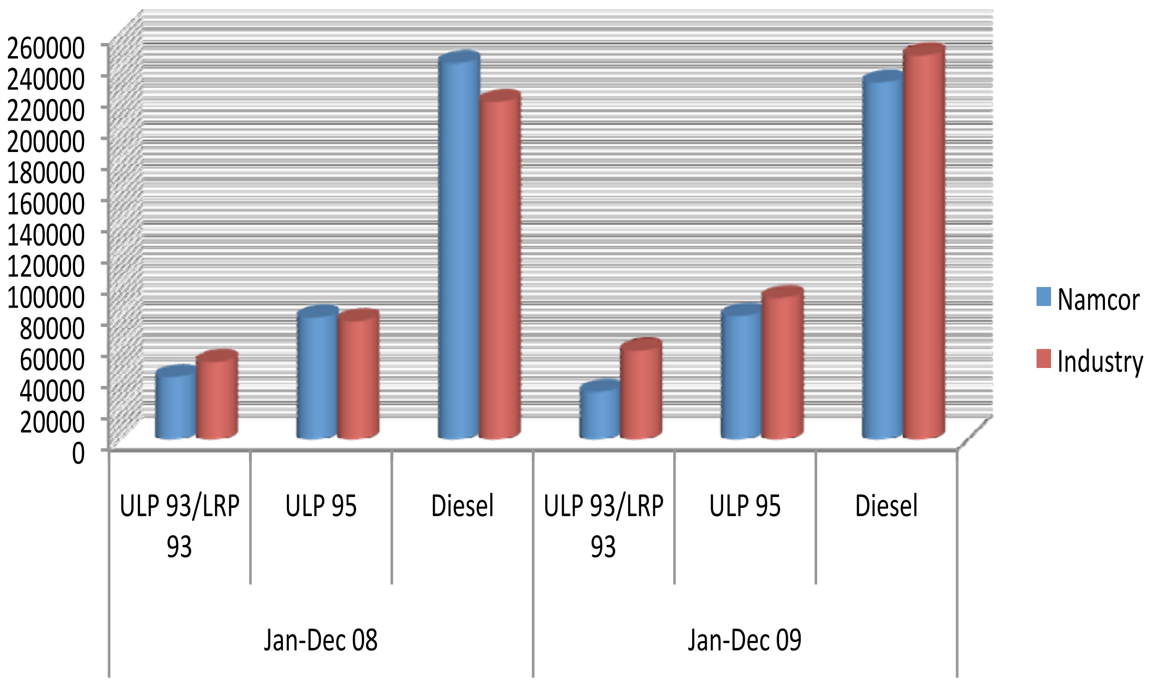
Lastly, the increase in the net value of the Statement of Financial Position is attributable to two line items: The largest amount is added by the Inventory, and although NPTD has no storage facilities, this constitutes stock at sea. The rest is made up of cash in bank and equivalents, and is a timing issue, consisting of account payments received shortly before year-end; both of which are offset by the increase in trade accounts payable.

2.2 PETROLEUM IMPORTS

2.2.1 Petroleum Supplies

Petroleum products will remain a pivotal part of the Namibian energy needs for years to come despite the extreme volatility of this commodity due to factors beyond our control. Namibia's fuel consumption is but a drop in the ocean, yet we have to embrace all the global factors that influence at what price we are allowed to buy our fuel. NAMCOR, however, still managed to maintain supplies of petroleum products amidst the global economic crisis and other disruptions on the international scene.

Imports over the last two years depicted in Metric Tonnes



The chart above is a comparative analysis of the importation of the grades of fuel in metric tonnes by NAMCOR and the Industry over two years. The analysis gives a good indication on the declining trend of LRP 93 usage, whereas ULP 95 petrol has shown a growth of approximately 6% from the previous year.

In the graph above the total fuel imports for the country are depicted over a four year period. These volumes only reflect the regulated products which is approximately 90% of the country's total fuel consumption. Since 2007, there has been a steady increase in consumption despite the volatility of fuel markets internationally.

2.2.2 Logistics

a. Coastal Storage Terminal

NAMCOR is in an advanced stage of negotiations with the Walvis Bay Municipality to purchase a site close to the current tank farm. Approval was granted to do an Environmental Impact Assessment Study on the land in order to expedite the construction of the terminal. The Basic Design Engineering has also been completed.

b. Otjiwarongo Depot

I am pleased to report that the first NAMCOR fuel depot was completed and inaugurated on the 10th of November 2009 by the Minister of Mines and Energy, Honourable Minister Erkki Nghimtina. It is a state of the art facility and fully complies with all the Health, Safety, Security and Environmental regulations as per the Government's requirements.

c. Other Inland Depots

NAMCOR completed market feasibility studies for the construction of bulk fuel storage facilities in Ondangwa, Windhoek, Katima Mulilo and Gobabis. We are in talks with an oil marketing company to purchase shares in the Keetmanshoop and Luderitz Depots which will take care of the fuel distribution in the South of the country.

The availability of these facilities will enable NAMCOR to distribute fuels to all parts of the country efficiently without any hassle. This will also significantly alleviate the numerous logistical constraints experienced to transport fuel from the coast to the inland where the bulk of the fuel is consumed.

NAMCOR wishes to use these inland depots both as commercial as well as strategic storage facilities in order to give Government peace of mind in case of an emergency.

2.2.3 Business Development of Fuel Distribution

NAMCOR has done extensive preparations to enter the Downstream Distribution sector of the value chain. We are indeed ready to commence with this very important leg of the business. NAMCOR submitted several tender documents with very competitive pricing modules to compete with other players for supply of fuel products. We are waiting in anticipation for tender awards in the Government fuel supply business as well as businesses such as Trans Namib and other commercial clients.

NAMCOR has the capability to offer the full range of refined petroleum products. This includes the main fuels, Heavy Fuel Oil, Jet Fuel and a wide range of lubricants.

We are currently in negotiations with a major refinery in South Africa to supply a wide range of NAMCOR branded lubricants to the Namibian market.

The Downstream Strategy is very focused on business development in the distribution of fuel products. The Business Development team is very active in their drive to secure clients for NAMCOR. With this trend NAMCOR should be in a position to gain fair market share within the next five years.

2.3 EXPLORATION AND PRODUCTION OPERATIONS

2.3.1 Kudu Gas Project

The Kudu Gas Project has advanced to a stage where the Steering Committee assignment got working on the mandate as per Ministry of Mines and Energy is request which was to carry out a full comparative study between the conventional pipeline project and the new Compressed Natural Gas technology as development alternatives to the project. This work has been ongoing since and had not concluded by the time the partners started negotiations during mid June 2009.

In the meantime, the Kudu Consortium finalized studies on the technical, financial and environmental studies on the viability of the Compressed Natural Gas as a suitable alternative development scenario.

The partnership proposed endorsement of the alternative development concept by the Ministry of Mines and Energy. The objective of such an endorsement was to create the much needed basis of defining the necessary next steps for the Kudu partners' to consider and thereby laying the grounds for negotiations in view of the pending license expiration by August 31, 2009.

The Upstream Partners then approached NAMPOWER for a presentation on indicative gas prices and volumes in relation to the gas power station needs. Soon after that presentation it was agreed that NAMPOWER and Tullow Oil must circulate the first drafts of Heads of Terms therefore creating the basis for various commercial agreements to be concluded by the middle of August 2009 and finally be lodged with the Ministry of Mines and Energy in support of the production license renewal application which was accompanied by a comprehensive Field Development Plan.

Tullow Oil as the Operator circulated the draft of the Heads of Terms for the following agreements to be agreed between the Kudu Partnership:

- Gas Sales Agreement between the Upstream partners and NAMPOWER
- Gas Sales Agreement between the Upstream partners and Gigajoule
- Port-to-Plant facility
- Projects Agreement

The partners furthermore negotiated and concluded the following agreements:

- Owners Agreement (main agreement between the parties)
- Project Schedule

After the parties agreed and signed off the various agreements the Operator had one final step to complete the process and that was the finalisation of the Kudu Field Development Plant as required by law, as well as, the compilation of the Production License application.

All of the above where necessary requirements by the Ministry of Mines and Energy in lieu of the fact that the 4 year interim production license over the acreage was expiring at the end of August 2009 and the Upstream parties had the unenviable task of securing the successful reapplication of the Kudu Production license.

By August 24, 2009 the Minister of Mines and Energy expressed his rejection of the Upstream reapplication citing several conditions attached to the production license as not having been met fully plus the fact that the CNG technology as a developments is unsuitable for Namibia's metocean conditions. Following this decision the Minister restructured the Kudu shareholding by reassigning new equity structure to all the participating partners including the new investor company.

The next process left for this project is the completion of a joint venture agreement between NAMCOR and Gazprom as well as the finalisation of the Petroleum Agreement between the new Kudu Consortium before finally being issued with the new Kudu Production License.

Kudu Gas Project (continued)

Having restructured the project and introduced a new partner to lead and facilitate the development of the Kudu Project the Minister announced a change in the equity structure with NAMCOR-GAZPROM taking the majority shareholding of 54% while both Tullow Oil and Itochu Corporation of Japan taking the remainder 31% and 15% respectively.

All parties were then required to accept their new shareholding by way of a written confirmation as well as commit to the new structure. NAMCOR-Gazprom as the majority shareholder now had the obligation of starting with the necessary steps of forming a joint venture relationship which shall be the vehicle that will participate on behalf of the two companies in the overall Kudu Consortium involving both Tullow Oil and Itochu Corporation of Japan.

The partners then resolved to apply for a new production license in order to secure the acreage under the new structure as announced by the Minister of Mines and Energy. By October 2009 a two year provisional production license was issued to the parties with conditions attached.

Amongst the stipulated conditions was the fact that NAMCOR-GAZPROM Joint Venture will be the majority shareholder in the new Kudu Joint Venture while Tullow Oil and Itochu will be the minority shareholders. Secondly, the Upstream parties must ensure that their development plan shall be designed to fit and support the development of an 800 MW gas-to-power station

As a start, NAMCOR took the initiative of putting together a Heads of Terms (HoT) sheet with key issues to be negotiated between the two companies as the negotiation basis for the Joint Venture Agreement. Initial discussions on the document between the two parties got off on a very good start but the realisation soon set in about the numerous limiting factors hampering the successful and speedy conclusion of that Joint Venture Agreement. Nevertheless, the parties reached mutual agreement on the key principles as contained in the document.

Key among the limiting factors was the fact that Gazprom, being a new kid on the block, needed to fully understand both the Upstream and Downstream Projects and then come up with a comprehensive business plan before itself and the rest of the of Upstream were able to commit to some of the key principles contained in the Heads of Terms for the Joint Venture Agreement as well as the Petroleum Agreement and the Joint Operating Agreement.

Since the issuance of the provisional production license the parties held several partner meetings. The key items for discussions mainly focussed on the outstanding Upstream commercial agreements such as the Petroleum Agreement, the Joint Operating Agreement, Project Schedules, Operatorship and the NAMCOR-Gazprom Joint Venture Agreement.

Towards the end of the financial period the partners unanimously agreed on Tullow Oil becoming the Operator of the Kudu Gas Project by virtue of their being the best suited to serve that role. As for the rest of the commercial agreements, there are sustained and diligent efforts at getting same finalised as soon as possible. Draft documents have been circulated to all parties and comments have been received from each of the parties with conclusion's still some way off.

Finally, one of the greatest drawbacks is the fact that by this stage, Gazprom E&P International being the party that is the facilitator of both the Upstream and Downstream Projects, has as yet to open discussion with the rest of the parties to be s involved in the Downstream Project. Of course NamPower, as the national utility, will be one of the key parties Gazprom will have to start talking to. This project also cannot go ahead without the balance power off taker, being Eskom in this case, coming to the party. Again Gazprom E&P International has the responsibility in facilitating and delivering this part of the deal.

It is most likely that the above two key deliveries to the Kudu Gas Project will in reality only start to deliver during the next financial year considering the rate at which progress is being made on both these matters.

2.3.2 Block 1711 Project

Since the finalisation of the Kunene1 drilling program not much has happened in this license area. The Operator and the service providers all got locked into a never ending dispute about their non-performance as alleged by the Operator. Sintezneftegaz Namibia as the Operator of Block 1711 filed for bankruptcy in Cyprus and at the same time transferred its shareholding to a little known Cyprus registered affiliate company called NAKOR Investments.

On August 3, 2009 Sintezneftegaz Moscow called an Operating Committee meeting and this gathering was attended by all parties to the license area. Several resolutions where adopted at this meeting including the unanimous appointment of NAMCOR as the Interim Operator of the block until such time that a suitable Operator can be appointed. This was necessitated by the bankruptcy move by Sintez Namibia which no longer could serve as the Operator of the block.

Block 1711 Project (continued)

More importantly, a work program was agreed between parties at the same Operating Committee meeting with respect to the outstanding verification of the reserves of the Kunene1-well. This matter proved difficult for Sintez to agree to and threatened that if the partnership is to proceed with the suggested technical work program then the partners will do without the participation by Sinteznefteg as.

NAMCOR maintained a very firm stance in respect of the final well report that is still outstanding as well as the key geological and geophysical work remaining to be done followed by the full Kunene1-well re-entry program in order to finally determine the volumes of the gas as encountered gas bearing horizons. NAMCOR engaged the services of an international consulting engineering firm, First Drill, with regards to commissioning a study detailing the well re-entry program. Considering the timing of the agreed work program versus the execution thereof, taking into account the expiry date of the license, it soon became abundantly clear that all attention by the Operator should focus on the preservation of the acreage instead of trying to implement the agreed work program.

For the greater part of the period, during which the agreed work program and budget were to have been carried out, NAKOR Investments as the new Operator of Block 1711 was finding itself in bankruptcy discussions and thus was not focussing on the work at hand, thereby causing serious delays in implementing the agreed work program. As a consequence, the timing for the implementation of the said work program got overtaken by period left on the acreage tenure which was about to expire on March 31, 2010. By December 2009, the Operator submitted a full license renewal application which approval was granted in March 2010.

2.3.3 International Promotion Conferences

The Exploration, Production and ICT Department made a conscious decision to limit the attendance of promotional conferences due to the global economic crisis. Only prominent platforms were targeted at which Namibia's hydrocarbon potential was showcased. Only 2 conferences, the American Association of Petroleum Geologist in Denver, Colorado in the United States of America and the Africa Energy Week Conference in Cape Town were attended in June 2009 and July 2009 respectively.

For the remainder of the 2009-2010 financial year two more international conferences were attended. The conferences attended were the AAPG International which was held in Rio De Janeiro and the APPEX which was held in London.

It is important to note that however much difficulties the world economy seems to experience, it is often during these difficult periods that the oil and gas industry remain focussed and active in order to capitalise on the rebound. By so doing, often the industry positions itself during the recession times by sustaining the various investment portfolios and it is therefore important that Namibia remains reasonably visible from a promotional point of view to the oil and gas investor.

2.3.4 Information Communication Technology

The ICT section was incorporated into the E&P department during September 2008 with the primary task to review and update the entire NAMCOR business and hardware requirements as well as securing the E&P databases, electronic data and the core store function. A new head of section was appointed on July 13, 2009 to assist with this task.

The group recognized the need for an integrated business system in order to stay abreast of the current and future downstream and upstream developments. As a result, software vendors were contacted for quotations on possible business system solutions specifically geared towards NAMCOR's future business strategy. Companies such as SAP, Syspro and Oracle were the main service providers. The Oracle business system was selected as the best solution for NAMCOR's immediate and future needs.

The implementation of the Oracle Business System is the first step towards the integration of the business systems throughout the Group. The next important project to be addressed will be the Electronic Data Management Systems which primarily is the application of technology in the warehousing of all data formats. NAMCOR has data in hardcopy and digital format but these data sets are kept in various non-coordinated locations and on individuals' computers and laptops which in itself presents a significant risk.

To achieve the objectives of warehousing of all NAMCOR data in a more coordinated and controlled environment, all hardcopy data must be scanned and catalogued after which same will be archived electronically. This allows the company to protect its important resource and ensure business continuity, in particular the oil and gas exploration business operation, which in itself is very dependent on available and reliable data with integrity.

2.4 ORGANIZATIONAL AND HUMAN CAPITAL DEVELOPMENT

The Business Support Department consists of the Human Resources, Public Relations and Communications, Administration and Health, Safety, Security and Environmental divisions.

2.4.1 Human Resources

NAMCOR's overall approach to pay and benefits is to reward employees competitively taking into account Group and individual performance, market value and competitive pressures in the market. The Group does not seek to maintain any strict market position but aims to ensure that pay is set at an appropriate level. The Board believes that the performance-related elements of remuneration should form a significant proportion of the total remuneration package of employees and therefore should be designed to align their interests with those of shareholders.

Remuneration packages are therefore prudently designed to attract, motivate and retain employees of high caliber needed to maintain the company's position in the market and to reward them for enhancing value to shareholders. A companywide performance management system was therefore introduced and implemented to reward employees accordingly. Training and development remain a core activity in our dynamic environment and employees are constantly made aware of the importance of individual development and provided the opportunity to improve their knowledge and be exposed to new technology in NAMCOR's quest for improved product and services and to achieved our annual objectives.

2.4.2 Communication and Public Relations

The period under review provided an extremely enormous and successful opportunity for NAMCOR to aggressively promote the Exploring and Fuelling brand both locally and internationally through different methods that is inclusive of career fairs, conferences, trade fairs and the launching of special events like the Otjiwarongo Depot and PETROTEK initiative. Internal communication continuously receives high priority and NAMCOR, apart from our bi-monthly internal newsletter, introduced a suggestion box to employees whereby they can contribute to improvements of operations or any staff related matter.

2.4.3 Health, Safety, Security and Environment

NAMCOR is committed to achieve excellent health and safety standards, to reduce accidents and ill health within the workplace and to minimize the impact of its operations on the environment therefore it also insists that all contractors should maintain the same high standards. With the commencement of Otjiwarongo Depot, NAMCOR introduced the standing operating procedures (SOP) to demonstrate our commitment towards HSSE matters. Continuous training of the safety representative remains a top priority and all incidents are investigated and reported on in order to improve on situations. In order to improve on employees personal health NAMCOR inaugurated the gym facility at our work premises.

2.4.4 Administration

Phase one of Petroleum House has been completed and employees have moved into their new offices. This was one of NAMCOR's flagship developments to create a conducive and sustainable working environment for employees and visitors.

3. CONCLUSION

The period under review has seen the systematic recovery of the Group financially, following the losses it suffered during 2008. Although some financial gains have been made, the challenges with making the import business model a sustainable one still exists and we are working hard to find lasting solutions to ensure the fulfilment of NAMCOR's mandate of security of supply. However, despite this marked improvement in the Company's financial performance, it is clear that unless the fundamentals of the basic fuel pricing structure is enhanced to the extent of allowing for full cost recovery, the sustainability of the Company's import operations remain hampered and the Group exposed. Various initiatives have been embarked upon in this regard and NAMCOR is working closely with Government to find lasting solutions to these challenges.

The future however looks bright with the roll out of the downstream strategy in the second half of this financial year that will see NAMCOR participate in the full value downstream chain; entering the areas of marketing and retail of petroleum products. This will not only broaden the Group's revenue base, but will result in the much needed Namibianization of local downstream infrastructure such as storage facilities and service stations, currently operated fully by foreign companies. We will continue to strive in our every day operations for the betterment of Namibia as far as it concerns the importation and supply of petroleum products into the country.

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Siseho C. Simasiku
Chairman

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Sam E. Beukes
Managing Director

Financials

NAMCOR

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBER OF NATIONAL PETROLEUM CORPORATION OF NAMIBIA (PROPRIETARY) LIMITED

We have audited the consolidated and separate annual financial statements of National Petroleum Corporation of Namibia (Proprietary) Limited set out on pages 21 to 50, which comprise the statement of financial position at 31 March 2010 and the statement of comprehensive income, the statements of changes in equity and the statement of cash flows for the year then ended and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, and the directors' report.

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 Companies Act in Namibia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, 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 National Petroleum Corporation of Namibia (Proprietary) Limited at 31 March 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 Companies Act in Namibia.

Emphasis of matter

Without qualifying our opinion, we draw attention to the director's report and note 24 in the financial statements which indicates that the company had a net loss for the year ended 31 March 2010 of N$ 39 886 189 (2009: N$143 915 264) and as at that date, the company's total liabilities exceed its assets by N$4 393 265. The Group's total liabilities exceeded its total assets by N$58 854 452 at 31 March 2010 (2009: N$70 417 421). The director's report also indicates that these conditions, along with other matters, indicate the existence of a material uncertainty, which may cast significant doubt on the company's ability to continue as a going concern.

Other matter

Furthermore, without qualifying our opinion, we draw attention to the fact that the supplementary schedule set out on page 51 do not form part of the annual financial statements and is presented as additional information. We have not audited this schedule and accordingly we do not express an opinion on it.

Ernst & Young Namibia
Registered Accountants and Auditors
Chartered Accountants (Namibia)

Windhoek…Namibia

16 September 2010

DIRECTORS' REPORT
for the year ended 31 March 2010

The directors have pleasure in presenting their report and the group and company annual financial statements of the National Petroleum Corporation of Namibia (Proprietary) Limited ("NAMCOR") for the year ended 31 March 2010.

The annual financial statements have been prepared by management in accordance with International Financial Reporting Standards.

NATURE OF BUSINESS

The main business of the company is to ensure the optimum exploitation of Namibia's petroleum resources and meaningful Namibian participation in resulting business developments in petroleum related exploration activities. The company also acts as advisors to the Ministry of Mines and Energy and assists them in monitoring the exploration activities of licensees.

DIVIDENDS

No dividend (2009: Nil) was declared during the financial year under review.

SHARE CAPITAL

The authorised and issued share capital of the company remains unchanged at 10 000 000 Ordinary shares of N$1 each. The Government of the Republic of Namibia is the sole shareholder of NAMCOR.

INTEREST IN SUBSIDIARIES

Refer to note 2 to the annual financial statements.

GOVERNMENT FUNDING

The funding from the Government through fuel levy was ended in 2003. These funds were earmarked for funding NAMCOR's day-to-day operations and special projects and to build up reserves to participate in future potential commercial activities. The total reserve accumulated to date amounts to N$14 474 313 (2009: N$22 175 390).

FINANCIAL RESULTS

The results of the activities for the year are clearly set out in the attached annual financial statements and notes thereto.

SUBSEQUENT EVENTS

The directors are not aware of any matter or circumstance arising since the end of the financial year, not otherwise dealt with in the annual financial statements, which significantly affects the financial position of the group or the company or the results of their operations.

DIRECTORS' REPORT
for the year ended 31 March 2010

GOING CONCERN

The company had a net loss for the year ended 31 March 2010 of N$ 39 886 189 (2009: N$ 143 915 264, group 2009: N$ 257 003 081), and as at that date, the company's total liabilities exceed its assets by N$4 393 265 and that the group's total liabilities exceed its assets by N$58 854 452 (2009: N$70 417 421).

Management are in negotiations with Botswana to supply fuel to the country. They are launching an automotive lubricant distribution business and constructing and refurbishing bulk fuel depots countrywide for commercial and strategic fuel supplies. They are also entering into the marketing and distribution sectors of the business by participating in fuel tenders in line with this new strategy. Apart from fuel tenders awarded, the above-mentioned plans are all in negotiation phase and no contracts are yet in place to substantiate them.

These conditions give rise to a material uncertainty which may cast significant doubt about the group's ability to continue as a going concern and, therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that the directors will continue to procure funding to finance future operations and that the realisation of assets and settlement of liabilities will occur in the ordinary course of business.

BOARD OF DIRECTORS

The following persons held office as directors throughout the financial year under review:

Mr S. Simasiku	(Chairman)
Mr S. Beukes	(Managing Director)
Mrs S. Shejavali	
Mr I. Mulunga	
Mrs W. Uiras	
Mr F. Lameck	

REGISTERED ADDRESS

1st Floor
344 Independence Avenue
Windhoek
NAMIBIA

Business address
Petroleum House
Aviation Road
Windhoek
NAMIBIA

Postal address
Private Bag 13196
Windhoek
NAMIBIA

Secretary
Ms T Beukes by order of the Board.

General Information
The country of incorporation and domicile is Namibia. The parent and ultimate parent is the Government of the Republic of Namibia.

ACCOUNTING POLICIES
for the year ended 31 March 2010

The group's significant accounting policies comply in all material respects, with International Financial Reporting Standards and the requirements of the Namibian Companies Act. These policies, as set out below, have been consistently applied to all periods presented in these financial statements, except where otherwise disclosed.

1. Basis of presentation

The annual financial statements are prepared on the historical cost basis except for financial assets and liabilities where the fair value basis of accounting is adopted and property carried at revalued amounts. The consolidated financial statements are presented in Namibian Dollars and all values are rounded to the nearest Namibian Dollar (N$) except when otherwise indicated.The financial statements were approved by the Board of Directors on 16 September 2010.

2. Basis of preparation

The financial statements are presented in Namibia Dollars. The preparation of financial statements 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. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3. Basis of consolidation

The group annual financial statements incorporate the financial position, operating results and cash flows of the company and its subsidiaries. The results of any subsidiaries acquired or disposed of during the year are included from the effective date of control and up to the effective date control ceased.

Subsidiaries are defined as those companies in which the group, either directly or indirectly, has more than one half of the voting rights, has the right to appoint more than half the board of directors or otherwise has the power to control the financial and operating activities of the entity.

Unrealised income and expenses arising from transactions within the group and inter-company balances are eliminated. Details of the subsidiary companies are given in note 2.

4. Revenue

Revenue comprises of sales of petroleum products to the oil companies, data sales and commissions received, excluding Value Added Taxation.

ACCOUNTING POLICIES (CONTINUED)
for the year ended 31 March 2010

4. Revenue (continued)

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable net of returns, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amounts of revenue can be reliably measured.

Transfer of risks and rewards vary depending on the individual terms of the contract of sale. For sales of petroleum products, transfer normally occurs when the product is discharged at the Walvis Bay port.

Data sales are recognised when the recipient of the data makes first payment to the third party seismic company.

5. Finance income and expenses

Finance income comprises interest income on funds invested, dividend income and foreign currency gains. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expenses comprise interest expense on borrowings and foreign currency losses. All borrowing costs are recognised in profit or loss using the effective interest method.

6. Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense 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 tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

ACCOUNTING POLICIES
for the year ended 31 March 2010

6. Income tax expense (continued)

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

7. Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

8. Foreign exchange transactions

Foreign exchange transactions are translated at the spot rate ruling at the date of the transaction. At balance sheet date monetary items are translated at rates then ruling. Exchange differences, occurring on the settlement of monetary items or on the reporting of outstanding monetary items, are brought into account in the income statement for the year.

9. Employee benefits

The group operates a defined contribution scheme providing benefits based on the contributions of an employee. All contributions of the group are charged to the income statement as incurred.

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

10. Property, Plant and Equipment

Land and buildings is stated at its revalued amount less accumulated depreciation. Land is not depreciated. Any resultant surplus is recognised in equity in the revaluation reserve. This represents a change in accounting policy, as previously land and buildings were shown at cost less accumulated depreciation.

Other items of plant and equipment are shown at cost less accumulated depreciation. Vehicles and equipment are depreciated on a straight-line basis over their useful lives to their residual values. The estimated useful lives for the current and comparative periods are as follows:

• Buildings	50 years
• Vehicles	5 years
• Electronic equipment	3 years
• Office, and core store equipment	10 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date. Improvements to buildings are capitalised, whilst maintenance and repairs are expensed as they occur.

ACCOUNTING POLICIES
for the year ended 31 March 2010

11. Financial Instruments

Initial recognition and measurement

All financial instruments, including derivative instruments, are recognised on the balance sheet. Financial instruments are initially recognised when the Group becomes party to the contractual terms of the instruments and are measured at cost, which is the fair value of the consideration given (financial asset) or received (financial liability or equity instrument) for it. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangement on initial recognition. Subsequent to initial recognition these instruments are measured as set out below.

Financial instruments recognised on the balance sheet include cash and cash equivalents, trade and other receivables, investments, loans, trade and other payables and derivative financial instruments.

Financial investments, other than held-to-maturity investments, are measured at fair value. Fair value represents the current market value where regulated markets exist. Otherwise the fair value is determined by the directors. The directors' valuation is calculated on a basis of return or net asset value as is deemed appropriate.

Held-to-maturity investments are shown at the amortised cost price using the effective interest rate method.

An instrument is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments 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. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Trade and other receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Group company loans are recognised at amortised cost, namely original debt less principal repayments and amortisations.

Interest bearing debt is recognised at amortised cost, namely original debt less principal repayments and amortisations.

Provisions are made for a permanent diminution in the value of investments.

Trade and other payables are stated at cost.

Interest-bearing bank overdrafts and other short-term borrowings are recorded at the proceeds received, net of direct issue costs.

ACCOUNTING POLICIES
for the year ended 31 March 2010

11. Financial Instruments (continued)

Initial recognition and measurement **(continued)**

The Group holds derivative financial instruments to hedge its foreign currency exposure. Derivatives are recognised initially at fair value. Attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognised in profit or loss as part of foreign currency gains and losses.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or realise the asset and settle the liability simultaneously.

De-recognition

Financial assets (or a portion thereof) are de-recognised when the Group realises the rights to the benefits specified in the contract, the rights expire or the Group surrenders or otherwise loses control of the contractual rights that comprise the financial asset. On de-recognition, the difference between the carrying amount of the financial asset and proceeds receivable and any prior adjustment to reflect fair value that had been reported in equity are included in the income statement. Financial liabilities (or a portion thereof) are de-recognised when the obligation specified in the contract is discharged, cancelled or expires. On de-recognition, the difference between the carrying amount of the financial liability, including related unamortized costs, and the amount paid for it are included in the income statement.

12. 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 be required to settle the obligation, and a reliable estimate can be made for the amount of the obligation. Where the effect of discounting to present value is material, provisions are adjusted to reflect the time value of money.

13. Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, its carrying amount is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately and are treated as exceptional items.

14. Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition. The cost of inventory also includes normal industry tolerance gains or evaporation losses.

ACCOUNTING POLICIES
for the year ended 31 March 2010

15. Use of estimates and judgements

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 is included in the following notes:

- Accounting policy 10 – estimated useful lives of property, plant and equipment
- Note 1 – Valuation of land and buildings
- Note 6 – Allowance for doubtful debts
- Note 16 – Deferred income tax assets

16. Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

17. Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attached conditions will be complied with.
When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it is recognised as deferred income and released to income in equal amounts over the expected useful life of the related asset.

18. New Standard and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations have been effective for the financial period under review. Adoption of these revised standards and interpretations did not have any effect on the financial performance of position of the company. They did however, give rise to additional disclosure, where applicable.

IFRIC 13 – Customer Loyalty Programmes
IFRIC 9 and IAS 39 – Amendment – Embedded Derivatives
IFRIC 16 - Hedges of a Net Investment in a Foreign Operation
IFRS 8 - Operating Segments
IAS 23R – Borrowing Costs
IAS 1R – Presentation of Financial statements
IFRS 2 Amendment – Vesting Conditions and Cancellations
IAS 32 and IAS 1 Amendment – Puttable Financial Instruments and Obligations Arising on Liquidation
IFRS1 and IAS 27 Amendment – Cost of an Investment in a Subsidiary, Jointly Consolidated Entity or Associate

ACCOUNTING POLICIES
for the year ended 31 March 2010

18. New Standard and interpretations not yet adopted (continued)

2008 Annual Improvements to IFRS
2009 Annual Improvements to IFRS
IFRIC 15 – Agreements for the Construction of Real Estate
IFRS 7 Amendment – Improving Disclosures about Financial Instruments

The following new and revised standards and interpretations have been issued with the effective dates applicable to future annual financial statements of the company:

- Effective for periods commencing on or after 1 July 2009

IFRS 3R – Business Combinations
IAS 27 Amendment – Consolidated and Separate Financial Statements (referred to herein as IAS 27R)
IAS30 – Amendment – Eligible Hedged Items
IFRS 1R – Structural Amendment
IFRIC 17 – Distributions of Non-Cash Assets to Owners
IFRIC 18 – Transfers of Assets from Customers

- Effective for periods commencing on or after 1 January 2010

Amendments to IFRS1 – Additional exemptions for First-time Adopters
Amendments to IFRS2 – Group Cash-Settled Share Based Payment Transactions

- Effective for periods commencing on or after 1 February 2010

IAS 32 – Classification of rights issues – Amendment to IAS 32

- Effective for periods commencing on or after 1 July 2010

IFRIC 19 – Extinguishing financial liabilities with equity instruments

- Effective for periods commencing on or after 1 January 2011

IAS 24 – Related party disclosures
IFRIC 14 – Prepayment of a minimum funding requirement – Amendments to IFRIC 14

- Effective for periods commencing on or after 1 January 2013

IFRIC 9 – Financial instruments

The company has not early adopted any of the above standards. The application of theses standards in future financial reporting periods will not have any significant impact on the company's results, financial position and cash flows.

STATEMENT OF FINANCIAL POSITION
at 31 March 2010

	Notes	Group 2010 N$	Group 2009 N$	Company 2010 N$	Company 2009 N$
Assets					
Non-current assets		126 806 495	60 464 686	72 074 264	48 143 799
Property, plant and equipment	1	111 850 487	60 464 686	71 560 099	48 023 699
Subsidiaries	2	-	-	514 165	120 100
Investment in joint venture		-	-	-	-
Deferred taxation	17	14 956 008	-	-	-
Current assets		451 348 083	225 353 754	38 853 581	11 845 983
Deposits and other short-term investments	3	44 757 834	32 134 260	-	-
Inventory	4	288 312 022	86 026 883	-	-
Trade and other receivables	6	18 502 311	87 536 404	6 099 456	4 647 640
Cash and equivalents	16	90 088 547	9 968 838	27 215 456	1 736 938
Subsidiaries		-	-	77 265	-
Taxation	15	9 687 369	9 687 369	5 461 404	5 461 405
Total assets		578 154 578	285 818 440	110 927 845	59 989 782
Equity and liabilities					
Capital and reserves		(58 854 452)	(70 417 421)	(4 393 265)	35 492 924
Share capital	5	10 000 000	10 000 000	10 000 000	10 000 000
Non-distributable reserve		14 474 313	22 175 390	14 474 313	22 175 390
Revaluation reserve		12 590 028	12 590 028	12 590 028	12 590 028
(Accumulated loss)/Retained income		(95 918 793)	(115 182 839)	(41 457 606)	(9 272 494)
Non-current liabilities		58 918 384	2 155 526	40 641 223	2 155 526
Deferred taxation	17	2 517 658	-	2 517 658	-
Long-term loan	7	56 400 726	2 155 526	38 123 565	2 155 526
Current liabilities		578 090 646	354 080 335	74 679 887	22 341 332
Current portion long-term loan	7	3 519 208	19 231 473	3 253 699	19 231 473
Trade and other payables	8	542 524 721	312 678 638	2 905 144	3 109 859
Derivative financial instruments	9	32 046 717	22 170 224	-	-
Subsidiaries/ Shareholders loan	2	-	-	68 521 044	-
Total equity and liabilities		578 154 578	285 818 440	110 927 845	59 989 782

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 March 2010

	Notes	Group 2010 N$	Group 2009 N$	Company 2010 N$	Company 2009 N$
Revenue	10	1 627 937 218	2 950 358 480	1 051 603	1 093 172
Cost of sales		(1 670 806 104)	(3 065 753 152)	-	-
Gross (loss)/profit		(42 868 886)	(115 394 672)	1 051 603	1 093 172
Other income	23	201 321 325	4 998 931	100 006 800	696
Operating expenses		(147 611 739)	(72 740 635)	(142 014 771)	(152 848 213)
PROFIT/(LOSS) from operations	11	10 840 700	(183 136 376)	(40 956 368)	(151 754 345)
Finance income	12	13 917 579	19 185 364	5 607 900	4 540 577
Finance expense	12	(25 646 184)	(89 513 477)	(2 020 063)	(584 122)
(LOSS)/PROFIT before taxation		(887 905)	(253 464 489)	(37 368 531)	(147 797 890)
Taxation	13	12 438 350	(3 538 592)	(2 517 658)	3 882 626
PROFIT /(LOSS) for the year		11 550 445	(257 003 081)	(39 886 189)	(143 915 264)
Other comprehensive income:					
Exchange differences on translating foreign operations		12 523	-	-	-
Total comprehensive Income/(Loss) for the year		11 562 968	(257 003 081)	(39 886 189)	(143 915 264)
Profit/ (Loss) attributable to:					
Equity holders of the parent		11 550 445	(257 003 081)	(39 886 189)	(143 915 264)
Total comprehensive Income/ (Loss) attributable to					
Equity holders of the parent		11 562 968	(257 003 081)	(39 886 189)	(143 915 264)

STATEMENTS OF CHANGES IN EQUITY
for the year ended 31 March 2010

GROUP	Share capital N$	Revaluation reserve N$	Non-distributable reserve N$	Foreign Currency Translation Reserve N$	Retained income/ (Accumulated Loss) N$	Total N$
BALANCE at 1 April 2008	10 000 000	12 590 028	42 115 367	-	121 880 265	186 585 660
Total comprehensive Loss for the year	-	-	-	-	(257 003 081)	(257 003 081)
Net transfer from non-distributable reserve	-	-	(19 939 977)	-	19 939 977	-
BALANCE at 31 March 2009	10 000 000	12 590 028	22 175 390	-	(115 182 839)	(70 417 421)
Total Comprehensive income for the year	-	-	-	12 523	11 550 445	11 562 968
Profit for the year	-	-	-	-	11 550 445	11 550 445
Other Comprehensive loss	-	-	-	12 523	-	2 523
Net transfer from non-distributable reserve	-	-	(7 701 077)	-	7 701 077	-
Balance at 31 March 2010	10 000 000	12 590 028	14 474 313	12 523	(95 931 317)	(58 854 453)

STATEMENTS OF CHANGES IN EQUITY
for the year ended 31 March 2010 (continued)

COMPANY	Share capital N$	Revaluation reserve N$	Non-distributable reserve N$	Retained income/ (Accumulated Loss) N$	Total N$
BALANCE at 1 April 2008	10 000 000	12 590 028	42 115 367	114 702 793	179 408 188
Loss for the year	-	-	-	(143 915 264)	(143 915 264)
Net transfer from non-distributable reserve	-	-	(19 939 977)	19 939 977	-
BALANCE at 31 March 2009	10 000 000	12 590 028	22 175 390	(9 272 494)	35 492 924
Income for the year	-	-	-	(39 886 189)	(39 886 189)
Net transfer from non-distributable reserve	-	-	(7 701 077)	7 701 077	-
BALANCE at 31 March 2010	10 000 000	12 590 028	14 474 313	(41 457 606)	(4 393 265)

STATEMENT OF CASHFLOWS
for the year ended 31 March 2010

	Note	Group 2010 N$	Group 2009 N$	Company 2010 N$	Company 2009 N$
Cash flows from operating activities		107 835 967	(129 991 769)	(36 912 797)	(40 498 872)
Cash generated by operation	14	119 564 571	(76 621 400)	(40 500 635)	(45 833 260)
Investment income	12	13 917 579	13 972 884	5 607 900	5 918 510
Interest paid	12	(25 646 183)	(67 343 253)	(2 020 063)	(584 122)
Taxation paid	15	-	-	-	-
Cash flows from investing activities		(66 249 193)	53 327 981	(26 119 993)	(14 508 331)
Additions to property, plant and equipment – expansion		(53 638 141)	(27 733 268)	(25 648 663)	(15 292 281)
Decrease/(Increase) in loan receivable			-		-
Decrease in financial assets and other investments		-	7 048 092	-	7 048 092
Disposals of property, plant and equipment		-	113 044	-	113 044
(Increase)/ Decrease in deposits and short-term investments		(12 623 574)	73 900 113	-	74 705 416
Decrease/(Increase) in amount due from subsidiaries			-	(471 330)	(81 082 602)
Foreign Currency difference – non cash movement		12 522	-	-	-
Cash flows from financing activities		38 532 935	16 060 566	88 511 308	16 060 566
Increase/(Decrease) in long-term liabilities		38 532 935	16 060 566	19 990 264	16 060 566
Increase in shareholders loans				68 521 044	
Net movement in cash and cash equivalents		80 119 709	(60 603 222)	25 478 518	(38 946 637)
Cash and cash equivalents at beginning of year		9 968 838	70 572 060	1 736 938	40 683 575
Cash and cash equivalents at end of year	16	90 088 547	9 968 838	27 215 456	1 736 938

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2010

1. PROPERTY, PLANT AND EQUIPMENT

GROUP

	Land and Building N$	Buildings under Construction N$	Vehicles N$	Office, electronic and core store equipment N$	Total N$
2010					
Opening net book value	40 736 349	16 906 123	303 778	2 518 436	60 464 686
Cost/Valuation	41 240 550	16 906 123	763 740	5 161 098	64 071 511
Accumulated depreciation	(504 201)	-	(459 962)	(2 642 662)	(3 606 825)
Additions at cost	13 917 953	39 014 588	-	705 600	53 638 141
Transfers	50 892 994	(53 032 630)	-	2 139 636	-
Depreciation	(989 498)	-	(85 278)	(1 177 566)	(2 252 342)
Closing net book value	104 557 798	2 888 081	218 500	4 186 106	111 850 485
Cost/Valuation	106 051 497	2 888 081	763 740	8 006 333	117 709 651
Accumulated depreciation	(1 493 699)	-	(545 240)	(3 820 228)	(5 859 166)
2009					
Opening net book value	29 410 000	1 800 425	131 973	3 167 594	34 509 992
Cost/Valuation	29 410 000	1 800 425	674 487	4 720 802	36 605 714
Accumulated depreciation	-	-	(542 514)	(1 553 208)	(2 095 722)
Additions at cost	11 830 550	15 105 698	351 756	445 264	27 733 268
Depreciation	(504 201)	-	(88 109)	(1 089 868)	(1 682 178)
Disposals - cost	-	-	(262 503)	(4 968)	(267 471)
Disposals – accumulated depreciation	-	-	170 661	414	171 075
Closing net book value	40 736 349	16 906 123	303 778	2 518 436	60 464 686
Cost/Valuation	41 240 550	16 906 123	763 740	5 161 098	64 071 511
Accumulated depreciation	(504 201)	-	(459 962)	(2 642 662)	(3 606 825)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2010

1. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

COMPANY

	Land and Building N$	Buildings under Construction N$	Vehicles N$	Office, electronic and core store equipment N$	Total N$
2010					
Opening net book value	28 905 799	16 295 686	303 778	2 518 436	48 023 699
Cost/Valuation	29 410 000	16 295 686	763 740	5 161 098	51 630 524
Accumulated depreciation	(504 201)	-	(459 962)	(2 642 662)	(3 606 825)
Transfers	36 713 619	(38 853 255)	-	2 139 636	-
Additions at cost	-	25 445 650	-	200 236	25 645 885
Depreciation	(871 336)	-	(85 278)	(1 152 873)	(2 112 264)
Closing net book value	64 748 082	2 888 081	218 500	3 705 434	71 560 097
Cost/Valuation	66 123 619	2 888 081	763 740	7 500 969	77 276 409
Accumulated depreciation	(1 375 537)	-	(545 240)	(3 795 535)	(5 716 312)
2009					
Opening net book value	29 410 000	1 800 425	131 973	3 167 594	34 509 992
Cost/Valuation	29 410 000	1 800 425	674 487	4 720 802	36 605 714
Accumulated depreciation	-	-	(542 514)	(1 553 208)	(2 095 722)
Additions at cost	-	14 495 261	351 756	445 264	15 292 281
Depreciation	(504 201)	-	(88 109)	(1 089 868)	(1 682 178)
Disposals - cost	-	-	(262 503)	(4 968)	(267 471)
Disposals – accumulated depreciation	-	-	170 661	414	171 075
Closing net book value	28 905 799	16 295 686	303 778	2 518 436	48 023 699
Cost/Valuation	29 410 000	16 295 686	763 740	5 161 098	51 630 524
Accumulated depreciation	(504 201)	-	(459 962)	(2 642 662)	(3 606 825)

Land and buildings consists of:
- Property situated on Erf 8020 Windhoek. A first and second mortgage bond for N$14 million and N$40 million has been registered over the property as security for a loan as stated in note 7.
- Erf 1055 Otjiwarongo
- Erven 2590 and 2570, Walvis Bay.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2010

1. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Land and Buildings comprises	Group 2010	Group 2009	Company 2010	Company 2009
Land	29 948 503	16 030 550	4 200 000	4 200 000
Buildings	74 609 295	24 705 799	60 548 082	25 210 000
	104 557 798	40 736 349	64 748 082	29 410 000

The land and buildings of the Company were valued on 25 February 2009 by Chris Erb, a registered Valuer and Property Consultant (S.A.I.V) using the income capitalisation method. Due to the construction currently on the building the board decided not to revalue the building for this financial period. Borrowing costs were capitalised, as per IAS 23 – refer accounting policy note 17.

2. SUBSIDIARIES

	Issued share capital	Percentage holding		Shares at cost		Loans due by Subsidiaries	
		2010	2009	2010	2009	2010	2009
	N$	%	%	N$	N$	N$	N$
NAMCOR Exploration and Production (Proprietary) Limited	160 000	100	100	160 000	60 000	89 234	-
Namcor International Trading				194 065			
NAMCOR Petroleum Trading and Distribution (Proprietary) Limited	100	100	100	100	100	68 333 988	102 902 618
Impairment during the year						-	(102 902 618)
Sonam Petroleum Company (Proprietary) Limited	160 000	100	100	160 000	60 000	97 821	
	320 100			514 165	120 100	68 521 043	-

The loan due by the subsidiary is unsecured, interest free and repayable on demand. During the financial year additional shares were issued for Namcor Exploration and Production (Pty) Ltd and Sonam Petroleum Company (Pty) Ltd. NAMCOR has deferred its right to claim or accept payment of debt owing to it by Namcor Petroleum Trading and Distribution (Pty) Ltd until the assets of the company fairly valued exceed its liabilities.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2010

	Group 2010 N$	Group 2009 N$	Company 2010 N$	Company 2009 N$
3. DEPOSITS AND OTHER SHORT-TERM INVESTMENTS				
Held to maturity	44 757 834	32 134 260	-	-
At fair value through profit or loss	-	-	-	-
	44 757 834	32 134 260	-	-
Directors' valuation	44 757 834	32 134 260	-	-

The held to maturity investments mature at periods between 3 to 6 months and carry interest at 6.97%. (2009:8%) Bank Windhoek holds a limited cession of N$7.5 million to cover guarantees issued. An additional unlimited cession covers all additional FEC's established over and above the N$40 million limit.

	Group 2010 N$	Group 2009 N$	Company 2010 N$	Company 2009 N$
4. INVENTORIES				
Finished goods (at net realisable value)	288 312 022	86 026 883	-	-
5. SHARE CAPITAL				
Authorised and issued				
10 000 000 Ordinary shares of N$1 each	10 000 000	10 000 000	10 000 000	10 000 000

The holder of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

	Group 2010 N$	Group 2009 N$	Company 2010 N$	Company 2009 N$
6. TRADE AND OTHER RECEIVABLES				
Trade receivables	55 243 773	98 880 209	-	304 975
Impairment of trade receivables	(43 848 918)	(17 425 866)	-	-
Inland revenue - VAT	6 265 573	-	5 293 284	-
Other receivables	841 883	6 082 061	806 172	4 342 665
	18 502 311	87 536 404	6 099 456	4 647 640

The Group and Company's exposure to credit and currency risks and impairment losses relating to trade and other receivables are disclosed in note 18.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2010

	Group 2010 N$	Group 2009 N$	Company 2010 N$	Company 2009 N$
7. LONG-TERM LOAN				
Secured loan – Bank Windhoek	41 377 264	21 386 999	41 377 264	21 386 999
– Standard Bank	18 542 670	-	-	-
Current portion	(3 519 208)	(19 231 473)	(3 253 699)	(19 231 473)
	56 400 726	2 155 526	38 123 565	2 155 526

The Bank Windhoek loan bears interest at 8.25% (2009: 10.75%) per annum and is secured by a first and second mortgage bond over Erf 8020 Windhoek with a net book value of N$38 123 570 (2009: N$28 905 799). The loan is repayable in 120 monthly instalments of N$545 092 (2008: N$169 374) each.

The Standard Bank of Namibia loan bears interest at 9.7 (2009:Nil) per annum. The loan is repayable in 108 monthly instalment of N$171 296.30 (2009:Nil) each.

8. TRADE AND OTHER PAYABLES

	Group 2010 N$	Group 2009 N$	Company 2010 N$	Company 2009 N$
Trade payables	518 343 331	290 747 780	655 072	834 393
Other payables	24 181 390	21 930 858	2 250 072	2 275 466
	542 524 721	312 678 638	2 905 144	3 109 859

The Group and Company's exposure to currency and liquidity risks relating to trade and other payables is disclosed in note 19.

9. DERIVATIVE FINANCIAL INSTRUMENTS

	Group 2010 N$	Group 2009 N$	Company 2010 N$	Company 2009 N$
Forward foreign exchange contracts	32 046 717	22 170 224	-	-
	32 046 717	22 170 224	-	-

Gains and losses on forward foreign exchange contracts were taken to the income statement. At year-end forward foreign exchange contracts to the value of US$38 549 437 (2009:U$22 051 133) existed.

10.REVENUE

	Group 2010 N$	Group 2009 N$	Company 2010 N$	Company 2009 N$
Sales	1 627 937 218	2 950 358 480	1 051 603	1 093 172

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2010

	N$ Group 2010	N$ Group 2009	N$ Company 2010	N$ Company 2009
11. LOSS FROM OPERATIONS				
Profit from operations is arrived at after taking into account:				
Auditors' remuneration	(502 312)	(216 988)	(360 244)	(138 988)
Depreciation	(2 255 118)	(1 682 178)	(2 112 264)	(1 682 178)
Directors' remuneration	(1 913 042)	(1 781 808)	(1 867 042)	(1 724 308)
- For services as directors	(362 956)	(408 289)	(316 956)	(350 789)
- For management services	(1 550 086)	(1 373 519)	(1 550 086)	(1 373 519)
Impairment of trade receivables	(26 423 031)	(17 425 866)	-	-
Impairment of loans to subsidiaries	-	-	-	(102 902 618)
Operating leases	(976 232)	(589 587)	(701 102)	(294 482)
Realised foreign exchange loss	-	(65 761 799)	(155 758)	1 377 933
Realised foreign exchange gain	17 145 245	1 377 933	-	-
Fair value adjustment on held for trading financial instruments	9 876 493	(22 170 224)	-	-
Staff costs	(18 878 004)	(17 241 862)	(18 878 004)	(17 241 862)
12. FINANCE INCOME AND EXPENSE				
Interest income on held-to-maturity investments	6 987 406	8 051 444	5 325 277	2 527 969
Interest income on cash and cash equivalents	282 623	4 520 883	282 623	1 989 984
Interest income on receivables	6 647 550	5 212 480	-	-
Interest income on loan receivable	-	22 624	-	22 624
Finance income	13 917 579	17 807 431	5 607 900	4 540 477
Interest expense on cash and cash equivalents	(2 245 541)	(716 854)	(2 020 063)	(584 122)
Interest expense on trade payables	(21 537 419)	-	-	-
Interest expense paid to Receiver of Revenue	(1 863 224)	(864 600)	-	-
Finance Expense	(25 646 184)	(1 581 454)	(2 020 063)	(584 122)
Net finance income and expense	(11 728 605)	16 225 977	3 587 837	3 956 455

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2010

	Group 2010 N$	Group 2009 N$	Company 2010 N$	Company 2009 N$
13. TAXATION				
Current taxation			-	-
Deferred taxation – current year	12 438 350	(761 525)	(2 517 658)	6 659 693
Deferred taxation – prior year	-	(2 777 067)	-	(2 777 067)
	12 438 350	(3 538 592)	(2 517 658)	3 882 626
Reconciliation of rate of taxation:	%	%	%	%
Namibian normal rate of taxation	34,0	35,0	34,0	35,0
Adjusted for:				
Non taxable income	-	-	-	-
Non-deductible expenditure	-	(0,1)	-	(24,4)
Prior year charge	-	1,1	-	1,9
Change in tax rate	-	(1,0)	-	(1,0)
Deferred tax asset not recognised	(1 435,0)	(33,6)	(40,7)	(8,9)
Effective rate of taxation	(1 401,0)	1,4	(6,7)	2,6
14. CASH GENERATED BY OPERATIONS				
Reconciliation of profit before taxation to cash generated from operations **:**				
(Loss)/Profit before taxation	(887 905)	(253 464 489)	(37 368 531)	(147 797 890)
Finance income	(13 917 579)	(19 185 364)	(5 607 900)	(5 918 510)
Finance expense	25 646 183	89 513 477	2 020 063	584 122
Adjustment for non-cash flow items:				
- Depreciation	2 252 342	1 682 178	2 112 264	1 682 178
- Profit on sale of property, plant and equipment	-	(16 648)	-	(16 648)
- Impairment of loans and trade receivables	-	17 425 866	-	102 902 618
Increase/(decrease) in working capital	106 471 530	87 423 580	(1 656 531)	2 730 870
Decrease/(Increase) in trade and other receivables	69 034 093	98 333 376	(1 451 816)	3 841 596
Decrease/(Increase)in inventories	(202 285 139)	165 802 192	-	-
(Decrease)/Increase in trade and other payables	229 846 083	(176 711 988)	(204 715)	(1 110 726)
Increase in derivative financial instrument	9 876 493	-	-	-
	119 564 571	(76 621 400)	(40 500 635)	(45 833 260)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2010

	Group 2010 N$	Group 2009 N$	Company 2010 N$	Company 2009 N$
15. TAXATION PAID				
Opening balance at the beginning of the year	9 687 369	9 687 369	5 461 405	5 461 405
Taxation in income statement	-	-	-	-
Closing balance at the end of the year	(9 687 369)	(9 687 369)	(5 461 405)	(5 461 405)
	-	-	-	-
16. CASH AND CASH EQUIVALENTS				
Cash and bank balances	64 428 374	9 968 838	1 555 283	1 736 938
Call deposits	25 660 173	-	25 660 173	-
	90 088 547	9 968 838	27 215 456	1 736 938

Overdraft facilities of N$400 000 have been made available to the company until 3 October 2010. The Group and Company's exposure to currency and liquidity risk relating to cash and cash equivalents is disclosed in note 19.

	Group 2010 N$	Group 2009 N$	Company 2010 N$	Company 2009 N$
17. DEFERRED TAXATION				
Balance at the beginning of the year	-	(3 538 592)	-	3 882 626
Income statement charge	12 438 350	(3 538 592)	(2 517 658)	(3 882 626)
Deferred tax on revaluation of land and buildings	-	-	-	-
Balance at the end of the year	12 438 350	-	(2 517 658)	
Disclosed as follows in the balance sheet:				
Deferred tax asset	(14 956 008)	-	-	-
Deferred tax liability	2 517 658	-	2 517 658	-
	(12 438 350)	-	2 517 658	-
The deferred tax consists of the following:				
Property, plant and equipment	3 585 233	6 675 072	2 612 331	6 675 072
Unrealised forex loss	(4 800 360)	(7 537 876)	(52 924)	-
No debit balance created	(41 749)	86 300 784	(41 749)	8 530 831
Allowance for impairment – trade receivables	(11 181 474)	(4 443 596)	-	-
Calculated tax loss	-	(80 994 384)	-	(15 205 903)
	(12 438 350)	-	2 517 658	-

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2010

18. RETIREMENT BENEFIT INFORMATION

The company provides retirement benefits for all its permanent employees through a defined contribution scheme subject to the Pension Funds Act, 1956 as amended. The fund is exempted in terms of Regulation 2 of the Pension Funds Act, Act No 24 of 1956 for valuation of the fund.

19. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Exposure to credit, liquidity and market risk arises in the normal course of the Group and Company's business. 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.

19.1 Credit risk

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

19.1.1 Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. At year end no significant concentrations of credit risk existed per customer. Clients are contractually bound to pay 45 days after delivery of product. The Group does not require any collateral in respect of trade and other receivables. The Group mainly trades with wholly owned subsidiaries of international oil companies, the balance owing by these companies at year end comprising 98% of total trade and other receivables.

19.1.2 Investments

The Group limits its exposure to credit risk by mainly investing in cash deposits and only with counterparties licensed as financial institutions in Namibia and the Government of the Republic of Namibia. Given this, management does not expect any counterparty to fail to meet its obligations.

19.1.3 Guarantees

National Petroleum Corporation of Namibia provided financial guarantees on behalf of one of the subsidiaries. The value at 31 March being N$7 500 000.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2010

19. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

19.2 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 for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Group maintains the following lines of credit:

- N$800 000 overdraft facility that is unsecured. Interest would be payable at the current prime lending rate.

19.3 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.

The Group buys and sells derivatives in the ordinary course of business and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Board.

19.3.1Currency risk

The Group and Company incurs currency risk as a result of the following transactions which are denominated in a currency other than its functional currency: data sales, purchases and import of petroleum products. The currencies, giving rise to currency risk, in which the Group primarily deals is the U.S Dollar (US$) and British Pound Sterling (GBP).

In respect of monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying foreign currencies at forward rates that best match its expected inflow of local, and outflow of foreign currencies. Where possible, spot pricing is used to mitigate and recover costs of purchasing such forward exchange cover.

19.3.2 Interest rate risk

The group generally adopts a policy of entering into long-term loan agreements with a variable, prime linked interest rate. Also refer to note 7 for details of long term borrowings.

19.3.3 Other market price risk

The Group and Company is not directly exposed to any equity price risk at year end. The Group is exposed to commodity risk through trading in fuel. Risk is mitigated by using hedging strategies in the form of averaging of prices over periods to smooth short term volatility.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2010

19.4 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. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements. No changes were made in the objectives, policies or processes during the years ending 31 March 2010 and 31 March 2009.

19.5 Financial instruments

19.5.1 Fair values

The fair values of all financial instruments are substantially identical to carrying values reflected in the balance sheet.

19.5.2 Exposure to credit risk

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

	Group 2010 N$	Group 2009 N$	Company 2010 N$	Company 2009 N$
Held-to-maturity investments	44 757 834	32 134 260	-	-
Loans and receivables	18 502 311	87 536 404	6 099 456	4 647 640
Cash and cash equivalents	90 088 547	9 968 838	27 215 456	1 736 938
	153 348 692	129 639 502	33 314 912	6 384 578

The Group's 5 most significant customers, domestic wholesalers account for N$53 764 412 (2009: N$98 575 234) of the total loans and receivables at year end.

The Company's most significant loans and receivables at year end, all domestic, were:

- *Amounts due by subsidiaries – N$ 34 568 630 (2009:N$Nil after impairment)*

19.5.3 Impairment losses

The aging of trade receivables at the reporting date was:

	Gross 2010	Impairment 2010	Gross 2009	Impairment 2009
COMPANY				
Not past due	-	-	36 353	-
Past due 0-30 days	-	-	23 015	-
Past due 31 – 120 days	-	-	245 607	-
	-	-	304 975	-
GROUP				
Not past due	520 169		64 829 971	
Past due 0-30 days	7 483 387		8 017 284	
Past due 31 – 120 days	45 760 856	(26 423 031)	26 032 954	(17 425 866)
More than one year	-	-	-	-
	53 764 412	(26 423 031)	98 880 209	(17 425 866)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2010

19. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

19.5 Financial instruments (continued)

19.5.4 Liquidity risk

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements

	Carrying Amount	Contractual Cash flows	6 months Or less	6-12 months	1-2 years	2-5 years
COMPANY						
2010						
Secured bank loans	41 377 264	(41 377 264)	(1 593 415)	(1 660 283)	(4 367 020)	(33 756 546)
Trade and other payables	2 905 144	(2 905 144)	(2 905 144)	-	-	-
	44 282 408	(44 282 408)	(4 498 559)	(1 660 283)	(4 367 020)	(33 756 546)
COMPANY						
2009						
Secured bank loans	21 386 999	(23 967 551)	(18 547 568)	(1 016 247)	(4 064 988)	(338 748)
Trade and other payables	3 109 859	(3 109 859)	(3 109 859)	-	-	-
Bank overdraft	-					
	24 496 858	(27 077 410)	(21 657 427)	(1 016 247)	(4 064 988)	(338 748)

	Carrying Amount	Contractual Cash flows	6 mths Or less	6-12 months	1-2 years	2-5 years
GROUP						
2010						
Secured bank loans	59 919 934	(59 919 934)	(1 858 925)	(1 660 283)	(4 367 020)	(52 033 706)
Trade and other payables	542 524 721	(542 524 721)	(542 524 721)	-	-	-
Derivative financial instruments	32 046 717	(32 046 717)		(32 046 717)	-	-
	634 491 372	(634 491 372)	(544 247 668)	(33 707 000)	(4 367 020)	(52 033 706)
GROUP						
2009						
Secured bank loans	21 386 999	(23 967 551)	(18 547 568)	(1 016 247)	(4 064 988)	(338 748)
Trade and other payables	312 678 638	(312 678 638)	(312 678 638)	-	-	-
Bank overdraft	-	-	-	-	-	-
Derivative financial instruments	22 170 224	(22 170 224)	(22 170 224)	-	-	-
	356 235 861	(358 816 413)	(353 396 430)	(1 016 247)	(4 064 988)	(338 748)

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2010

19.5 Financial instruments (continued)

19.5.5 Exposure to currency risk

The Group's exposure to foreign currency risk was as follows based on notional amounts:

	Group	Company	Group	Company
	2010	2010	2009	2009
	US$	US$	US$	US$
Trade and other receivables	-	-	25 772	25 772
Cash and cash equivalents	31 386	31 386	114 954	114 954
Trade and other payables	225 589 158	10 183	(30 228 539)	-
Forward exchange contracts	38 549 437	-	22 051 133	-
Gross Balance sheet exposure	294 169 981	41 569	(8 036 680)	140 726
Reporting date spot rate	7.39	7.39	9.53	9.53

Company

A 10% strengthening of the N$ against the US$ at 31 March would have decreased profit by N$4 156 (2009: N$14 072). This analysis assumes all other variables, in particular interest rates, remain constant. A 10% weakening of the N$ against the US$ at 31 March would have an equal but opposite effect.

Group

A 10% strengthening of the N$ against the US$ at 31 March would have decreased the loss by N$25 766 726 (2009: N$803 668 decrease in profit). This analysis assumes all other variables, in particular interest rates, remain constant. A 10% weakening of the N$ against the US$ at 31 March would have an equal but opposite effect.

19.5.6 Interest rate risk

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

	Group	Group	Company	Company
	2010	2009	2010	2009
	N$	N$	N$	N$
Fixed rate instruments				
Financial assets	44 757 834	32 134 260	-	-
Variable rate instruments				
Financial assets	89 872 683	9 968 838	27 215 456	1 736 938
Financial liabilities	59 919 934	(21 386 999)	41 377 269	(21 386 999)

NAMCOR

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2010

20. Determination of fair value and fair value hierarchy

Below follows required disclosure of fair value measurements, using a three level fair value hierarchy that reflects the significance of the inputs used in determining the measurements. It should be noted that these disclosure only cover instruments measured at fair value.

Included in level 1 category are financial assets and liabilities that are measured in whole or in part by reference to unadjusted, quoted prices in an active market for identical assets and liabilities. Quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service or regulatory agency an those prices represent actual and regularly occurring market transactions on an arm's length basis.

Included in level 2 category are financial assets and liabilities measured using inputs other than quoted prices included within level 1 that are observable for the asset of liability, either directly (i.e. as prices or indirectly (i.e derived from prices). For example, instruments measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are categorised as level 2.

Financial assets and liabilities measured using inputs that are not based on observable market data re categorised as level 3.

March 2010	Level 1	Level 2	Level 3	Total
Derivative financial instruments	32 046 717	-	-	32 046 717
Total financial insturments at fair value	32 046 717	-	-	32 046 717

21. RELATED PARTIES

21.1 Shareholder

The Government of the Republic of Namibia holds 100% of the issued share capital of the company.

21.2 Identity of related parties with whom material transactions have occurred

The subsidiaries of the company are identified in note 3. Other than with the directors and the shareholder, there are no other related parties with whom transactions have taken place.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2010

21. RELATED PARTIES (CONTINUED)

21.3 Types of related party transactions

NAMCOR has made loans and advances to certain subsidiaries (refer note 3).

NAMCOR received a fuel levy from the shareholder based on the litres of petrol sold by the fuel companies during 2003, and advanced an unsecured loan of N$50 million to the shareholder, of which N$25 million is interest free. This loan was repaid of during the 2008 financial year.

Material transactions with the company

Loans and receivables to related parties – refer note 3.

Directors' emoluments – refer note 10.

Key management remuneration

Refer note 10 for amounts paid to the managing director.

	Group 2010 N$	Group 2009 N$	Company 2010 N$	Company 2009 N$
22. EMPLOYEES				
Number of employees	43	42	43	42
23. GOVERNMENT GRANTS				
At 1 April 2009	-	-	-	-
Received during the year	100 000 000	-	100 000 000	-
Released to the income statement	(100 000 000)	-	(100 000 000)	-
	-	-	-	-

A government grant has been received for the importation of 50% refined petroleum products. There are no unfulfilled conditions or contingencies attached to this grant.

24. GOING CONCERN

The company had a net loss for the year ended 31 March 2010 of N$ 39 886 189 (2009: N$ 143 915 264, group 2009: N$ 257 003 081), and as at that date, the company's total liabilities exceed its assets by N$4 393 265 and that the group's total liabilities exceed its assets by N$58 854 452 (2009: N$70 417 421).

Management are in negotiations with Botswana to supply fuel to the country. They are launching an automotive lubricant distribution business and constructing and refurbishing bulk fuel depots countrywide for commercial and strategic fuel supplies. They are also entering into the marketing and distribution sectors of the business by participating in fuel tenders in line with this new strategy. Apart from fuel tenders awarded, the above-mentioned plans are all in negotiation phase and no contracts are yet in place to substantiate them.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2010

24. GOING CONCERN (CONTINUED)

These conditions give rise to a material uncertainty which may cast significant doubt about the group's ability to continue as a going concern and, therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that the directors will continue to procure funding to finance future operations and that the realisation of assets and settlement of liabilities will occur in the ordinary course of business.

VALUE ADDED STATEMENTS
for the year ended 31 March 2010

Value added is the measure of wealth the group has created in all its operations by "adding value" to the cost of raw materials, products and services purchased. The statement below summarises the total wealth created and shows how it was shared by employees and other parties who contribute to its creation. Also set out below is the amount retained and reinvested in the company for the replacement of assets and the further development of operations.

	Group 2010 N$	Group 2010 %	Company 2010 N$	Company 2010 %
Revenue, including funding received, fuel levy and other income, excluding finance income	1 729 258 543		1 058 403	
Paid to suppliers of materials and services	(1 722 240 435)		(19 157 461)	
Non-operating income/(loss)	7 018 108	15	(18 099 058)	(145)
Interest received	40 939 317	85	5 607 900	45
Total value added	47 957 425	100	(12 491 158)	100
Applied as follows :				
To employees				
Salaries	18 878 004	40	18 878 004	(151)
Directors' remuneration	1 913 042	4	1 867 042	(15)
To providers of capital				
Interest paid	25 801 942	55	(2 020 063)	(16)
To Government				
Taxation	(12 438 350)	(26)	2 517 658	(20)
To replace assets				
Depreciation	2 252 342	2	2 112 264	(17)
To expansion and growth of company				
Net accumulated loss retained	11 550 445	25	(39 886 189)	319
	47 957 425	100	(12 491 158)	100

Our Vision:

To be a world-class petroleum organisation providing sustainable benefits to all stakeholders.

Our Mission:

- ensuring security of supply, through upstream and downstream operations;
- harnessing innovative industry best practices;
- proactively embracing international safety, health and environmental protocols;
- recruiting and retaining high performing, passionate and competent people.

Core Values / Identity:

Teamwork: We will work together as a cohesive and disciplined unit.

Integrity: We will always be honest, trustworthy and show respect in all our dealings,

Professionalism: We expect all our people to be competent, self-disciplined, dedicated
to service excellence, innovative, responsive and accountable for all our actions.

Equity: We will always be fair and equitable in all our dealings.

Safety: We will uphold health, safety, security and environmental protocols.

1 Aviation Road - Petroleum House
Private Bag 13196
Windhoek, NAMIBIA

Tel: +264 61 204 5000
Fax: +264 61 204 5061
E-mail: info@namcor.com.na

www.namcor.com.na

NAMCOR

NATIONAL PETROLEUM CORPORATION OF NAMIBIA (PTY) LTD.