ZIMBABWE POWER COMPANY

Zimbabwe Power Company (Private) Limited

2010 Annual Report

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ZIMBABWE POWER COMPANY
(Private) Limited

" We are committed to delivering reliable services in the generation of electricity and supply of energy related products through use of environmentally friendly technologies to meet stakeholders' expectations. "

Company Profile

Zimbabwe Power Company (ZPC) was incorporated in 1996 as the ZESA Holdings (Private) Limited investment vehicle in power generation sector and it became operational in 1999. The Electricity Act (Chapter 13:19) which was passed in 2002, saw the unbundling of ZESA resulting in ZPC being designated as the power generation company. As such ZPC is authorised to construct, own, operate and maintain power generation stations for the purpose of power generation and electricity supply.

The Zimbabwe Power Company operates four coal fired power stations at Hwange, Harare, Munyati and Bulawayo and a hydro power station at Kariba. Each power station holds a generation licence issued by the Zimbabwe Electricity Regulatory Commission.

The Company has a staff establishment of about above
1 600 employees at the power stations and at its head office in Harare. .

Our Vision

To be the leading supplier of energy and related services in the region.

Our Mission

We are committed to delivering reliable services in the generation of electricity and supply of energy related products through use of environmentally friendly technologies to meet stakeholders' expectations.

Our Values

- Customer Service
- Orientation
- TeamworkPeople Centred
- Innovation/Creativity
- Professionalism and transparency
- Social Responsibility



Corporate Information

INCORPORATION

Zimbabwe Power Company was formed in 1996 as an investment arm of the then ZESA.

BUSINESS

The Company's core business is to generate electric power in Zimbabwe and it is also mandated to explore other sources of energy.

BOARD MEMBERS

Non-Executive

Richard Maasdorp (Eng.)	Chairperson
Slava G. Chella(Mrs)	
Victor R. Gapare	
Desmond Matete	
Takawira Zengeya	
Eliab T. Chikwenhere	Group Financial Controller

Executive

Noah F. Gwariro (Eng.)	Managing Director
Hubert Chiwara	Finance Director
J. Chifamba	Group Chief Executive Officer

COMPANY SECRETARY & LEGAL ADVISOR

Said Sangula

MANAGEMENT

Wonder Magura	Operations Director
Tanda Chisi	Technical Director
Florence Chibasa(Mrs)	Human Resources Manager

REGISTERED OFFICE	12th Floor, Megawatt House, 44 Samora Machel Avenue P. O. Box MP 274,Mount Pleasant Harare, Zimbabwe
PRINCIPAL BANKERS	Stanbic Bank Limited Standard Chartered Bank Zimbabwe Limited ZB Bank Limited
AUDITORS	KPMG Chartered Accountants (Zimbabwe) Mutual Gardens 100 The Chase (West) Emerald Hill, Harare, Zimbabwe
CURRENCY OF ACCOUNTS	Currency of Accounts: United States dollars
PERIOD OF ACCOUNTS	Period of Accounts: Year ended 31 December 2010

Board of Directors

Eng. R. Maasdorp
Non-Executive Chairman

V. R. Gapare
Non-Executive Director

Eng J. Chifamba
Group Chief Executive
(*Appointed 1 February 2011*)

Eng. N. F. Gwariro
Managing Director

S. G. Chella
Non-Executive Director

T. Zengeya
Non-Executive Director

E. T. Chikwenhere
Group Financial Controller

H. Chiwara
Finance Director

D. Matete
Non-Executive Director

Board Commitees

HUMAN RESOURCES AND LEGAL COMMITTEE

Desmond Matete	Chairperson
Takawira Zengeya	
Noah F. Gwariro	Managing Director
Florence Chibasa	Human Resources Manager

FINANCE, INVESTMENT & PROCUREMENT COMMITTEE

Victor R. Gapare	Chairperson
Slava G. Chella	
Noah F. Gwariro	Managing Director
Hubert Chiwara	Finance Director

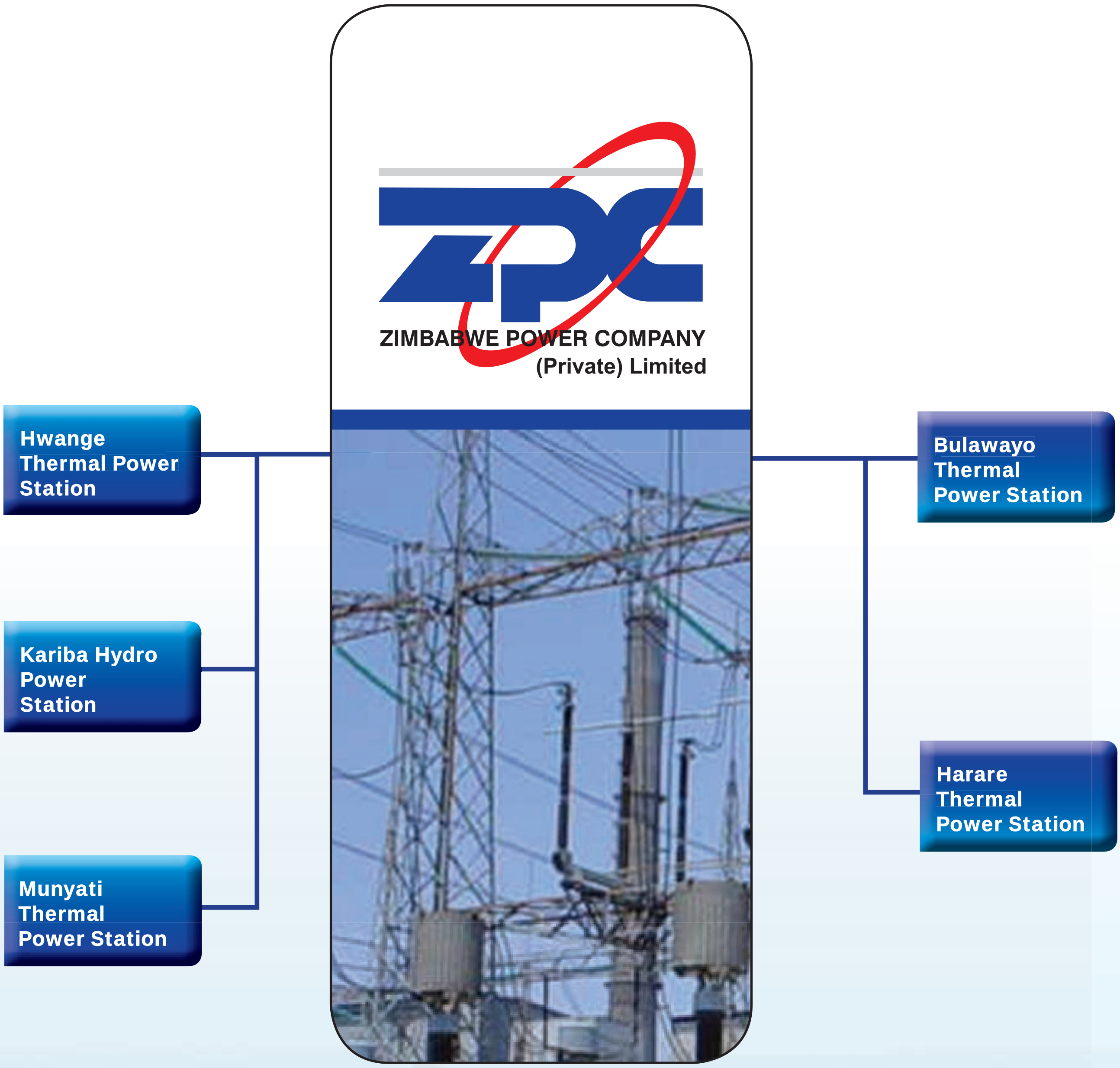
TECHNICAL COMMITTEE

Takawira Zengeya	Chairperson
Richard Maasdorp	
Noah F. Gwariro	Managing Director
Tanda Chisi	Technical Director (Ex-officio)
Wonder Magura	Operations Director (Ex-officio)

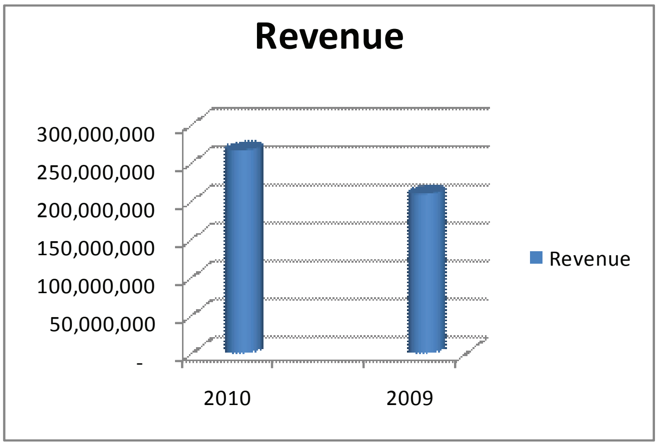
AUDIT & RISK MANAGEMENT COMMITTEE

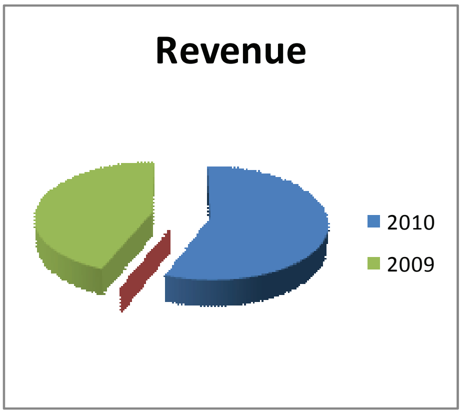
Slava G. Chella	Chairperson
Takawira Zengeya	
Desmond Matete	
Noah F. Gwariro	Managing Director
Osborne Matunja	Head Group Performance & Audit

Company Structure



Highlights Statement





	2010	2009
HIGHLIGHTS 2010		
Revenue	266,144,932	208,979,247
Expenditure	(211,143,706)	(211,981,080)
Financing cost	(12,467,229)	(18,236,860)
Taxation	(44,143,253)	27,850,164
(Loss)/Profit after tax	(1,715,576)	6,538,102
Total net assets	920,765,354	946,468,395
Capital expenditure	16,561,791	11,415,564
Number of employees	1,444	1,370
Units sent out per station (GWh)		
Hwange	2,637.256	1,684.755
Kariba	5,798.777	5,457.759
Harare	-	22.901
Munyati	74.468	-
Bulawayo	-	-
Total	8,510.501	7,165.415
Nampower exports (GWh)	987.303	849.528
Nampower exports (US$)	30,238,405	22,355,800

Chairmans' Statement

Eng. R. Maasdorp -
Board Chairman

INTRODUCTION

It is my honour to present to you results of Zimbabwe Power Company (Private) Limited (ZPC) for the year ended 31 December 2010. ZPC is a wholly owned subsidiary of ZESA Holdings (Private) Limited, ultimately wholly owned by the Government of Zimbabwe. The company is responsible for the generation of electricity in Zimbabwe. The Company is governed by the Companies Act (Chapter 24:03), Electricity Act (Chapter 13:19) and the Audit and Exchequer Act (Chapter 22:03).

OPERATING ENVIRONMENT

The year under review was characterised by a number of developments which positively and negatively impacted on the operations of the company and the economy at large and amongst these factors are:

- Relatively stable operation environment
- Multi-currency system
- Improved industrial capacity utilisation
- Improved confidence in the economy
- Lack of meaningful foreign direct investment
- Sub-economic tariff

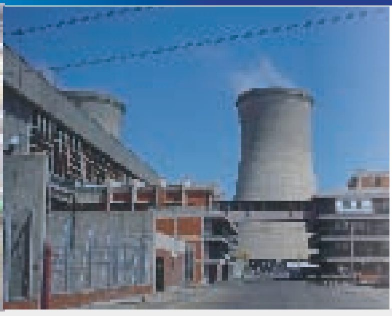
Year 2010 was characterised by a relatively stable operating environment following the formation of the inclusive Government and of the introduction of the multi-currency system in year 2009. Although the national economy recorded positive growth (GDP 8.1 % or US$6.08b), companies continued to face liquidity problems. Adoption of the multi-currency regime has had positive improvements to the economy notably curbing runaway inflation (3.2% in 2010) and high interest rates. However, adoption of the multi-currency increased the cost of doing business and reduced the availability of credit. Multi-currency regime has dried up the flow of funds to the productive sector.

RESULT OF OPERATIONS

Total energy sent out in the year under review was 8 510 GWh which resulted in an increase in energy sent out of 13.9% from 7 165 GWh generated in year 2009. The increase was a result of commissioning of Stage 1 units after refurbishment works that were financed by a US$40m loan from NamPower. A total 7 523 GWh was dispatched to Zimbabwe Electricity Transmission and Distribution Company (ZETDC). Revenue realised from sales to ZETDC was US$235m. Revenue realised was subdue as a result of a sub-economic tariff of USC3.06/KWh. The tariff was set in February 2009. Although the tariff was last reviewed in 2009 major cost drivers have significantly gone up. The major cost driver increases have been: coal 51%, diesel 44% as well as prices spares and components imported during the year under review. ZPC was forced to cut on maintenance and refurbishment works. Despite facing these challenges ZPC is grateful to the support that it received from Government in the financial year 2010. Government through the Ministry of Finance granted ZPC a loan to the tune of US$25m for the refurbishment works at Hwange and Kariba power stations. The company continued exporting power to Namibia under the NamPower deal during the course of the year. A total of 987GWh was exported. Total NamPower sales were US$30m. The Company posted a loss after tax of US$1.7m for the year under review.

CORPORATE GOVERNANCE

ZPC subscribes to recommended best practices regarding corporate governance principles and conduct. The company follows a set of principles of Corporate Governance derived from the Code of Best Practice of the Combined Code of the United Kingdom and the King II Report of South Africa, and where necessary cognisance is taken on corporate governance precedence in Zimbabwe. The company is committed to the



"Government through the Ministry of Finance granted ZPC a loan to the tune of US$25m for the refurbishment works at Hwange and Kariba power stations."

principle of integrity, accountability and transparency. Effective corporate governance is a priority at the board and senior management levels, as well as throughout the company.

DIRECTORATE

Composition:-

Eng. R. Maasdorp	(Chairman)
Mrs. S.G. Chella	(Non-executive Director)
Mr. V. R. Gapare	(Non-executive Director)
Mr. D. Matete	(Non-executive Director)
Eng. T. Zengeya	(Non-Executive Director)
Eng. B. Rafemoyo	(Group Chief Executive Officer)
Mr. E. Chikwenhere	(Group Financial Controller)
Eng. N.F. Gwariro	(Managing Director)
Mr. H. Chiwara	(Finance Director)

The Board is responsible for setting the direction of the company through formulation of key policies and the approval of financial objectives and targets. The board also monitors the implementation of strategic policies as mandated to the Executive Management.

To assist the board in executing its responsibilities, four committees, with board approved terms of reference, have been established.

The committees are as follows:-

- Finance, Investments and Procurement Committee.
- Human Resources and Legal Committee.
- Technical Committee.
- Audit and Risk Management Committee.

GENERATION EXPANSION PROJECTS

There was no execution of capital projects during the year. The reason was due to continued lack of investors' confidence and perceived country risk. A number of potential investors expressed their interest in investing and some Memoranda of Understanding / Agreements were signed but these did not translate into actual investment and project development. However, despite failure to secure funding for the expansion projects in the past years, ZPC with the help of its technical partner (Hatch Africa) is updating feasibility studies for the expansion programmes with a view of calling for 'Expression of Interest' on the two projects in the near future. The company is also working on appointing a financial advisor who will assist and address all aspects of capital raising for the two projects.

OUTLOOK

The macro economic policies spelt out in the 2011 National Budget seek to sustain macro-economic stability and provide support for rapid economic growth. Government projects a 9.3% growth in the Gross Domestic Product (GDP) whilst inflation is expected to be 4.4%. Since there is a high positive correlation between the GDP growth and electricity demand the high GDP growth rates projected herein will result in high demand for electricity without which the projected growth rates will not be realised. The current Load Forecast Report projects electricity demand growth rate of 40% increase in sales from the 8510GWh generated in year 2010. The projected GDP growth rate will further widen the gap between demand and supply of electricity thereby raising the issue of demand side management to higher notches. ZPC is optimistic to secure the much needed funding for the expansion projects and the on going refurbishment works with a view of increasing units sent out in tandem to the forecasted economic growth.

APPRECIATION

My appreciation goes to all stakeholders, fellow board members, our valued customers, management and staff for their support and commitment during the year. We look forward to your continued support.

R. Maasdorp

BOARD CHAIRMAN

Date:.............................

MANAGING DIRECTORS REPORT

Eng. N. F. Gwariro -
Managing Director

MANAGING DIRECTOR'S REPORT

1. Overview

There has been a significant increase in the demand for electricity due to improved industrial activity. However there continues to be a shortage of power in the region and in Zimbabwe in particular due to lack of additional power generation capacity. The shortfall is bound to worsen as demand increases. There was no significant progress in generation expansion projects.

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There was improvement to the financial position and the organisation was able to fund some of its operational requirements from revenue collected. The skills flight stopped at the introduction of US dollar salaries and a few former employees were reengaged.

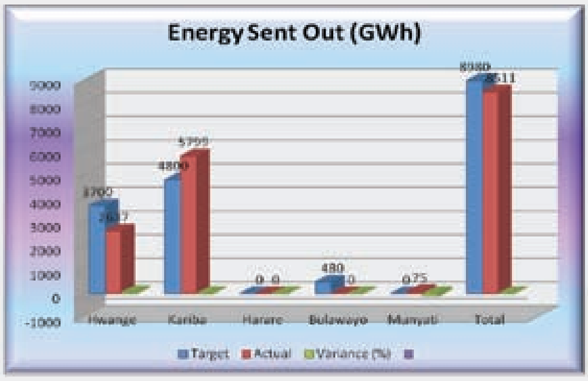
Power production increased remarkably as a result of the refurbishment projects at Hwange carried out with assistance from Government. Small Thermals were not dispatched due to their high cost of production. However, Munyati came on load in the 4th quarter following the proposal for ring fenced customers willing to pay a cost reflective tariff.

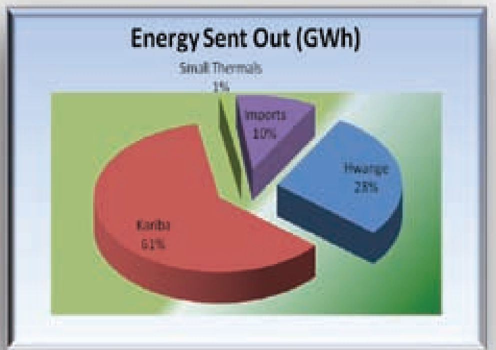
Table 1. OPERATIONAL STATISTICS

	2008	2009	2010
Energy Sent Out (GWh)	7 471	7 165	8511
NamPower Exports (GWh)	569	896	907
Market Share on Energy Supplied (%)	81.5	78.6	70
Maximum Load (MW)	1290	1341	1469
National Maximum Demand(MW)	1429	1435	1910
Plant Load Factor (%)	44.15	73.32	60
Plant Availability (%)	63.20	65.99	69
Coal Received (Tonnes)	1,065,810	1,012,811	1,914,747

2. Business Units Performance

The total energy sent out by Zimbabwe Power Company power stations in 2010 was 8 511GWh. This was 19% more than the 7 165GWh sent out in 2009. The ZPC market share on energy supply was 78.6% in 2010. This was the same as 2009.

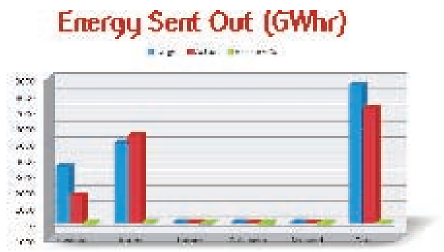


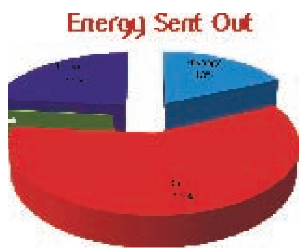


a. Hwange Power Station

Hwange Power Station produced 2 637.3GWh. This was 28.7% below the target of 3 700GWh. The major challenges were plant availability. 1 857 983 tonnes of coal were received and 1 570 454 tonnes were consumed.

Managing Directors Report (cont)





The Major overhaul of Stage I units under NamPower funding which commenced in 2007 continued and last unit (unit 1) was commissioned in February.

Projects to refurbish auxiliary plant commenced with fiscal support.

b. **Kariba Power Station**

Kariba Power Station remained the major supplier of energy as thermal power stations faced challenges in plant availability. Lake levels were healthy allowing full allocation of water for generation. The power station managed to produce 5 799GWh, which is above target production level. All scheduled maintenance work was carried out.

c. **Small Thermals**

Of the three small thermal stations, Munyati Power Station produced 75GWh whilst Bulawayo and Harare Power Stations did not produce.

d. **NamPower**

A total of 987GWh was exported to NamPower of Namibia in fulfilment of a contractual obligation for the financing of Hwange Stage I Major Overhauls. However, the energy exported was 10% less than the target of 1094GWh due to occasional restriction in the wheeling path due to outages on the Eskom system.

3. **Generation Expansion Projects**

There was no execution of generation expansion projects due to lack of capital. However, preparatory work is at an advanced stage to engage a technical advisors and a financial advisor.

4. **Human Resources**

Zimbabwe Power Company had 1 444 permanent employees as at 31 December 2010. The year 2010 saw employees commitment firming up as they regained confidence after the introduction of the multicurrency system. This was evidenced by zero resignations recorded as compared to previous years.

We are proud of the contribution made by ZPC employees in 2010 at all the five power stations. They have shown resilience and innovation to achieve most of the goals our organization had set.

A number of training programs were instituted locally and overseas for technical staff as a way of re-skilling them. The organization also embarked on a recruitment drive to fill up the vacant positions for critical staff. During the year we aimed to attract the best young engineers and training was key to our growth strategy. Delivery of our strategy relies heavily on the experience, knowledge and talent of our dedicated employees. They share a strong commitment to ensuring continuous generation of electricity, which is encapsulated by our vision.

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The table below shows staff establishment and strength by station as at 31 December 2010.

Manning Levels by Station as at 31 December 2010

Staff category	Approved estab.	Strength M	F	Total place	% in	variance
Executive (MDs only)	1	1	0	1	100	0
Senior Management (D5 and above)	18	17	1	18	100	0
Middle Management (D3 – D4)	34	34	1	35	102.9	+1
Professional/ Supervisory Staff (C4- D2)	162	137	16	153	94.4	-9
Skilled Junior Supervisory Staff (C1 - C3)	522	364	47	411	78.7	-111
Semi-Skilled Staff (B1 – B5)	796	688	94	782	98.2	-14
General Worker (A1 - A3)	108	42	2	44	40.7	-64
GRAND TOTAL	1641	1283	151	1444	87.8	-197

5. **Financial Performance**

The results have been prepared in United States dollars. The company achieved a turnover of US$. Profit after tax for the year to the tune of US$ was registered during the financial year under review.

6. **Outlook**

We anticipate the macro-economic stability and economic growth to continue in the forth coming financial year. Continued increase in the demand for electricity is anticipated next year. We anticipate to float international tenders with the help of the technical advisor and the financial advisor for expression of interest on the expansion of projects.

7. **Five Year Operational Summary**

a. **Energy Sent Out (GWh)**

	2006	2007	2008	2009	2010
Hwange	2 430.0	2 040.0	1 703.0	1 685	2 637
Kariba	5 310.3	5 382.8	5 707.8	5 458	5 799
Harare	1.7	3.4	36.0	23	0
Munyati	0.0	0.0	2.9	0	75
Bulawayo	36.1	39.6	21.2	0	0
TOTAL	7 778.1	7 465.8	7 471	7 165	8 511
Exports	0	0	569	896	987

b. **Maximum Capacity Attained (MW)**

	2006	2007	2008	2009	2010
Hwange	591	489	477	594	627
Kariba	729	738	752	755	758
Harare	24	24	25	24	0
Munyati	0.0	0	21	0	39
Bulawayo	30	50	30	0	0
System Max. Demand	1904	1758	1429	1435	1910

CORPORATE GOVERNANCE REPORT

The Company is committed to the principles of transparency, responsibility, integrity, accounting, independence and fairness in its dealings with its stakeholders.
The primary objective of corporate governance system is to ensure that directors and management carry out their responsibilities effectively and efficiently. The company's structures are continuously reviewed and updated to ensure compliance with applicable laws and generally acceptable corporate governance practices.

Financial Statements

The directors recognise that they are responsible for the preparation and integrity of the financial statements and related information contained in the annual report, in a manner that fairly presents the state of affairs and the results of the Company's operations.
The annual financial statements have been in independently examined by the company's external auditors. Their report is presented on page YY.

Risk Management

The Company's main objective in this regard is to confirm the risk interest within the energy services sector and the electricity generation in particular and to ensure that the Company's various risk profiles are understood and appropriately managed to the benefit of all stakeholders.
The Company has developed and continues to maintain systems of internal control. These controls are designed to provide reasonable but not absolute assurance as to the reliability of the financial statements and to safeguard, verify and maintain accountability of assets and to prevent and detect misstatement and loss. The ZESA Holdings Group internal auditors have been tasked to ensure compliance with policies, procedures and internal controls and system through continuous programmes that are designed to cover all risks and provide regular feedback to Executive Management and the Audit and Risk Management Committee.

Board of Directors

The Company has a board structure. The board meets regularly, retaining full and effective control over the Company and monitors the performance of the executive management.
The board is responsible for maintaining the direction and control of the Company through:
o Setting the strategic direction of the Company
o Establishing goals for executive management
o Monitoring management performance against goals
o Liaising with internal and external auditors on the financial and business affairs of the Company and
o Reviewing, deciding and acting on material business transactions and/or matters among other responsibilities.

The composition of the Board ensures a well-balanced team with a broad range of business and industry expertise. The board comprises seven (7) non-executive members and two executive directors. The Chairman is non-executive director with the Managing Director responsible for the day-to-day management of the Company.
There is a clear separation of responsibilities between the Board and management. All directors have access to outside professional advice through the Company Secretary who is responsible to the Board for ensuring that correct procedures are followed as well as adherence to corporate governance principles and standards.

Board Committees

The Board Committees are chaired by non-executive directors and governed by specific terms of reference. The following are the Board Committees:

Human Resources and Legal Committee

The Human Resources and Legal Committee is comprised of two non-executive directors, the Managing Director and the Human Resources Manager. The committee is responsible for reviewing and recommending the general human resources policies of the Company. The recruitment of executive management is the responsibility of this committee.
The committee is also responsible for the management of the legal risks of the company in liaison with the Audit and Risk Management Committee.

Technical Committee

The committee is made up of two non-executives directors, the Managing Director, Technical and Operations Director as well as an external expert invited to sit in the committee. The committee meets regularly to review and recommend policies on production, operational performance and provide guidelines to management on technical, safety and health aspect of the Company. It also deals with technical and operational risks of the Company.

Audit and Risk Management Committee

This committee comprises of three non-executive directors, the Managing Director and the Head Group Performance and Audit from ZESA Holdings (Private) Limited. The committee deals with inter-alia, compliance, internal control systems and risk management. It is regulated by specific terms of reference. It meets with the Company's External Auditors to discuss accounting, auditing, internal control and financial reporting matters. The external auditors have unrestricted access to the Board through the Audit and Risk Management Committee.

Finance, Investment and Procurement Committee

The Committee is comprised of two non-executive and two executive directors. It is responsible for the review and preliminary approval of the major investment decisions of the Company. It also sets and approves procurement policies of the Company.

Director's attendance at Zimbabwe Power Company (Private) Limited Board and Committee Meetings (2010)

Board of Directors

Name	Number of meetings held	Number Attended
Mr. R Maasdorp	4	4
Mr. D Matete	4	4
Mr. V Gapare	4	4
Mrs. S. G. Chella	4	4
Mr. T Zengeya	4	4
Mr. B. Rafemoyo	4	2
Mr. E Chikwenhere	4	3
Mr. N. F. Gwariro	4	4
Mr. H. Chiwara	4	4

Audit and Risk Management Committee

Name	Number of meetings held	Number Attended	Proxy
Mrs. S. G. Chella	7	7	-
Mr. D. Matete	7	5	-
Mr. T. Zengeya	7	7	-
Mr. O. Matunja	7	6	-
Mr. N. F Gwariro	7	5	2

Human Resources and Legal Committee

Name	Number of meetings held	Number Attended	Proxy
Mr. D Matete	5	5	-
Mr. T Zengeya	5	5	-
Mr. N. F. Gwariro	5	4	1
Mrs. F. Chibasa	5	5	-

Technical Committee

Name	Number of meetings held	Number Attended	Proxy
Mr. T Zengeya	7	7	-
Mr. R Maasdorp	7	5	-
Mr. S Mukonoweshuro	7	7	-
Mr. N. F Gwariro	7	5	1
Mr. W Magura	7	7	-
Mr. T. Chisi	7	6	-

Finance, Investment and Procurement Committee

Name	Number of meetings held	Number Attended	Proxy
Mr. V Gapare	6	6	-
Mrs. S. G. Chella	6	6	-
Mr. N. F. Gwariro	6	5	-
Mr. H. Chiwara	6	5	1

Directors and Company Secretary

The details of the Company directors and the Company Secretary for the year under review are as reflected on page XX of this Annual Report.

Directors' and Officer's Interest and Shareholding

The directors and officers of the Company are required to disclose, in writing, any material interest in any significant contract or at all with the Company that may result in a conflict or potential conflict of interest. No such conflict was reported during the year.
The directors are not required to hold any shares in the company and none holds any shares.

Litigation

No litigation claims of material significance have been instituted against the company for the period under review.

Post balance sheet Events

Other than the stated events or transactions have occurred or are pending that would have a material effect on the financial statements for the year under review or that are of such significance in relation to the company's affairs to require mention in a note of the financial statements inorder not to make them misleading as regards the financial position, results of operations or cash flows of the company.

Management Reporting

There are comprehensive management reporting disciplines in place which include the preparation of annual budgets by all operating units. The consolidated budget is approved by the Board of Directors of the company. Monthly results and the financial status of company is reported against approved the budget and compared to the prior year. Profit projections, cash flow forecast, working capital and borrowing levels are monitored on an ongoing basis.

Strategic Planning Process

In line with its mission to build a world-class business, the overall strategy for company is clearly focused. Annual strategic plans are complied at both operating unit and company level, with detailed plans for action and allocated responsibilities. A half yearly reviewing process is conducted over and above the monthly monitoring.

Ethics

Directors and employees are required to observe the highest ethical standards, ensuring that the business practices are conducted in a manner which, in all reasonable circumstances is beyond reproach.

Equal Opportunity

The company is committed to providing equal opportunities for its employees regardless of race, tribe, place of origin, political opinion, colour, creed or sex.

By Order of the Board

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S. Sangula
Company Secretary

Harare 15 November 2011

Directors' Responsibility Report

ACCOUNTING RECORDS AND FINANCIAL STATEMENTS

The Directors are responsible for the preparation and presentation of the financial statements in accordance with International and Financial Reporting standards, the Companies Act (Chapter 24:03) and the Audit and Exchequer Act (Chapter 22:03). The responsibility includes the maintenance of adequate accounting records, risk management processes which are monitored independently, designing and implementing relevant internal control systems to enable a fair presentation of financial statements free from material misstatements depicting the fair state of affairs and the results of the company's operations.

These systems are designed to provide reasonable, but not necessarily absolute assurance as to the reliability of company' statements of position and to safeguard, verify and maintain accountability of assets. They are also designed to prevent and detect misstatements or loss as a result of fraud or error. They are implemented and monitored by suitably qualified personnel with the appropriate separation of duties and responsibilities. Nothing has come to the attention of the directors to suggest or indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The Directors have reasonably satisfied themselves that the company is in a sound financial position with adequate resources, both human and financial, to continue in operational existence for the foreseeable future. Thus they are satisfied that it is appropriate to adopt the going concern basis in the preparation of the financial statements.

External Auditors' Responsibility

The responsibility of external auditors is expression of an opinion on these financial statements based on an independent examination of the statements in accordance with International Standards on Auditing which require compliance with ethical requirements and reporting their findings. The procedures employed depend on the auditor's judgment including the assessment of the risks of material misstatements of the financial statements whether due to error or fraud.

Accounting Policies and Convention

The statements of financial position as set out on pages xx to xx have been prepared in accordance with the International Financial Reporting Standards and relevant policies unless otherwise stated. The preparation of the statements of financial position was supported by management's reasonable prudent judgment, estimates and assumptions.

Approval of statements of financial position

The financial statements for the year ended 31 December 2010 have been approved by the Board and are signed on its behalf by:-

Engineer R. Maarsdorp	Engineer N.F Gwariro
CHAIRMAN	MANAGING DIRECTOR

Harare 15 November 2011

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their 10th Annual Report and the Audited Financial Statements for the company for the year ended 31st December 2010.

Year Results

Retained income for the year and earnings attributable to the shareholders xxxxxxxx

Fixed Assets

Capital expenditure for the year to 31 December 2010 totalled xxxxxxx

Share Capital

The authorized share capital of the company is US$300.00 made up of 30 000 ordinary shares of $0,01c each while the issued share capital is US$2.00 made up of 200 ordinary shares of us$0.10c each.

Reserves

The movements in the company's reserves are shown in the statement of comprehensive income and in the Notes to the Financial Statements.

Directors

Engineer B Rafemoyo retired from the Board on the 31st of October 2010.

Auditors

Members will be asked to approve the auditor's fees for the past financial year and appoint auditors for the company for the ensuing year.

Annual General Meeting

The 10th Annual General Meeting of the company will be held at 1000 hours on Friday the 9th of December 2011 at Megawatt House, 44 Samora Machel Avenue/Leopold Takawira Road in Harare.

By Order of the Board

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S. Sangula
Company Secretary

CORPORATE GOVERNANCE REPORT

The Company is committed to the principles of transparency, responsibility, integrity, accounting, independence and fairness in its dealings with its stakeholders.

The primary objective of corporate governance system is to ensure that directors and management carry out their responsibilities effectively and efficiently. The company's structures are continuously reviewed and updated to ensure compliance with applicable laws and generally acceptable corporate governance practices.

Financial Statements

The directors recognise that they are responsible for the preparation and integrity of the financial statements and related information contained in the annual report, in a manner that fairly presents the state of affairs and the results of the Company's operations.

The annual financial statements have been in independently examined by the company's external auditors. Their report is presented on page YY.

Risk Management

The Company's main objective in this regard is to confirm the risk interest within the energy services sector and the electricity generation in particular and to ensure that the Company's various risk profiles are understood and appropriately managed to the benefit of all stakeholders.

The Company has developed and continues to maintain systems of internal control. These controls are designed to provide reasonable but not absolute assurance as to the reliability of the financial statements and to safeguard, verify and maintain accountability of assets and to prevent and detect misstatement and loss. The ZESA Holdings Group internal auditors have been tasked to ensure compliance with policies, procedures and internal controls and system through continuous programmes that are designed to cover all risks and provide regular feedback to Executive Management and the Audit and Risk Management Committee.

Board of Directors

The Company has a board structure. The board meets regularly, retaining full and effective control over the Company and monitors the performance of the executive management. The board is responsible for maintaining the direction and control of the Company through:

- Setting the strategic direction of the Company
- Establishing goals for executive management
- Monitoring management performance against goals
- Liaising with internal and external auditors on the financial and business affairs of the Company and
- Reviewing, deciding and acting on material business transactions and/or matters among otherresponsibilities.

The composition of the Board ensures a well-balanced team with a broad range of business and industry expertise. The board comprises seven (7) non-executive members and two executive directors. The Chairman is non-executive director with the Managing Director responsible for the day-to-day management of the Company.

There is a clear separation of responsibilities between the Board and management. All directors have access to outside professional advice through the Company Secretary who is responsible to the Board for ensuring that correct procedures are followed as well as adherence to corporate governance principles and standards.

Board Committees

The Board Committees are chaired by non-executive directors and governed by specific terms of reference. The following are the Board Committees:

Human Resources and Legal Committee

The Human Resources and Legal Committee is comprised of two non-executive directors, the Managing Director and the Human Resources Manager. The committee is responsible for reviewing and recommending the general human resources policies of the Company. The recruitment of executive management is the responsibility of this committee.

The committee is also responsible for the management of the legal risks of the company in liaison with the Audit and Risk Management Committee.

Technical Committee

The committee is made up of two non-executives directors, the Managing Director, Technical and Operations Director as well as an external expert invited to sit in the committee. The committee meets regularly to review and recommend policies on production, operational performance and provide guidelines to management on technical, safety and health aspect of the Company. It also deals with technical and operational risks of the Company.

Audit and Risk Management Committee

This committee comprises of three non-executive directors, the Managing Director and the Head Group Performance and Audit from ZESA Holdings (Private) Limited. The committee deals with inter-alia, compliance, internal control systems and risk management. It is regulated by specific terms of reference. It meets with the Company's External Auditors to discuss accounting, auditing, internal control and financial reporting matters. The external auditors have unrestricted access to the Board through the Audit and Risk Management Committee.

Finance, Investment and Procurement Committee

The Committee is comprised of two non-executive and two executive directors. It is responsible for the review and preliminary approval of the major investment decisions of the Company. It also sets and approves procurement policies of the Company.

Director's attendance at Zimbabwe Power Company (Private) Limited Board and Committee Meetings (2010)

Board of Directors

Name	Number of meetings held	Number Attended
Mr. R Maasdorp	4	4
Mr. D Matete	4	4
Mr. V Gapare	4	4
Mrs. S. G. Chella	4	4
Mr. T Zengeya	4	4
Mr. B. Rafemoyo	4	2
Mr. E Chikwenhere	4	3
Mr. N. F. Gwariro	4	4
Mr. H. Chiwara	4	4

Audit and Risk Management Committee

Name	Number of meetings held	Number Attended	Proxy
Mrs. S. G. Chella	7	7	-
Mr. D. Matete	7	5	-
Mr. T. Zengeya	7	7	-
Mr. O. Matunja	7	6	-
Mr. N. F Gwariro	7	5	2

Human Resources and Legal Committee

Name	Number of meetings held	Number Attended	Proxy
Mr. D Matete	5	5	-
Mr. T Zengeya	5	5	-
Mr. N. F. Gwariro	5	4	1
Mrs. F. Chibasa	5	5	-

Technical Committee

Name	Number of meetings held	Number Attended	Proxy
Mr. T Zengeya	7	7	-
Mr. R Maasdorp	7	5	-
Mr. S Mukonoweshuro	7	7	-
Mr. N. F Gwariro	7	5	1
Mr. W Magura	7	7	-
Mr. T. Chisi	7	6	-

Finance, Investment and Procurement Committee

Name	Number of meetings held	Number Attended	Proxy
Mr. V Gapare	6	6	-
Mrs. S. G. Chella	6	6	-
Mr. N. F. Gwariro	6	5	-
Mr. H. Chiwara	6	5	1

Directors and Company Secretary

The details of the Company directors and the Company Secretary for the year under review are as reflected on page XX of this Annual Report.

Directors' and Officer's Interest and Shareholding

The directors and officers of the Company are required to disclose, in writing, any material interest in any significant contract or at all with the Company that may result in a conflict or potential conflict of interest. No such conflict was reported during the year.

The directors are not required to hold any shares in the company and none holds any shares.

Litigation

No litigation claims of material significance have been instituted against the company for the period under review.

Post balance sheet Events

Other than the stated events or transactions have occurred or are pending that would have a material effect on the financial statements for the year under review or that are of such significance in relation to the company's affairs to require mention in a note of the financial statements in order not to make them misleading as regards the financial position, results of operations or cash flows of the company.

Management Reporting

There are comprehensive management reporting disciplines in place which include the preparation of annual budgets by all operating units. The consolidated budget is approved by the Board of Directors of the company. Monthly results and the financial status of company is reported against approved the budget and compared to the prior year.

Profit projections, cash flow forecast, working capital and borrowing levels are monitored on an ongoing basis.

Strategic Planning Process

In line with its mission to build a world-class business, the overall strategy for company is clearly focused. Annual strategic plans are complied at both operating unit and company level, with detailed plans for action and allocated responsibilities. A half yearly reviewing process is conducted over and above the monthly monitoring.

Ethics

Directors and employees are required to observe the highest ethical standards, ensuring that the business practices are conducted in a manner which, in all reasonable circumstances is beyond reproach.

Equal Opportunity

The company is committed to providing equal opportunities for its employees regardless of race, tribe, place of origin, political opinion, colour, creed or sex.

By Order of the Board

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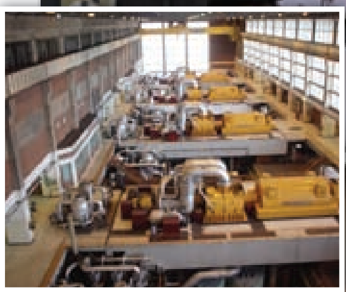
S. Sangula

Company Secretary

Harare 15 November 2011

ZPC creates partnerships, and this is the key message that lies at the heart of our new identity. We are part of a process that builds value throughout the markets in which we operate, by forging relationships with investors and investee partners. The value we generate comes from creating value with others.

Financial Statements



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INDEPENDENT AUDITOR"S REPORT

TO THE HOUNARABLE MINISTER OF ENERGY AND POWER DEVELOPMENT

Report on Financial Statements

We have audited the accompanying financial statements of Zimbabwe Power Company (Private) Limited as set on pages 5 to 37, which comprise the statement of financial position at 31 December 2010, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes.

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 (Chapter 24:03) of Zimbabwe, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Zimbabwe Power Company (Private) Limited at 31 December 2010, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act (Chapter 24:03) of Zimbabwe.

KPMG Chartered Accountants (Zimbabwe)
Harare

18 October 2011

STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2010

	Note	31 December 2010 US$	Restated 31 December 2009 US$	Restated 1 January 2009 US$
ASSETS				
Non Current Assets				
Property plant and equipment	1	920 765 354	946 468 395	975 993 051
Investments in associate	2	48 137	154 457	146 910
		920 813 491	946 622 852	976 139 961
Current Assets				
Inventories	3	21 460 790	4 755 228	6 588 001
Trade and other receivables	4	42 222 717	11 621 576	1 150 852
Amount due from related parties	5.1	120 270 814	57 579 562	370
Cash and cash equivalents		3 002 312	2 865 597	5 377 932
		186 956 633	76 821 963	13 117 15
Total assets		1 107 770 124	1 023 444 815	989 257 116
EQUITY AND LIABILITIES				
Equity and Reserves				
Share capital	6	-	-	-
Non distributable reserves		542 993 662	542 993 662	542 993 662
Retained earnings		4 774 278	6 489 854	-
		547 767 940	549 483 516	542 993 662
Non Current Liabilities				
Long term loans	7	32 914 967	25 566 365	28 929 632
Deferred taxation	8	166 311 859	122 168 606	150 018 770
		199 226 826	147 734 971	178 948 402
Current Liabilities				
Trade and other payables	9	155 642 658	135 379 893	94 524 683
Amount due to related parties	5.2	27 574 478	12 588 716	105 634
Current portion of Finance Lease liability	17	20 101 181	19 223 164	15 883 097
Current portion of long term loans	7	155 656 748	157 112 547	156 801 638
Bank overdraft		1 800 293	1 922 008	-
		360 775 358	326 226 328	267 315 052
Total Equity and liabilities		1 107 770 124	1 023 444 815	989 257 116

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Directors 18 October 2011

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STATEMENT OF COMPRREHENSIVE INCOME
31 DECEMBER 2010

	Note	2010 US$	Restated 2009 US$
Income			
Sales of electricity	10.1	265 149 746	208 232 723
Other income	10.2	995 186	746 524
		266 144 932	208 979 247
Expenditure			
Generation of electricity		91 483 987	49 655 680
Transmission of electricity		1 621 694	926 722
Staff costs	11	29 269 964	21 832 599
Depreciation and amortisation	1	42 261 604	40 940 220
General expenses and overheads		46 506 457	98 625 859
		211 143 706	211 981 080
Operating profit before finance charges and tax		55 001 226	(3 001 833)
Net financing cost		(12 467 229)	(18 236 860)
Finance charges	13	(15 098 859)	(12 693 772)
Exchange gains/(loses)	14	2 631 630	(5 543 088)
Loss before taxation		42 533 997	(21 238 693)
Share of loss of associate	2	(106 320)	(121 617)
Profit/(Loss) before taxation		42 427 677	(21 360 310)
Taxation	15	(44 143 253)	27 850 164
(Loss)/Profit for the year		(1 715 576)	6 489 854
Other Comprehensive Income			
Other comprehensive income for the year net of tax		0	0
Total comprehensive income for the year		(1 715 576)	6 489 854

STATEMENT OF CHANGES IN EQUITY
31 DECEMBER 2010

	Share Capital US$	Non Distributable Reserves US$	Retained Income US$	Total equity and reserves US$
Balances at 1 January 2009	-	542 326 858		542 326 858
Effect of prior year adjustment (Note 19)		666 804		666 804
Restated balances at 1 January 2009	-	542 993 662	-	542 993 662
Other comprehensive income for the year	-	-	-	
Profit for the year as previously stated	-	-	6 538 102	6 538 102
Effect of prior year adjustment (Note 19)		-	(48 248)	(48 248)
Restated balances at 31 December 2009	-	542 993 662	6 489 854	549 483 516
		-	-	-
Total comprehensive income for the year				
Loss for the year			(1 715 576)	(1 715 576)
Other comprehensive income		-		-
Balances at 31 December 2010	-	542 993 662	4 774 278	547 767 940

Non distributable reserve comprises the overall net effect of the restatement process that gave rise to the United States dollar denominated financial statements.

STATEMENT OF CASH FLOWS
31 DECEMBER 2010

	Note	2010 US$	Restated 2009 US$
NET CASH FLOW FROM OPERATING ACTIVITIES			
Operating cash flows			
Operating profit/(loss) before financing costs		55 001 226	(3 001 833)
Adjustment for items not affecting cash flows:			
- depreciation		42 261 604	40 940 221
- Profit on disposal of property, plant & equipment		(1 480)	-
- Write off of property, plant & equipment		3 227	-
Operating cash flows before investment in working capital		97 264 577	37 938 387
Increase/(decrease) in inventory		(16 705 562)	1 832 773
Increase in trade and other receivables		(30 601 141)	(10 470 723)
Increase in amounts due from related parties		(62 691 252)	(57 579 192)
Increase in trade and other payables		10 205 157	28 967 819
Increase in amounts due to related parties		14 985 762	12 483 083
Net cash inflow from operations		12 457 542	13 172 147
Returns on investments and servicing of finance			
Interest paid		(2 237 552)	(1 247 552)
Realised exchange (losses)/gains		(5 664)	2 346
		(2 243 216)	(1 245 206)
Net cash inflow from operating activities		**10 214 326**	**11 926 941**
NET CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(16 561 791)	(11 415 564)
Proceeds from disposal of property, plant & equipment		1 480	-
Movement in long term investments		-	(129 164)
		(16 560 311)	**(11 544 728)**
NET CASH FLOWS FROM FINANCING ACTIVITIES			
Loan capital movements		6 604 416	(4 816 557)
INCREASE IN CASH AND CASH EQUIVALENTS	16	**258 431**	**(4 434 344)**
Analysis of changes in cash and cash equivalents			
Cash and Cash equivalents at the beginning of the year		943 588	5 377 932
Net increase/(decrease) of cash & cash equivalents		258 431	(4 434 344)
Cash and Cash equivalents at year end		**1 202 019**	**943 588**

STATEMENT OF ACCOUNTING POLICIES
31 DECEMBER 2010

The principal accounting policies of the company, which are set out below, have been consistently followed in all material respects.

BASIS OF PREPARATION

Statement of compliance

The financial statements have been prepared in conformity with International Financial Reporting Standards, (IFRS) promulgated by the International Accounting Standards Board (IASB), which includes standards and interpretations approved by the IASB as well as International Accounting Standards (IAS's) and Standing Interpretations Committee (SIC) interpretations (IFRS) issued under previous constitutions.

SIGNIFICANT ACCOUNTING POLICIES

Transition to IFRS

The company is resuming presentation of IFRS financial statements after early adoption of Revised IFRS 1 *First-time Adoption of International Financial Reporting Standards* issued on 20 December 2010. The company failed to present IFRS financial statements for the financial years ended 31 December 2008 and 31 December 2009 due to the effects of severe hyperinflation, as defined in revised IFRS 1.

The relevant amendment provides guidance for entities emerging from severe hyperinflation to resume presenting IFRS financial statements. An entity can elect to measure assets and liabilities at fair value and to use the fair value as the deemed cost in its opening IFRS statement of financial position. The company elected to use the severe hyperinflation exemption.

The effect of the application of this amendment is to render the opening statement of financial position, prepared on 1 January 2009 (date of transition to IFRS), IFRS compliant. The opening statement of financial position was reported in the prior year as not compliant with the International Accounting Standard (IAS) 1 – Presentation of Financial Statements; IAS 21 – The effects of changes in Foreign Exchange Rates and IAS 29 – Financial Reporting in Hyperinflationary Economies.

The company's previous functional currency, the Zimbabwe dollar (ZW$), was subjected to severe hyperinflation before the date of transition to IFRS because it had both of the following characteristics:

a) A reliable general price index was not available to all entities with transactions and balances in ZW$; and

b) Exchangeability between the ZW$ and a relatively stable foreign currency did not exist.

The company changed its functional and presentation currency from the ZW$ to the United States dollar (US$) with effect from 1 January 2009.

Deemed cost exemption

The company elected to measure certain items of property, plant and equipment, trade and other receivables, inventories and trade and other payables at fair value and to use the fair value as the deemed cost of those assets and liabilities in the opening IFRS statement of financial position.

Management determined fair values/ deemed costs as follows:

STATEMENT OF ACCOUNTING POLICIES
31 DECEMBER 2010

Financial Assets and liabilities	Fair value as agreed by the shareholders i.e willing buyer willing seller
Accounts payable	Settlement amounts agreed with creditors / suppliers in US$
Property, plant and equipment	These were valued at net replacement value and reassessed in line with subsequent market trends and necessary adjustments were made
Investment property under construction	Fair value as reassessed by the directors in line with market trends
Investment in Associates	Applied the percentage shareholding on the deemed opening reserves
Receivables	Settlement amounts agreed with customers in US$
Bank balances	All ZW$ bank accounts were written off to zero. Opening balances represent actual US$
Shareholder's equity	Difference between total assets and total liabilities

Comparative financial information

The financial statements comprise three statements of financial position, two statements of comprehensive income, changes in equity and cash flows as a result of the retrospective application of the Amendments to IFRS 1.

Reconciliation of previously prepared to IFRS compliant financial Statements

In preparing its opening IFRS compliant statement of financial position, the company has not adjusted amounts previously determined in accordance with the Financial Reporting Guidance issued jointly by the Public Accountants and Auditors Board, Zimbabwe Accounting Practices Board and the Zimbabwe Stock Exchange in 2009. This guidance was effectively endorsed by the IFRS 1 amendments. As amounts have not changed, reconciliations have not been presented.

Adoption of new and revised financial reporting standards

The following new and revised standards were adopted in the preparation of the financial statements for the twelve months ended 31 December 2010.

- Amended IFRS 2 – Share-based payments – Vesting Conditions and Cancellations Combinations (effective 1 January 2010).
- Revised IFRS 3 – Business Combinations (effective 1 July 2010)
- Revised IAS 1 – Presentation of Financial Statements – Current/non-current classification of convertible instruments (effective 1 January 2010).
- Amended IAS 32 – Financial Instruments (effective 1 February 2010)
- Amended IAS 39 – Financial Instruments: recognition and measurement – Treating loan prepayment penalties (effective 1 January 2010).
- Amended IAS 39 – Eligible Hedged Items – Amendment to IAS 39 Financial Instruments: Recognition and measurement (effective 1 July 2010)
- IFRIC 17 – Distribution of Non – cash Assets to Owners (effective 1 July 2010)
- IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments (effective 1 July 2010)

The adoption of these interpretations in the current year has not led to any changes in the company's accounting policies. These standards do not have any financial effect on the recognition or measurement of transactions and events, nor the financial position or performance of the company. Their effects are limited to the nature and extent of disclosure to be made by the company.

Borrowing costs

In respect of borrowing costs relating to qualifying assets for which the commencement date for capitalization is on or after 1 January 2009, the Company capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of the assets. Previously the Company immediately recognised all borrowing costs as an expense. This change in accounting policy was due to the adoption of IAS 23, Borrowing Costs (2007).

STATEMENT OF ACCOUNTING POLICIES
31 DECEMBER 2010

Foreign currency transactions and balances

Transactions in foreign currencies are translated into United States dollars at rates of exchange prevailing at date of transaction. At each statement of financial position date, monetary assets and liabilities that are dominated in foreign currencies are translated at the rates prevailing on the statement of financial position date. Non monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on exchange are included in profit and loss for the period except for exchange differences arising on non-monetary assets and liabilities where the changes in fair value are recognized directly to equity

Property, plant and equipment

Recognition and measurements

All items of property, plant and equipment are revalued using the depreciated replacement cost method by independent professional valuers as at the end of each year such that the carrying amounts would not differ materially from fair value and are stated at valuation, except for the categories listed below which are stated at historical and indexed cost less accumulated depreciation and any recognised impairment loss:

Motor Vehicles
Furniture and Office Equipment
Tools and equipment

Revaluation surpluses on property, plant and equipment are credited to a revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in the carrying amount arising on the revaluation of such property, plant and equipment is charged as an expense to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued property, plant and equipment is charged to income statement. On the subsequent sale or retirement of such revalued assets the attributable revaluation surplus is transferred directly to retained income.

Subsequent costs

The cost of replacing part of an item of property or equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the company and its cost can be measured reliably. The costs of the day to day servicing of equipment are recognized in the profit or loss.

Depreciation

The revised IAS16 requires the assessment yearly of the residual values of items of property, plant and equipment for the purposes of determining the depreciation charge for the year. It is the Company's policy to utilize all its assets for their full economic lives, with the exception of personally allocated motor vehicles, whereby the useful lives are limited to five years, in line with the policy of disposal of the vehicles to the employees after a period of five years.

The residual value of all the assets have therefore been determined as nil, with the exception of personally allocated motor vehicles, whereby the residual values are determined as 20% of the cost representing the disposal value to employees after a period of five years.

Land, capital work in progress are not depreciated. All other items of property, plant and equipment are depreciated using the straight line method over either remaining useful lives or over economic lives from the time the asset is available for use or the last revaluation date as follows:

• Buildings (remaining useful lives)	20-25 years
• Plant and Equipment (remaining useful lives)	25-45 years
• Tools and Equipment (economic lives)	10 years
• Motor Vehicles	8 years
• Furniture and Office Equipment	10 years

Impairment of property and equipment

The carrying amounts of the company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment, in which case their recoverable amounts are estimated.

Where the recoverable amount is less than net book value, the impairment is charged against income to reduce the carrying amount of the affected assets to recoverable amounts.

Finance Leases

Leases of property plant and equipment where the company assumes substantially all the risks and benefits of ownership, where lease term is a major component of the economic life of the asset, or the leased assets are of a specialised nature that only the lessee can use them without major modifications, are classified as finance leases. Assets subject to finance lease agreements are capitalised at the lower of fair value and the present value of the minimum lease payments and the corresponding liabilities are also recognised. The assets are depreciated on the straight- line basis over the shorter of their estimated useful lives, or the lease term. Each lease payment is allocated between the liability and the finance charges, so as to achieve a constant rate on the finance balance outstanding.Lease finance charges are charged through interest expenditure in the profit and loss.

Inventories

Inventories are valued at the lower of indexed cost and net realisable value. Cost is calculated using the weighted average price method and the consumer price index from the date of purchase of the stock items. Costs comprise direct materials and, where applicable direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition.

Obsolete and slow moving stocks are identified and written down with regard to their estimated economic or realisable value. Net realisable value is the estimate of the selling price in the ordinary course of business less the costs of completion and all selling expenses.

Write-downs to net realisable value and inventory losses are dealt with within the statement of comprehensive income in the period in which they occur.

Taxation

Tax expense represents the sum of the current tax expense and deferred tax expense. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

STATEMENT OF ACCOUNTING POLICIES
31 DECEMBER 2010

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax assets are generally recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Income

Revenue, which excludes Value Added Tax, represents the invoiced value of goods and services. The main categories of revenue and bases of recognition for the company are:

Sales of Electricity
Revenue from the sale of electricity is recognised when electricity has been consumed and billed.

Interest Income
Income from investments and outstanding electricity debtors is accrued on a time basis, by reference to the principal balance outstanding using effective interest rate applicable.

Other Income
Revenue is recognised on the date when all risks and rewards associated with the transaction are transferred to the purchaser.

Employee benefits

Employee benefits are all forms of consideration given by the company in exchange for services rendered by employees.

Short term benefits
Short term benefits are employee benefits (other than termination benefits) which fall due wholly within twelve months after the end of the period in which the employees render related services.

When an employee has rendered services during an accounting period, the company recognises the undiscounted amount of the short-term employee benefits expected to be paid in exchange for that service.

Post employment benefits
Post employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Employee benefits are provided for employees through the ZESA Pension Fund and the National Social Security Authority (NSSA). For defined retirement benefit plans with ZESA Pension Fund, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at intervals not exceeding three years.

Actuarial gains and losses that exceed 10 percent of the greater of the present value of the company's defined benefit obligation and the fair value of plan assets are amortised over the expected average remaining working lives of the participating employees. Past service cost is recognized immediately to the extent that the benefits are already vested and otherwise is amortised on a straight line basis over the average period until the benefits become vested.

The cost of retirement benefits applicable to NSSA is determined by the systematic recognition of legislated contributions. Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

Termination benefits

Termination benefits are employee benefits payable as a result of the company's decision to terminate employment before normal retirement date (or contractual date) or an employee's decision to accept voluntary redundancy in exchange for those benefits.

The company recognises termination benefits when there is demonstrable commitment to termination of employment or to provision of termination benefits resulting from an offer that encourages voluntary redundancy. Demonstrable commitment arises when there is a detailed formal plan for termination, with no realistic possibility of withdrawal. Termination benefits that fall due more than twelve months after the balance sheet date are discounted using market rates of interest. In case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

Provisions

Provisions are recognized when the company has a present legal or constructive obligation as a result of past events, is probable that an outflow of resources embodying economic benefits will be requested to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Provision is made in the financial statements for employee entitlements in relation to annual leave. It is the company's policy that for leave days encashed an employee should go on leave for an equivalent of half the encashed days. This results in a ratio of 2:1, implying that;

- 2/3 of leave days shall be computed on basic salary.
- 1/3 of the leave days shall be computed on the gross salary.

Financial instruments

Non-derivative financial instruments carried in the statement of financial position comprise: cash and cash equivalents, trade and other receivables, trade and other payables and amounts owing to and from related parties. These instruments are recognized initially at fair value plus, for instruments not at fair value through statement of comprehensive income, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below:

Trade receivables

Trade and other receivables are measured at amortised cost using the effective interest rate method. A provision for impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization and default or delinquency in payments are considered indicators that the trade receivables are impaired. When a trade receivable is uncollectible, it is written off against the allowance for trade receivables. Subsequent recoveries of amounts previously written off are credited against the trade receivables impairment provision in the statement of comprehensive income.

STATEMENT OF STATEMENT OF ACCOUNTING POLICIES
31 DECEMBER 2010

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in money market instruments. Cash and cash equivalents are measured at fair value, with any impairment or appreciation in value of foreign currency denominated balances arising from changes in exchange rates, being written off or credited against the exchange gains and losses account in the statement of comprehensive income. In the statement of financial position, banks are shown under current liabilities.

Trade payables, other payables and amounts owing to and from related parties

These financial liabilities are measured at amortised cost using the effective interest rate method

Investment in Associates

Associates are entities in which long term investments are held and over which the company has the power to exercise significant influence over the financial and operating policies.

The company's share of post acquisition results of associates are included in the statement of comprehensive income using the equity method.

Bank borrowings

Interest bearing bank loans and overdrafts are recorded as proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis to the profit and loss account using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Government grants

Government grants are recognized as deferred income until such time that they become receivable and are credited to statement of comprehensive income on a systematic basis over the periods necessary to match the grants with the related costs which they are intended to compensate.

The deferred income relating to government grants is recognised on the following basis:

Income related grants subsidizing expenses are credited to the related expense as recovery of costs. Capital contributions of property, plant and equipment are credited to the statement of comprehensive income over the estimated useful life of property, plant and equipment.

Land received as a grant: Fair value of grant is recognized as income over the estimated useful life of the buildings on the land.

Related parties

Related parties are defined as:

- Parties that controls, are controlled by or are under common control of the ZESA Holdings and its subsidiaries.
- Parties that have significant influence over the ZESA Holdings and its subsidiaries.
- Parties that have joint control over ZESA Holdings and its subsidiaries.
- Associates.
- Joint venture in which ZESA and its subsidiaries are a venturer.
- Key management personnel or close family members.
- Post employment benefit plan of the ZESA group.

Transactions with related parties are at arm's length

Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

In particular, 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 include:

Property, plant and equipment.
Post employment benefit costs.
Provisions and contingencies.
Opening United States dollar balances.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2010

GENERAL INFORMATION

The company is a subsidiary of ZESA Holdings (Pvt) Ltd and is incorporated under the Companies Act (Chapter 24:03) and the Electricity Act (Chapter 13:19). The company is mainly involved in the generation of electricity. The registered office of the company is Megawatt House, 44 Samora Machel Avenue, Harare, Zimbabwe.

1. PROPERTY PLANT AND EQUIPMENT

1.1 31 December 2010	Land & Buildings US$	Plant & Equipment US$	Tools & Equipment US$	Motor Vehicles US$	Furniture & Equipment US$	Work in Progress US$	Total US$
Cost/Valuation							
At 1 January 2010 restated	235 284 100	742 987 382	398 513	2 687 614	413 508	5 637 498	987 408 615
Additions	-	4 923 266	17 045	1 795 579	347 475	9 478 426	16 561 791
Write offs	-	-	(580)	(7 100)	(9 293)	-	(16 973)
At 31 December 2010	235 284 100	747 910 648	414 978	4 476 093	751 690	15 115 924	1 003 953 433
Depreciation							
At 1 January 2010	9 692 328	30 253 433	234 819	585 298	174 343	-	40 940 221
Depreciation for the year	9 696 021	31 722 636	83 578	659 428	99 941	-	42 261 604
Write offs	-	-	-	(7 100)	(6 646)	-	(13 746)
At 31 December 2010	19 388 349	61 976 069	318 397	1 237 626	267 638	-	83 188 079
Net Book value							
At 31 December 2010	215 895 751	685 934 579	96 581	3 238 467	484 052	15 115 924	920 765 354

NOTES TO THE FINANCIAL STATEMENTS (CONT)
31 DECEMBER 2010

1.2. 31 December 2009	Land & Buildings US$	Plant & Equipment US$	Tools & Equipment US$	Motor Vehicles US$	Furniture & Equipment US$	Work in Progress US$	Total US$
Cost / Valuation							
At 1 January 2009	235 271 000	692 416 785	390 663	1 195 016	286 813	45 767 807	975 328 084
Adjustments	13 100	613 867	-	38 000	-	-	664 967
At 1 January 2009 restated	235 284 100	693 030 652	390 663	1 233 016	286 813	45 767 807	975 993 051
Additions		23 235	7 850	1 454 598	126 695	9 803 186	11 415 564
Transfers in		49 933 495					49 933 495
Transfers out						(49 933 495)	(49 933 495)
At 31 December 2009 restated	235 284 100	742 987 382	398 513	2 687 614	413 508	5 637 498	987 408 615
Depreciation							
At 1 January 2009	-	-	-	-	-	-	-
Depreciation for the year	9 692 328	30 253 433	234 819	585 298	174 342	-	40 940 220
At 31 December 2009	9 692 328	30 253 433	234 819	585 298	174 342	-	40 940 220
Net Book value							
At 31 December 2009 restated	225 591 772	712 733 949	163 694	2 102 316	239 166	5 637 498	946 468 395
At 1 January 2009 restated	235 284 100	693 030 652	390 663	1 233 016	286 813	45 767 807	975 993 051

NOTES TO THE FINANCIAL STATEMENTS (CONT)
31 DECEMBER 2010

2. INVESTMENT IN ASSOCIATE

	31 December 2010 US$	Restated 31 December 2009 US$	Restated 1 January 2009 US$
Investment in Cell Insurance (Private) limited as previously stated	48 137	200 868	145 073
Prior year adjustment against non distribution reserves	-	1 837	1 837
Prior year adjustment against loss for the period	-	(48 248)	
Restated investment in Cell Insurance (Private) Limited	48 137	154 457	146 910
Share of profit for period			
Balance beginning of period	154 457	146 910	146 910
Movement for the period	-	129 164	-
Share of (loss)/profit	(106 320)	(121 617)	-
Share of (loss)/profit as previously stated	-	(73 369)	-
Prior year adjustment	-	(48 248)	-
Balance end of period	48 137	154 457	146 910

CELL INSURANCE

Investment in Cell Insurance (Private) Limited (20.3239%) relates to ZPC's investment in an associate involved in short term insurance.

3. INVENTORY

	31 December 2010 US$	31 December 2009 US$	1 January 2009 US$
Fuel	657 154	521 597	321 353
Coal	10 015 618	972 363	1 389 479
Spares and accessories	10 788 018	3 261 268	4 877 169
	21 460 790	4 755 228	6 588 001

4. TRADE AND OTHER RECEIVABLES

	31 December 2010 US$	31 December 2009 US$	1 January 2009 US$
Trade receivables	5 273 894	1 412 024	980 964
Prepayments	36 382 974	9 167 089	86 844
Other	565 849	1 042 463	83 044
	42 222 717	11 621 576	1 150 852

NOTES TO THE FINANCIAL STATEMENTS (CONT)
31 DECEMBER 2010

5. AMOUNTS DUE (FROM)/ TO RELATED PARTIES

5.1 Amount due from related parties	31 December 2010 US$	31 December 2009 US$	1 January 2009 US$
Zimbabwe Electricity Transmission & Distribution Company (Private) Limited	120 071 195	57 556 780	370
Zimbabwe Electricity Transmission & Distribution Company (Private) Liimited	218 517 520	136 994 472	-
Less allowances for credit losses	(98 446 325)	(79 437 692)	-
ZESA Holdings (Private) Limited	171 744	20 215	-
ZESA Enterprises (Private) Limited	27 811	1 527	-
PowerTel Communications (Private) Limited	64	1 040	-
	120 270 814	57 579 562	370

5.2 Amount due to related parties	31 December 2010 US$	31 December 2009 US$	1 January 2009 US$
Zimbabwe Electricity Transmission & Distribution Company (Private) Limited	10 312 511	3 542 357	-
ZESA Holdings (Private) Limited	17 245 922	9 030 264	-
ZESA Enterprises (Private) Limited	5 010	8 903	104 191
PowerTel Communications (Private) Limited	11 035	7 192	1 443
	27 574 478	12 588 716	105 634

Nature of relationship

The organisations above are related to Zimbabwe Power Company (Pvt) Ltd by virtue of having the same shareholder, ZESA Holdings (Pvt) Ltd. Transactions with related parties were at arms-length.

Zimbabwe Electricity Distribution Company (Private) Limited and Zimbabwe Electricity Transmission Company (Private) Limited were merged into one company namely Zimbabwe Electricity Transmission and Distribution Company (Private) Limited in year 2010.

6. SHARE CAPITAL

	31 December 2010 US$	31 December 2009 US$	1 January 2009 US$
Authorised			
30 000 ordinary shares of US$0.01 each	300	-	-
Issued and fully paid			
2 ordinary shares of US$0.01 each	0	-	-

At the Annual General Meeting held on 3 September 2010, shareholders approved a redenomination of the authorised share capital of the company from Z$0.001 per share to US$0,01 per share.

The issued shares are held by nominees on behalf of the Government of Zimbabwe. The unissued shares are under the control of directors.

7. LONG TERM LOANS

7.1 Foreign Loans

	Outstanding as at 31.12.2010	Interest Rate %	Repayment Period	Outstanding as at 31.12.2010 US$	Outstanding as at 31.12.2009 US$	Outstanding as at 01.01.2009 US$
INSTITUTIONS						
International Bank for Reconstruction and Development	USD26 100 031	11 6	1988-2003	26 100 031	26 546 881	26 519 686
Commonwealth Development Corporation	GBP1 000 009	11.5	1987-2001	1 545 414	1 608 215	1 444 914
POWER PLAN II LOANS						
Commonwealth Development Corporation	GBP 125 000	7.75	1993-2007	193 175	201 025	180 613
Nordbanken	USD6 016 706	NIL	1995-2004	6 016 706	6 016 706	6 016 706
Lloyds Bank plc	GBP2 765 735	7.55	1994-2003	4 274 167	4 447 855	3 996 211
POWER PLAN III PROJECT						
International Bank for Reconstruction and Development	USD71 097 670	6.09	1994-2010	71 097 670	70 574 050	70 878 210
KARIBA SOUTH UPRATING POWER PLAN V						
European Investment Bank	EUR4 068 220	3.90	1999-2010	5 820 093	5 738 921	5 730 495
Societe Generale	EUR5 729 413	6.60	1999-2010	7 648 193	8 238 323	8 070 452
BULAWAYO POWER STATION REFURBISHMENT						
Lloyds	GBP5 184 295	8.06	1999-2009	8 011 809	8 337 382	7 490 784
Nordbanken	SEK34 525 522	6.00	1999-2009	5 127 959	4 837 472	4 454 561
Hawange power station refurbishment	-	-	-	-	-	-
NamPower	USD26 609 959	6 25	2008-2012	26 609 959	34 777 819	36 162 040
				162 445 176	171 324 649	170 944 672

7. LONG TERM LOANS (CONTINUED)

7.2 Local Loans

	Outstanding as at 31.12.2010	Interest Rate %	Repayment Period	Outstanding as at 31.12.2010 US$	Outstanding as at 31.12.2009 US$	Outstanding as at 01.01. 2009 US$
ZIMASCO Loan	USD0	0.00	2008	0	6 167 665	9 600 000
Reserve Bank of Zimbabwe	USD5 186 598	0.00	2006	5 186 598	5 186 598	5 186 598
Government Loan	USD2 0 939 941	5.00	2010-2013	20 939 941	0	0
Total Local Loans	-	-	-	26 126 539	11 354 263	14 786 598
Total Loans	-	-	-	188 571 715	182 678 912	185 731 270
Less current portion	-	-	-	(155 656 748)	(157 112 547)	(156 801 638)
Total long term loans	-	-	-	32 914 967	25 566 365	28 929 632

The company defaulted in principal and interest repayments on all foreign loans. The loan agreements stipulate that if there is a default in principal and interest repayments, the full amount becomes due and payable, accordingly all the outstanding foreign loan balances have been treated as current liabilities except to the NamPower loan.

8. DEFERRED TAXATION

8.1 31 December 2010

Movement in temporary differences during the year:

	Balance at 01.01.2010 US$	Recognised in income US$	Recognised in equity US$	Balance at 31.12.2010 US$
Wear and tear	177 979 136	38 758 021	-	216 737 157
Unrealised exchange losses	(1 427 949)	748 846	-	(679 103)
Assessed loss	(52 022 056)	1 635 757	-	(50 386 299)
Prepayments	(2 360 525)	(1 720 422)	-	(4 080 947)
Prior year under-provision		4 721 051	-	4 721 051
	122 168 606	44 143 253	-	166 311 859

8.2 31 December 2009

	Balance at 01.01.2009 US$	Recognised in income US$	Recognised in equity US$	Balance at 31.12.2009 US$
Wear and tear	150 018 770	27 960 366	-	177 979 136
Unrealised exchange losses	-	(1 427 949)	-	(1 427 949)
Assessed loss	-	(52 022 056)	-	(52 022 056)
Prepayments	-	(2 360 525)	-	(2 360 525)
	150 018 770	(27 850 164)	-	122 168 606

9. TRADE AND OTHER PAYABLES

	31 December 2010 US$	31 December 2009 US$	1 January 2009 US$
Trade	23 635 213	22 225 190	19 491 436
Interest accrued on loans	95 151 556	85 093 949	73 206 559
Payroll provisions	4 132 739	3 986 010	1 683 367
Value Added Tax	32 633 150	24 020 501	-
Audit fees	90 000	54 243	143 321
	155 642 658	135 379 893	94 524 683

10. INCOME

	2010 US$	2009 US$
10.1 Electricity Sales		
Local	234 911 341	185 876 923
Foreign	30 238 405	22 355 800
	265 149 746	208 232 723
10.2 Other Income		
Rent	270 002	201 021
Sale of scrap	7 096	7 075
Raw water	555 943	274 321
Hire of motor	36 706	31 073
Tender documents	609	1 670
Donation	0	124 310
Other	124 830	107 054
	995 186	746 524
11. STAFF COSTS		
Included in staff costs are the following disclosable items:		
Directors fees and emoluments		
Services as directors	52 084	24 596
Other services	0	0
	52.084	24 596
Employee benefit expense		
Defined contribution plan expense	1 307 516	1 290 994
Defined benefit plan expense	325 272	1 025 723
	1 632 788	2 316 717
Compensation to key management		
Short term benefits	1 386 070	1 128 364
12. OTHER EXPENSES		
Included in general expenses and overheads are the following disclosable items:		
Audit fees	90 000	54 243
13. FINANCING COSTS		
Interest expense	15 098 859	12 693 772
14. EXCHANGE LOSSES		
Unrealised exchange (gains) / losses	(2 637 294)	5 545 434
Realised exchange loss / (gains)	5 664	(2 346)
	(2 631 630)	5 543 088

NOTES TO THE FINANCIAL STATEMENTS (CONT)
31 DECEMBER 2010

		31 December 2010	31 December 2009
15.	**TAXATION**		
15.1		US$	US$
	Charge based on the profit for the year		
	Zimbabwean Taxation		
	Current taxation	-	-
	Deferred taxation (note 8)	44 143 253	(27 850 164)
	-Current year	39 422 202	27 850 164
	-Prior year under-provision	4 721 051	-
		(44 143 253)	(27 850 164)
15.2			
	Reconciliation of tax charge		
	Notional tax charge based on profit / (loss) for the year	10 925 127	(6 585 427)
	Additional taxation resulting from:		
	Permanent Differences	28 497 075	3 168 984
	Change in tax rate	-	(24 433 721)
	Prior year under-provision	4 721 051	-
		44 143 253	(27 850 164)

	31 December 2010 US$	31 December 2009 US$
16. CASH AND CASH EQUIVALENTS		
Bank balance and cash less overdraft		
Balance at the beginning of the year	943 588	5 377 932
Net movement in cash and cash equivalents	258 431	(4 434 344)
Balance at the end of the year	1 202 019	943 588
Cash and cash equivalents comprise of:		
Bank balances and cash	3 002 312	2 865 596
Bank overdraft	(1 800 293)	(1 922 008)
	1 202 019	943 588

17. FINANCE LEASE LIABILITY

The finance lease liability relates to the coke oven gas plant constructed by Hwange Colliery Company (HCCL). The gas plant was constructed for the purpose of providing the Zimbabwe Power Company (Private) Limited (ZPC) with coke oven gas.

The lease term is 15 years (1993-2008) at 9.25% per annum on the original lease liability of GBP20 500 000.00

	31 December 2010 US$	31 December 2009 US$	1 January 2009 US$
Minimum lease payments	20 101 181	19 223 164	20 362 945
Less Finance Charges	-	-	(4 479 848)
Balance as at 31 December	20 101 181	19 223 164	15 883 097
Maturity analysis of lease payments:			
Due within one year	20 101 181	19 223 164	15 716 324
Due between one year and five years	-	-	166 773
Due after five years	-	-	
	20 101 181	19 223 164	15 883 097
18. CONTINGENT LIABILITIES			
Litigation and Claims	-	120 219	-
	-	120 219	-

Litigation and claims are based on pending court cases and disputes with workers.

NOTES TO THE FINANCIAL STATEMENTS (CONT)
31 DECEMBER 2010

19. PRIOR PERIOD ADJUSTMENTS

a) The company's associate, Cell Insurance Company (Private) Limited in terms of SIC 12 restated its results for the year ended 31 December 2009. Consequently, the company restated its prior year results.

The amounts impacted in the financial statements are summarised below.

	Restated 31 December 2009 US$	Restated 1 January 2009 US$
Statement of comprehensive income		
Increase in share of loss of associate	(48 248)	-
Decrease in profit	**(48 248)**	**-**
Statement of financial position		
Decrease in investment in associate	(48 248)	-
Decrease in investment in associate	**(48 248)**	**-**
Increase in investment in associate	-	1 837
Increase in non distributable reserves at the beginning of 2009	**-**	**(1 837)**

b) During the dollarisation process that gave rise to the United States dollar denominated financial statements the company omitted to value some items of property plant and equipment. As a result the company has restated its prior year results. The effect of the restatement on the financial statements is summarised below.

The amounts impacted in the financial statements are summarised below.

	Restated 1 January 2009 US$
Increase in property, plant & equipment	664 967
Increase in non distributable reserves at the beginning of 2009	**664 967**

20. PENSIONS FUNDS

20.1 The Zimbabwe Electricity Supply Authority, in terms of paragraph 19 of the first schedule of the Electricity Act 1985, established the Zimbabwe Electricity Supply Authority Staff Pension Fund. The fund, which is a defined benefit scheme, is governed by the Pensions and Provident Fund Act. This is a defined benefit plan which covers all the ZESA Group Subsidiaries.

The net liability / cost of the Fund is recognized by the sponsoring company, which is ZESA Holdings. Subsidiary companies recognises their contributions payable to the Fund with effect from 1 January 2004, the Zimbabwe Electricity Supply Authority established the Zimbabwe Electricity Industry Pension Fund following the passing of the new Electricity Act (Chapter 13:19) of 2002. This separate fund is a defined contribution scheme. All employees who joined after 1 January 2004 are eligible to be members of the Zimbabwe Industry Pension Fund. All employees who were in the service of the company prior to 1 January 2004 contribute to the Zimbabwe Electricity Supply Authority Staff Pension Fund. 10.7% of staff (145) complement are members of the Zimbabwe Electricity Supply Authority Staff Pension Fund and 89.3% (1208) are members of the Zimbabwe Electricity Industry Pension Fund. Actuarial valuations are done every three years for the Zimbabwe Electricity Supply Authority Staff Pension Fund. The last full scope valuation was done on 31 December 2006. The company's contribution to the fund during the year amounted to $1 632 788.

20.2 National Social Security Scheme

All employees are required to be members of the National Social Security Scheme. This is a defined contribution scheme established under the National Social Security Authority Act (1989). In accordance with regulations of the scheme, employees and the employer each contribute 3% of pensionable monthly emoluments.

21 TREASURY AND FINANCIAL RISK MANAGEMENT

The company has exposure to the following risks from its use of financial instruments:

- Market risk (which includes currency risk and interest rate risk)
- Credit risk
- Liquidity risk

The Board of Directors has overall responsibility for the establishment and oversight of the company's risk management framework. The Board of Directors and management employ the overall group risk management policies as set by the holding company. These policies are reviewed by management on a regular basis for adequacy in being able to manage any changes in risks arising from changes in the operating environment.

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

21.1 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 company's income or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

NOTES TO THE FINANCIAL STATEMENTS (CONT)
31 DECEMBER 2010

21.2 Currency risk

The company incurs foreign currency risk on sales and purchases that are denominated in a currency other than the United States dollar. The primary currency giving rise to this risk is the South African Rand.

The company cannot hedge any of its trade receivables and trade payables that are denominated in other currency. Estimated foreign currency exposures in respect of sales and purchases over the following twelve months are also not hedged. Forward exchange contracts are not available in Zimbabwe to enable the hedging of foreign currency risk. Currency risk is, however, managed by ensuring, as far as possible, that available foreign currency denominated liquid assets are reserved for the payment of foreign currency denominated liabilities.

21.3 Interest rate risk

The interest rates for both interest receivable and payable from and/or to local financial institutions are generally pegged against the Reserve Bank of Zimbabwe bank rate.

The company finances its operations through a mixture of retained earnings, bank borrowings, government support and borrowings from its holding company. The company borrows principally in United States dollars at fixed and floating rates. The interest rate characteristics of new borrowings and the refinancing of existing borrowings are positioned according to expected movements in interest rates.

21.4 Credit risk

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

At balance sheet date, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. Adequate provision is made against any trade and other receivables considered doubtful.

21.5 Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due.

The company'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 company's reputation. Included in this strategy has been the maintenance of reserve borrowings capacity.

21.6 Capital management

The Board of Directors' policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the company defines as net operating income divided by total shareholders' equity. Due to the prevailing operating economic conditions, the Board of Directors' has set any net positive return in each operating period as acceptable in terms of maintenance of capital.

There were no changes in the company's approach to capital management during the year.

The company is not subject to externally imposed capital requirements.

22. FINANCIAL INSTRUMENTS

22.1 Liquidity Risk

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

31 December 2010	Carrying amount	Contractual cashflow	0-12 months	12 months or more
Non-derivative financial liabilities				
Trade payables	23 635 213	23 635 213	23 635 213	-
Amounts owing to related parties	27 574 478	27 574 478	27 574 478	-
Other payables	132 007 445	132 007 445	132 007 445	-
Total	**183 217 136**	**183 217 136**	**183 217 136**	**-**

31 December 2009	Carrying amount	Contractual cashflow	0-12 months	12 months or more
Non-derivative financial liabilities				
Trade payables	22 225 190	22 225 190	22 225 190	-
Amounts owing to related parties	12 588 716	12 588 716	12 588 716	-
Other payables	113 154 703	113 154 703	113 154 703	-
Total	**147 968 609**	**147 968 609**	**147 968 609**	**-**

The company is experiencing liquidity problems. Of the total payables $95 million represents interest accrued on foreign loans which have become due and payable due to breach of the finance contracts and $32.6 million is VAT owed to Zimbabwe Revenue Authority (ZIMRA). Management has engaged ZIMRA and have agreed on settlement terms.

NOTES TO THE FINANCIAL STATEMENTS (CONT)
31 DECEMBER 2010

22. FINANCIAL INSTRUMENTS (continued)

22.2 Credit Risk

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:

	31 December 2010 US$	31 December 2009 US$	1 January 2009 US$
Carrying Amount			
Loans and receivables	162 493 531	69 201 137	1 151 221
Third party receivables	5 839 743	2 454 486	1 064 007
Amounts due from related parties	120 270 814	57 579 562	370
Other receivables	36 382 974	9 167 089	86 844
Cash and cash equivalents	3 002 312	2 865 597	5 377 932
Balance at end of year	165 495 843	72 066 734	6 529 153

The ageing of trade receivables at the reporting date was as follows

31 December 2010	Gross 2010 US$	Impairment 2010 US$	Net 2010 US$
No past due	27 087 702	-	27 087 702
Past due 0-30 days	28 562 185	-	28 562 185
Past due 31-120 days	72 968 202	(3 336 842)	69 631 360
More than 120 days	95 109 483	(95 109 483)	-
Total	223 727 572	(98 446 325)	152 281 247

31 December 2009	Gross 2009 US$	Impairment 2009 US$	Net 2009 US$
No past due	24 028 778	-	24 028 778
Past due 0-30 days	19 060 769	-	19 060 769
Past due 31-120 days	66 497 241	(49 183 178)	17 314 063
More than 120 days	30 254 514	(30 254 514)	-
Total	139 841 302	(79 437 692)	60 403 610

A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or group of debtors is experiencing significant difficulty, default or delinquency in interest or principal payments. Based on historic default rates, the company believes that impairment is necessary in respect of trade receivables due from Zimbabwe Electricity Transmission & Distribution Company, a company within the ZESA group whose customers are experiencing significant difficulty, default in rincipal payments. Therefore, the company has made provisions of impairment losses on trade receivables.

22.3 Interest Rate Risk

Interest rate risk is the risk that fluctuating interest rates will unfavourably affect the company's earnings and the value of its assets, liabilities and capital. The company held interest bearing liabilities as at 31 December 2010 as disclosed in note 7. However, the interest rates are fixed and, therefore, a sensitivity analysis has not been performed.

22.4 Exposure to currency risk

The company's exposure to foreign currency risk is attributable to European Euro (EURO), British Pound (GBP) and Swedish Kroner (SEK) denominated monetary assets and liabilities. The exposure was as follows at 31 December 2010, based on notional amounts:

	Receivables	Payables	Net Exposure 2010	Net Exposure 2009
EUR	-	(9 797 633)	(9 797 633)	(9 797 633)
GBP	-	(9 075 039)	(9 075 039)	(9 075 039)
SEK	-	34 525 522)	(34 525 522)	(34 525 522)

The following significant exchange rates applied during the year:

	Average rate USD 2010	Reporting date spot rate (USD) 2010	Average rate USD 2009	Reporting date spot rate (USD) 2009
EUR	0.7322	0.7683	0.6977	0.7089
GBP	0.6419	0.6637	0.6278	0.6218
SEK	6.8613	6.5645	7.1799	7.1375

Sensitivity analysis

All foreign currency balances were converted to United Sates dollars using inter-bank rates.

A 10% fluctuation of the United States dollar against the foreign currency balances would have increased/(decreased) equity and profit and loss by the amounts reflected below. This analysis is based on foreign currency exchange rate variances that the company considered to be reasonably possible at the end of the reporting period. This analysis assumes all variables remain the same.

	2010 US$	2009 US$
10 % devaluation in:		
EUR	(1 159 305)	(1 379 754)
GBP	(1 243 037)	(1 621 643)
SEK	(478 130)	(537 467)
10 % Appreciation in:		
EUR	1 416 928	1 128 890
GBP	1 519 267	1 326 799
SEK	584 381	439 740

NOTES TO THE FINANCIAL STATEMENTS (CONT)
31 DECEMBER 2010

23. GOING CONCERN

The Directors have assessed the ability of the company to continue operating as a going concern and believe that the preparation of these financial statements on a going concern basis is appropriate.

24. SUBSEQUENT EVENTS

24.1 The company was granted a USD55 million capital financing by the Government of Zimbabwe in 2011 to finance the rehabilitation of Hwange Power Station (US$45 million), Harare Power Station (US$3.2 million), Munyati Power Station (US$3.2million) and Bulawayo Power Station (US$3.6 million). The loan has tenure of two years at 5% interest per annum with repayments commencing in 2012. As at 30 June 2011, US$19 million had been drawn against the facility.

Zimbabwe Power Company will contribute US$31.5 million towards the capital fund to finance the rehabilitation of Hwange Power Station such that the funding window shall be US$86.5 million. As at 30 June, 2011, the company had contributed US$9.1 million towards the capital fund.

24.2 The company entered into a consultancy service agreements with the following companies in 2011:
Hatch Africa(Proprietary) Limited of South Africa on 1 March 2011 valued at US$27.3 million (ZAR180.7 million) for the provision of consultancy services to Hwange Power Station expansion and Kariba South Power Station extension projects.

KPMG Services (Proprietary) Limited of South Africa on 2 June 2011 valued at US$11,131,773.00. The objectives of the agreement is for KPMG to raise and secure financing for Hwange and Kariba Power Stations expansion projects and oversee the deployment of such capital.

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