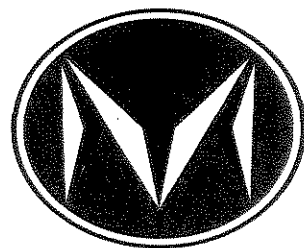
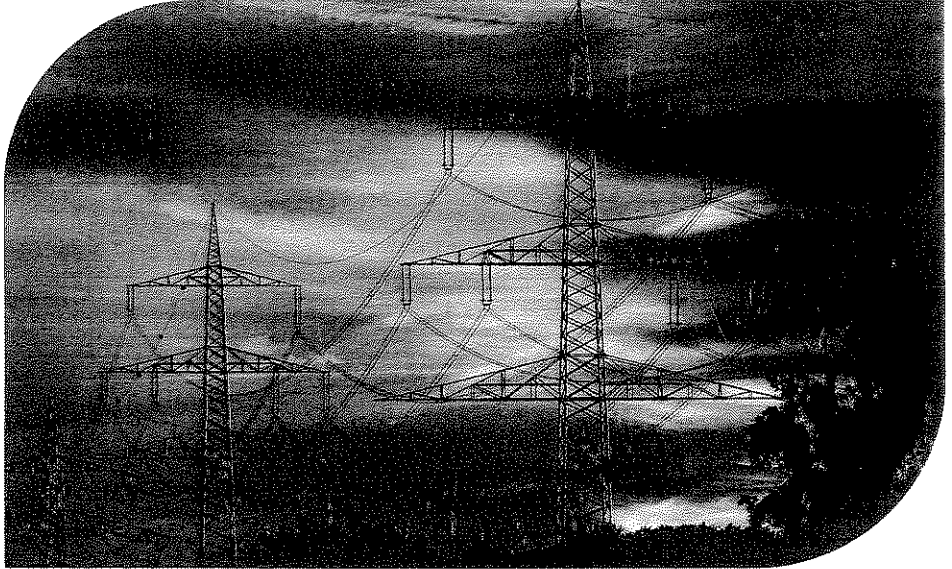
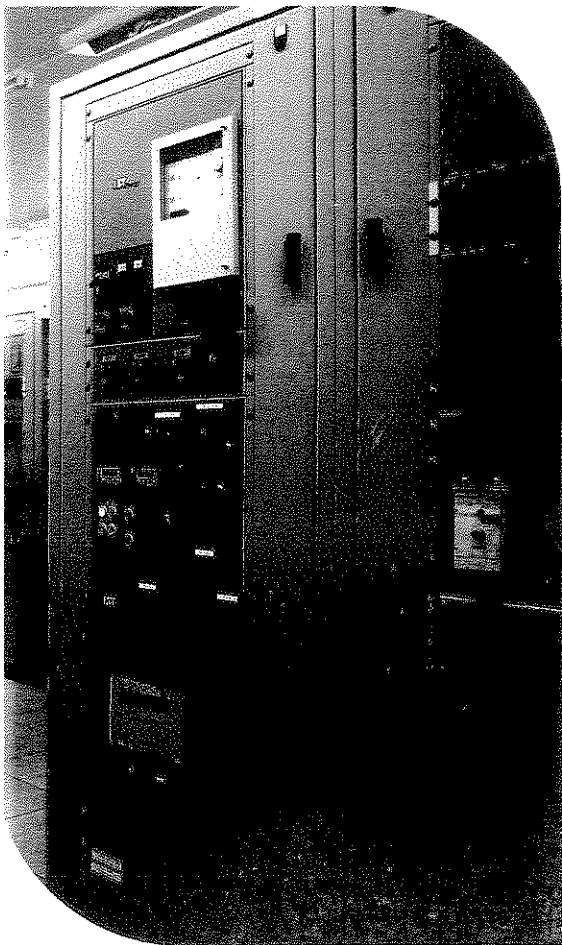
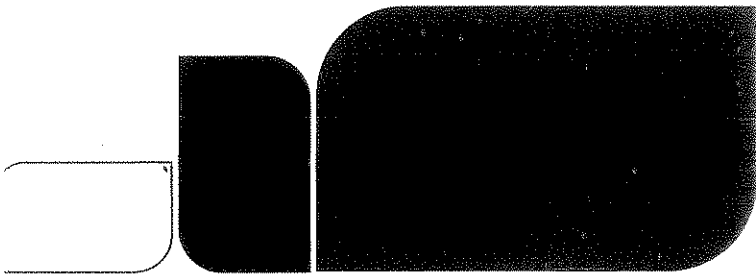
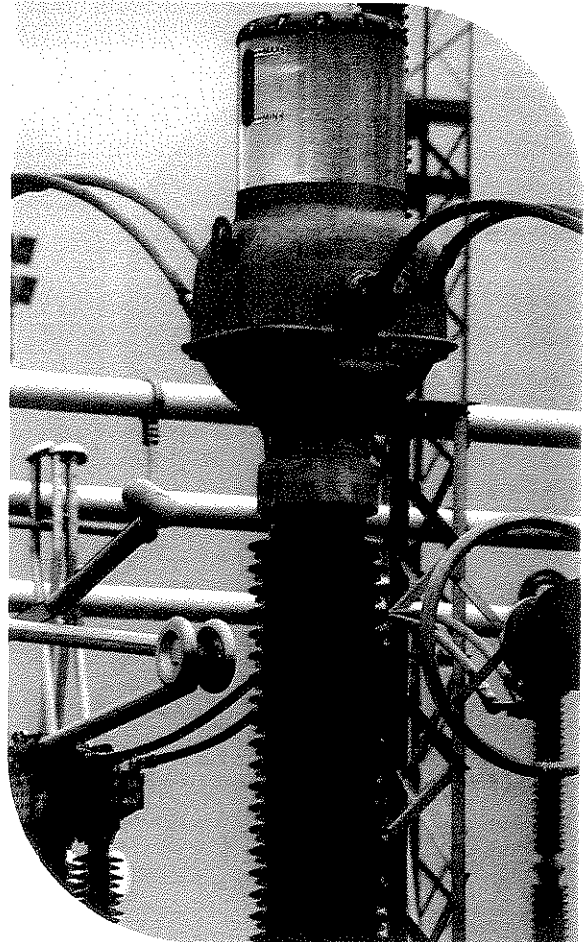
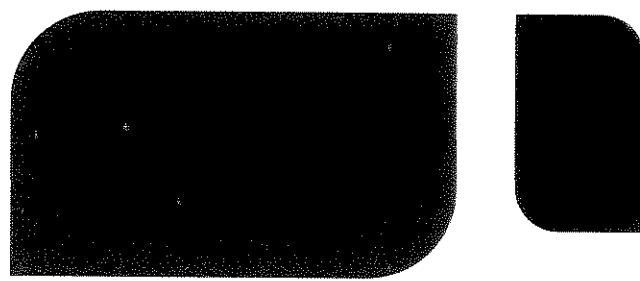


# Annual Report

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MOTRACO

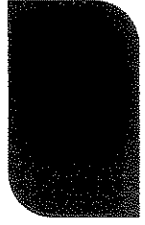
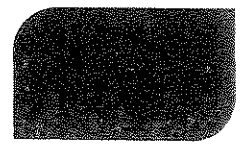
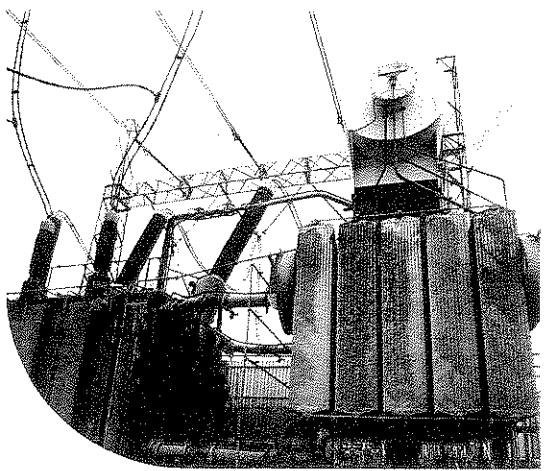
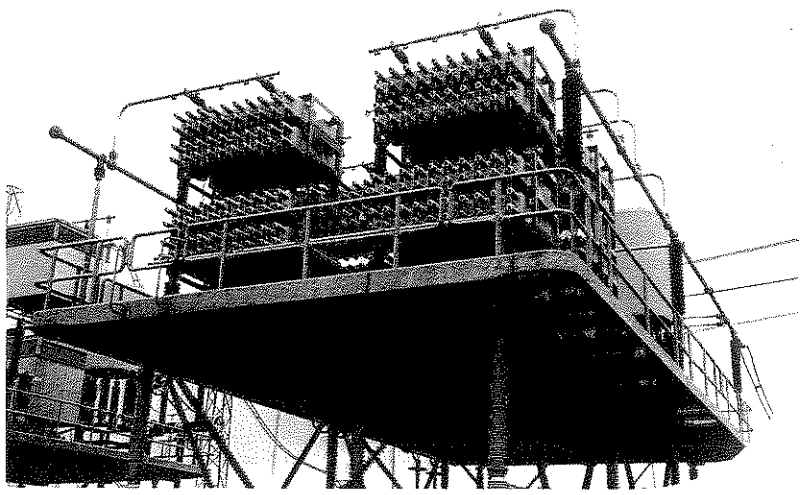
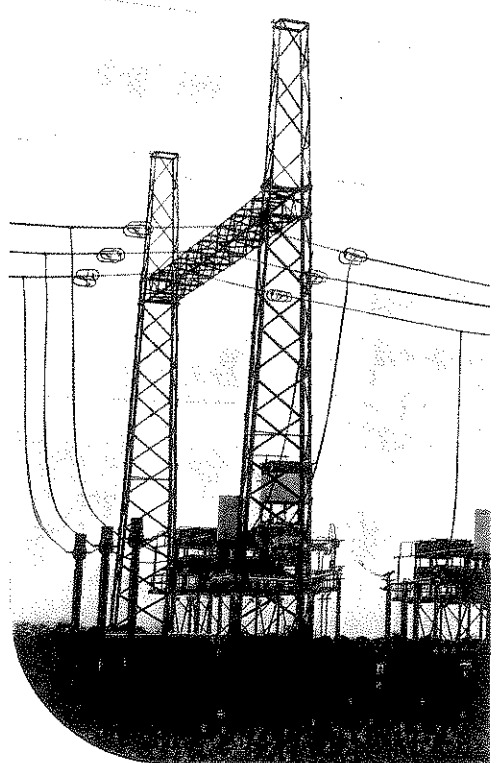


**MOTRACO, Sarl**

Prédio JAT – Av. 25 de Setembro, 420 – 4º Andar – Nº 3  
Tel: [258 21] 31 34 27 / 9 – 31 34 46  
Fax: [258 21] 31 34 47  
[www.motraco.co.mz](http://www.motraco.co.mz)  
Maputo – Moçambique

B32

INDEX	PAGE
FINANCIAL PERFORMANCE	3
DIRECTOR'S REPORT	6
INDEPENDENT AUDITOR'S REPORT	10
REPORT OF THE FISCAL COMMITTEE	12
STATEMENT OF COMPREHENSIVE INCOME	14
STATEMENT OF FINANCIAL POSITION	15
STATEMENT OF CHANGES IN EQUITY	16
STATEMENT OF CASH FLOWS	17
NOTES TO THE FINANCIAL STATEMENTS	18





## Vision

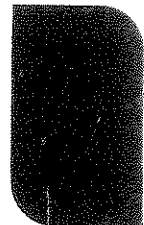
The preferred partner in electricity intensive industries in Southern Africa

## Mission

Motraco will facilitate industrial development by providing reliable energy and associated services to its business partners whilst ensuring an acceptable return to its shareholders.

## Code of Ethics

Motraco, in recognition of the importance of its business as part of its contribution towards the quality of life for all in the region, and in accepting responsibility for its actions in the communities in which it does business, has committed itself to the highest ethical and professional conduct.

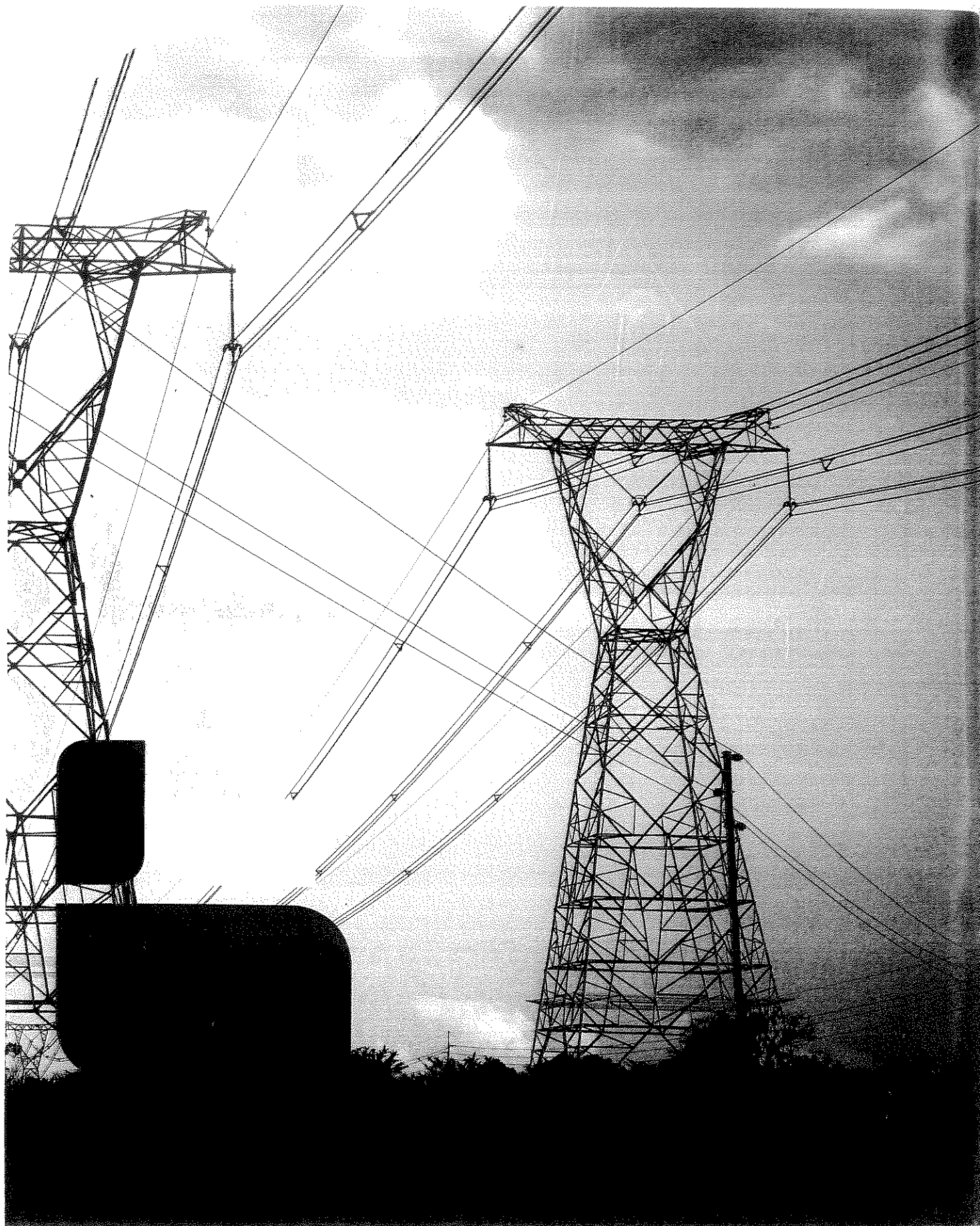


## Financial Performance

Key Statistics in MUSD	2009	2008	2007	2006	2005	2004
Total Revenues (as invoiced)	145.2	141.4	138.3	92.0	84.6	83.6
Energy Revenue	127.0	121.2	120.0	73.8	66.5	77.9
Wheeling Revenue	21.2	20.7	18.0	18.8	18.0	17.6
Other revenues	6.9	9.2	0.2	0.2	0.1	0.3
Operating expenses	10.1	10.3	9.9	10.0	9.3	8.9
Employment costs	0.4	0.3	0.3	0.3	0.3	0.3
Financial costs	5.2	5.6	6.0	4.7	5.4	4.1
Net profit	7.0	4.3	2.0	3.2	3.0	5.4
Cash generated from operations	7.2	12.0	13.3	13.5	14.0	14.0
Cash and cash equivalents	19.9	20.1	17.0	10.8	6.8	4.4
Total assets	159.2	154.0	155.0	129.0	127.8	135.7
Total liabilities	87.3	105.0	110.3	78.0	79.3	90.0
Capital and Reserves	57.0	49.0	44.2	50.9	48.5	45.7

### Ratio Analysis

Current ratio	1.7	1.1	1.1	0.6	0.3	0.4
Quick ratio	1.7	1.1	1.1	0.6	0.3	0.4
Debt / Asset (%)	54.8	68.2	71.4	60.5	62.0	66.3
Debt / Equity ratio	1.0	2.1	2.5	1.5	2.1	2.4
Debt service coverage ratio	2.7	1.9	1.4	0.4	1.6	1.0
Return on total assets (%)	4.0	0.9	0.9	0.7	0.7	0.6
Total Asset turn over	1.0	7.0	7.0	7.0	7.0	7.0
Return on Equity (%)	17.3	10.9	5.2	8.4	8.0	14.4



## Board of Directors



**Ernest Mkhonta**  
Chairman



**Trevor Myburgh**  
Finance Director



**Adelino Muchanga**  
Legal Director



**Willy Majola**  
Technical Director



**Adriano Jonas**  
Special Project Director



**Nyamane Banele**  
Comercial Director

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## Directors' Report

### Introduction

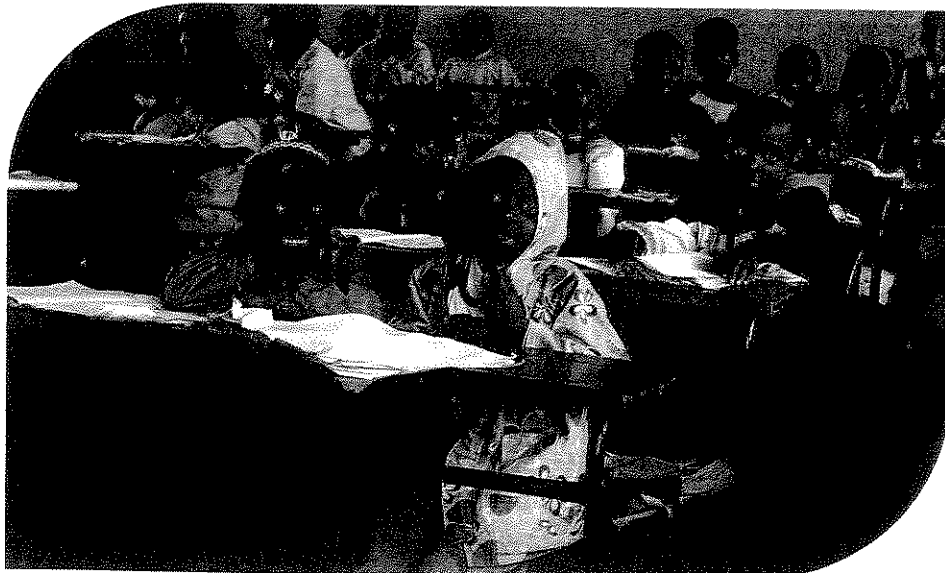
Companhia de Transmissão de Moçambique, SARL (MOTRACO), a joint venture between EDM, Eskom and SEC, was created in 1998 primarily to supply electricity to the Mozal aluminium smelter in Maputo. Motraco and its main customer Mozal is an example of Private, Public Partnerships in the southern African region as they bring together international and regional private and public sector organizations for the production of high quality aluminium in Mozambique.

### Business of Motraco

Motraco transports, for economic benefit, electrical energy on behalf of Mozal, Eskom, EDM and SEC from South Africa to Mozambique and Swaziland. To enable it to undertake this task, Motraco owns a high voltage transmission network that emanates from the Eskom electrical power system in Mpumalanga, South Africa and links the power networks of EDM in Mozambique and of SEC in Swaziland.

For convenience, back-to-back agreements were put in place for Motraco to purchase electricity from Eskom for sale to Mozal for no economic benefit. As a result of this perceived energy trading role a dispute with Eskom has occurred with respect to line losses and reactive energy costs associated with the energy consumed by Mozal. Resolution to this dispute was finally reached early in 2009 and a Memorandum of Agreement that captured the key principles was signed on 12 August 2009.

Motraco paid the principal debt to Eskom on the Line Losses in accordance with the terms and conditions of the Memorandum of Agreement. The interest accrued on the principal debt will be paid in accordance with the terms and conditions of the Memorandum of Agreement.





## Customer services

Mozal's firm demand for 2009 was 925MW. The maximum demand recorded was 994.08MW and energy consumed was 8,307,615.81MWh for the year at a power supply quality within the agreed targets from a transmission system point of view. The management of the dwindling power supply in Southern Africa was improved in 2009 resulting in less power interruptions to Mozal compared to 2008. Eskom has maintained its position to request all its customers to reduce consumption in order to keep the situation manageable.

Energy transported on behalf of EDM was 1,034,295.72MWh, with a maximum demand of 300MW (2009:263MW). Energy transported for SEC was 568,437.06MWh with a maximum demand of 128.0MW (2009: 128.0MW). There were no interruptions on the supply to the clients due to Motraco.

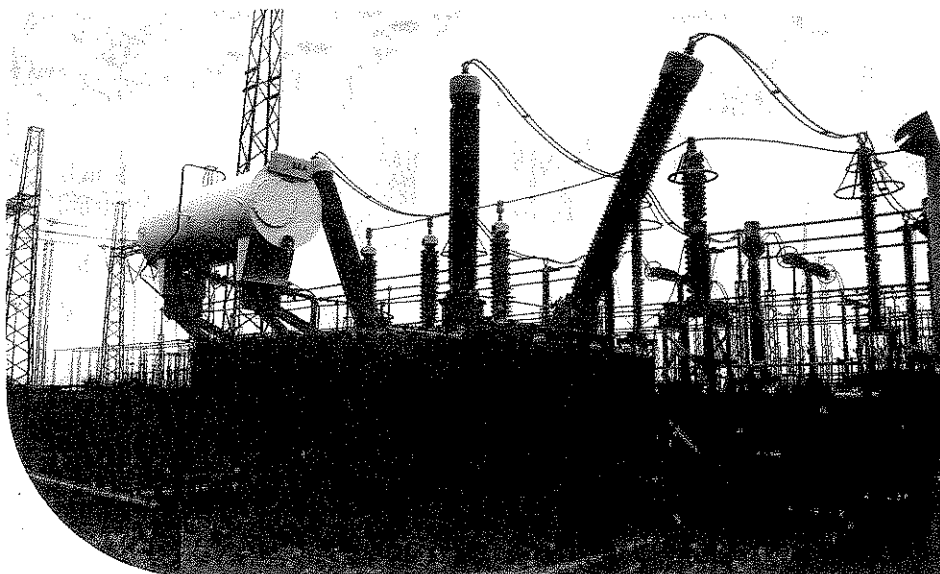
## Organization

Motraco is governed by a Shareholders General Meeting (SGM) and Board of Directors. The SGM comprises of shareholder representatives from EDM, Eskom and SEC. The SGM is the policy formulating body for the company and is assisted in its oversight of the business by a Fiscal Committee (FC) which also consists of representatives from the shareholders. Both the FC and the SGM are statutory requirements according to Mozambican law.

Policy implementation is the responsibility of the Board of Directors, two appointed by each shareholder. The directors are non-executive but do have executive powers in accordance with the Articles of Association of the company.

The day-to-day management of the business of the company is delegated to a General Manager who is assisted by six members of staff. All major functions, such as the operations and maintenance of Motraco are outsourced as Motraco adopts an aggressive out-sourcing strategy.

Human resources policies and procedures including financial control systems, an environmental policy, a marketing and communications policy and a corporate social responsibility policy are all in place and adhered to by the company.





### Financial Performance

Revenues from the transportation business were 22.1US\$ million (2008: 20.4US\$. million). Operating expenses were US\$ 10.07million (2008: 9.99US\$ million) resulting in an operating profit of US\$ 12.037million (2008: 10.438US\$ million). The earnings per share increased to 17.79 (2008: 13.77)

Energy charges to Mozal at US\$123.109million (2008: US\$121.1million) and energy purchases from Eskom at US\$ 107.7million (2008: US\$ 106.45million ) are reported for statutory purposes in accordance with the Mozambican Commercial Code and Tax Legislation as well as the Generally Accepted Accounting Principles in Mozambique.

Financing costs increased during 2009 due to the hedging of the Agence Française de Développement (AFD) Euro loan by Rand Merchant Bank of South Africa. The AFD facility was disbursed in Euro's, however as Motraco's revenue and cash flows are in US dollars, a swap arrangement was put in place with Rand Merchant Bank to mitigate against the volatility of the US dollar against the Euro.

The Japanese Bank for International Cooperation (JBIC) loan was fully paid in October 2009. This has reduced resulted in a relative reduction of the financing charges. Motraco settled 50% of the interest debt due to Eskom on the line losses pursuant to the Memorandum of Agreement signed August 2009.

### Future prospects

The company's only source of revenues is from the provision of energy transportation services over its power infrastructure. These revenues escalate in accordance with USA PPI. Due to limited surplus generation being available in the Southern African region, potential expansions of current customers and new opportunities which have been identified in Mozambique are unlikely to materialize in the near future.

Motraco has a fibre optic cable network on its cross-border power infrastructure with tremendous telecommunications bandwidth which is currently only utilized at less than 2%. Motraco is assessing opportunities to generate additional revenue from these assets.

### Conclusion

Motraco's success over the past year and continued success can be attributed to the dedication of all of its stakeholders. I wish to thank all of these and in particular the Motraco employees and Board of Directors for their continued support in ensuring that Motraco continues to deliver on its mandate.

Ernest Siphon Mkhonta  
Chairman of the Board of Directors

## DIRECTORS' APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements of Companhia de Transmissão de Moçambique, SARL are the responsibility of the directors of the company.

The directors fulfill this responsibility primarily by establishing and maintaining accounting systems and practices adequately supported by internal accounting controls. Such controls provide assurance that the company's assets are safeguarded, that transactions are executed in accordance with management's authorization and that the financial records are reliable.

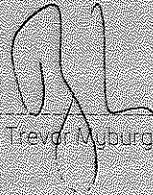
The directors believe that the company will be a going concern in the year ahead. For this reason, they adopt the going concern basis in preparing the financial statements.

Management has prepared the financial statements in accordance with International Financial Reporting Standards.

The financial statements for the year ended 31 December 2009 set out on pages 14 to 48 were approved by the board of directors on 23 April 2010 and are signed on its behalf by:



Ernest Siphio Mkhonta



Trevor Myburgh



## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of  
**MOTRACO – COMPANHIA DE TRANSMISSÃO DE MOÇAMBIQUE, S.A.R.L.**

We have audited the accompanying financial statements of MOTRACO – COMPANHIA DE TRANSMISSÃO DE MOÇAMBIQUE, S.A.R.L., which comprise the statement of financial position as at 31 December 2009 (reflecting total assets of USD 139,325,162 and total equity of USD 57,047,598, including a net result for the year of USD 7,025,133), the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

### Management's Responsibility for the Financial Statements

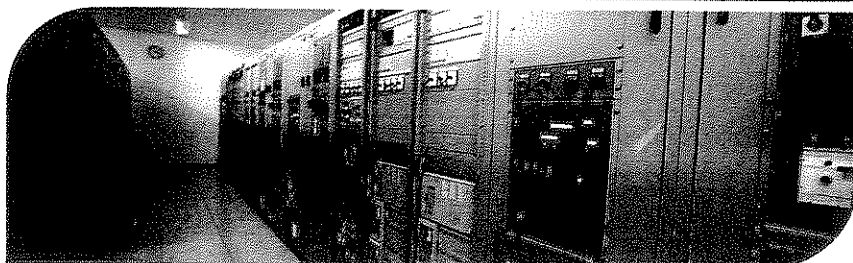
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of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

### Auditor's Responsibility

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

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

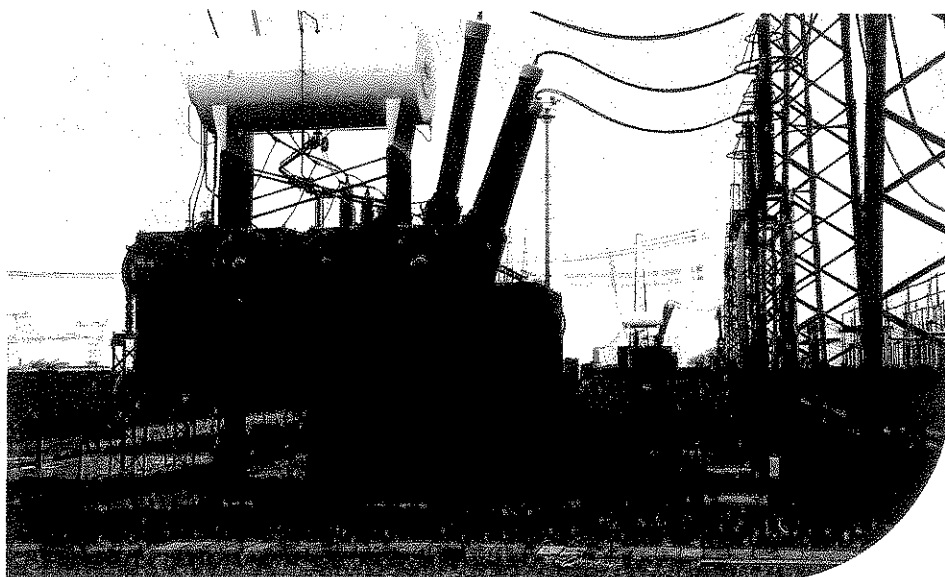
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MOTRACO – COMPANHIA DE TRANSMISSÃO DE MOÇAMBIQUE, S.A.R.L., as of 31 December 2009, and of its financial performance for the year then ended in accordance with International Financial Reporting Standards.

Maputo, 10 May 2010





## Report of the Fiscal committee of Motraco to the Shareholders on the 2009 Financial Statements

In accordance with the applicable legal and statutory requirements, we hereby present to the shareholders a report of our findings from the review performed by us of Motraco - Companhia de Transmissão de Moçambique, SARL and our opinion on the company's financial statements for the financial year ended 31 December 2009.

We have reviewed, to the extent that we considered necessary in the circumstances, the company's activities in our capacity as Fiscal Committee, having studied minutes of proceedings of the directors' meetings, verified reports and accounting records. We received full cooperation from management for all services and information requested by us.

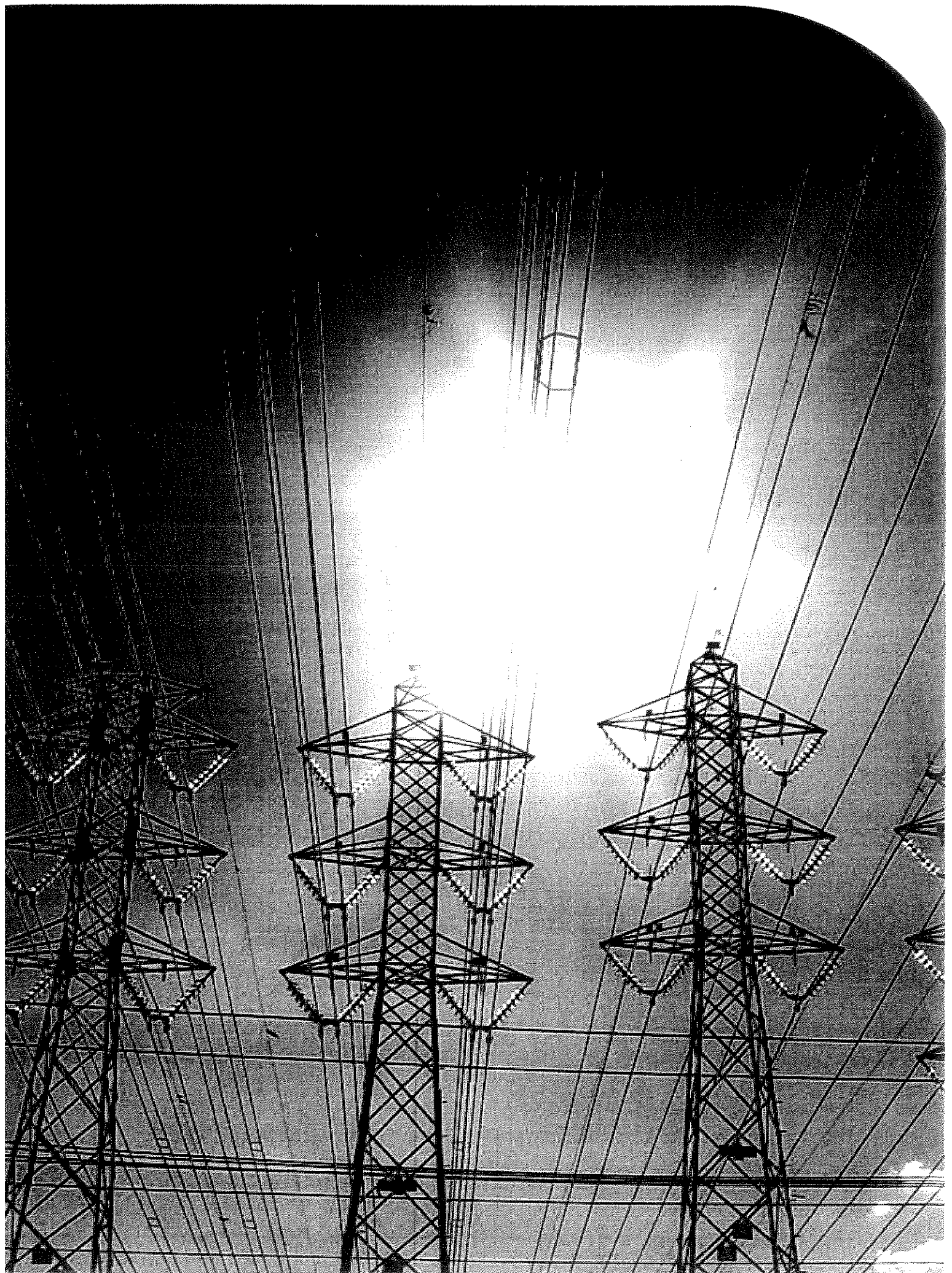
We have relied extensively upon the work and reports to the external auditors in fulfilling our obligations and in formulating our opinion and concur with their opinion as detailed in the Independent Auditor's Report.

In our opinion, the financial statements, which were prepared in accordance with the accounting policies described in the notes to the Financial Statements of the company, fairly represent the financial position of Motraco - Companhia de Transmissão de Moçambique, SARL as at 31 December 2009 and results of its operations and cash flows for the year ended 31 December 2009.

Sérgio Parruque (Chairman)

Elizabeth Mabuza

Bob Sookrajh

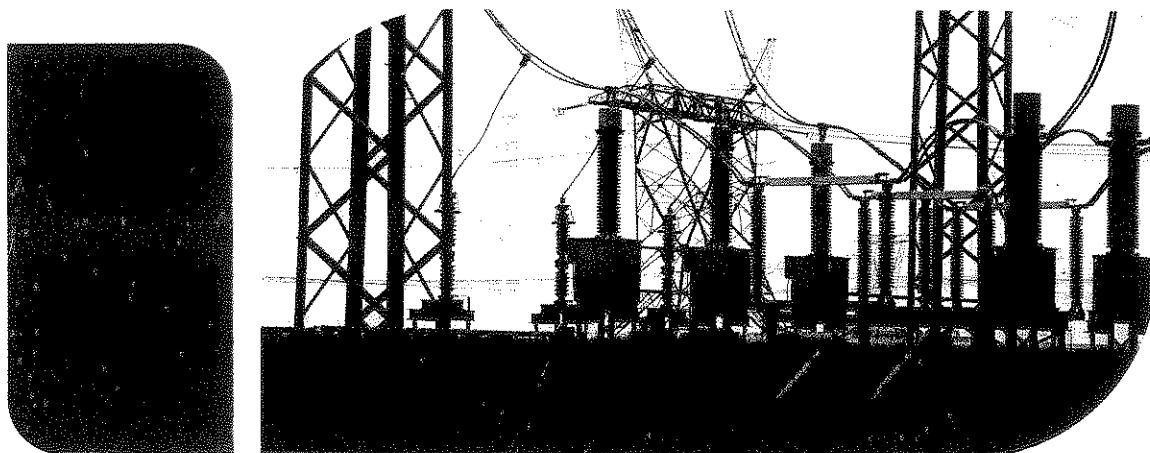




## Statement of Comprehensive Income

For the year ended 31 December 2009

	Notes	2009 USD	2008 USD
Revenue	3	22 110 473	20 427 131
Operating expenditure	4	(10 073 132)	(9 988 761)
<b>Operating profit before financing costs</b>		<b>12 037 341</b>	<b>10 438 370</b>
Financial income		712 844	1 602 636
Financial expenses		(5 243 160)	(5 962 345)
Net financing costs	5	(4 530 316)	(4 359 709)
<b>Profit before tax</b>		<b>7 507 025</b>	<b>6 078 661</b>
Income tax expense	6	(481 892)	(637 718)
<b>Profit for the year</b>		<b>7 025 133</b>	<b>5 440 943</b>
<b>Other comprehensive income</b>			
Other comprehensive income, net of taxes			
<b>Total comprehensive income</b>		<b>7 025 133</b>	<b>5 440 943</b>
Earnings per share (basic and diluted)	7	17.79	13.77





## Statement of Financial Position

For the year ended 31 December 2009

	Notes	2009 USD	2008 USD
<b>Assets</b>			
Property, plant and equipment	8	87 870 189	93 907 832
Financial Derivative asset	9	16 537 255	23 827 891
<b>Total non-current assets</b>		<b>104 407 444</b>	<b>117 735 723</b>
Trade and other receivables and prepayments	10	15 055 790	15 783 824
Cash and cash equivalents	11	19 861 928	21 344 204
<b>Total current assets</b>		<b>34 917 718</b>	<b>37 128 028</b>
<b>Total assets</b>		<b>139 325 162</b>	<b>154 863 751</b>
<b>Equity</b>			
<b>Capital and reserves</b>			
Issued capital	12	39 500 000	39 500 000
Reserves	13	5 445 223	5 173 175
Subsidies to the interest	13	635 449	657 063
Retained earnings		11 466 926	4 713 841
<b>Total equity</b>		<b>57 047 598</b>	<b>50 044 079</b>
<b>Liabilities</b>			
Interest-bearing borrowings	14	45 229 300	48 996 199
Financial Derivative liability	9	16 187 092	22 883 734
<b>Total non current liabilities</b>		<b>61 416 392</b>	<b>71 879 933</b>
Interest-bearing borrowings	14	4 484 694	8 602 656
Trade and other payables	16	15 578 970	23 698 070
Income tax payable	6	797 508	639 013
<b>Total current liabilities</b>		<b>20 861 172</b>	<b>32 939 739</b>
<b>Total liabilities</b>		<b>82 277 564</b>	<b>104 819 672</b>
<b>Total equity and liabilities</b>		<b>139 325 162</b>	<b>154 863 751</b>



Statement of changes in equity  
for the year ended 31 December 2009

	Note	Share Capital USD	Retained earnings USD	Legal Reserve USD	Loan reserve USD	Interest subsidy USD	Total USD
<b>Balance at 1 January 2008</b>		<b>39 500 000</b>	<b>1 040 000</b>	<b>732 269</b>		<b>380 235</b>	<b>40 652 504</b>
Adjustment		-	(132 495)	-	-	-	(132 495)
Total comprehensive income		-	5 440 943	-	-	-	5 440 943
Transfer to legal reserve a)		-	-	225 203	-	-	225 203
Interest subsidy of the year b)		-	-	-	-	546 884	546 884
Interest subsidy usage b) and Note 3		-	-	-	-	(270 056)	(270 056)
<b>Balance at 31 December 2008</b>		<b>39 500 000</b>	<b>5 308 448</b>	<b>957 472</b>		<b>657 063</b>	<b>46 423 983</b>
Adjustment		-	-	-	-	-	-
Total comprehensive income		-	7 025 133	-	-	-	7 025 133
Transfer to legal reserve a)		-	(272 048)	272 048	-	-	-
Interest subsidy of the year b)		-	-	-	-	146 759	146 759
Interest subsidy usage b) and Note 3		-	-	-	-	(168 373)	(168 373)
<b>Balance at 31 December 2009</b>		<b>39 500 000</b>	<b>5 036 390</b>	<b>1 229 520</b>		<b>635 449</b>	<b>46 401 359</b>

- a) In terms of Commercial Legislation of the Republic of Mozambique, the Company has to transfer 5% of annual profits, up to a limit of 20% of Share Capital to a Legal Reserve. This reserve is not distributable and can only be used for capitalization or to cover losses, after exhausting all other reserves.
- b) Interest subsidy is a subsidy given by EIB – European Investment Bank to the interest rate, on which EIB support 2% of a total of 7% interest rate charged on the Motraco's loan. Interest subsidy is intended to finance training activities for Motraco, EDM – Electricidade de Moçambique, SEC – Swaziland Electricity Company, Government of Swaziland and Government of Mozambique. The correspondent amount is recognized when loan interest is paid to EIB, according to the contract, as a provision account (on equity), and used when training activities are carried out. Training expenses are recorded in Profit and Loss account during the year, and the correspondent amount recognized as revenue at the year end by using the provision account (Interest subsidy usage).

## Statement of Cash Flows

for the year ended 31 December 2009

	Notes	2009 USD	2008 USD
<b>Cash flow from operating activities</b>			
Profit before tax		7 507 025	6 078 661
Depreciation		5 453 155	5 785 605
Changes in derivative asset/liability		593 993	[944 157]
Changes in working capital		(1 528 206)	3 115 588
(Increase)/decrease in trade and other receivables		809 061	(1 051 468)
Increase in trade and other payables		(2 337 267)	4 167 056
Income Tax paid		(813 175)	(1 074 690)
Opening balance		(466 225)	(30 548)
Charge for the year		481 892	639 013
Closing balance		797 508	466 225
<b>Cash generated by operations</b>		<b>11 212 742</b>	<b>12 061 007</b>
<b>Cash flow from investing activities</b>			
Acquisition of property, plant and equipment	8	(4 095 760)	[148 112]
<b>Net cash from investing activities</b>		<b>(4 095 760)</b>	<b>[148 112]</b>
<b>Cash flow from financing activities</b>			
Repayment of borrowings		(8 599 308)	[8 604 673]
<b>Net cash from financing activities</b>		<b>(8 599 308)</b>	<b>(8 604 673)</b>
Net increase in cash and cash equivalents		(1 482 276)	4 208 222
Cash and cash equivalents at 1 January		21 344 204	17 135 982
<b>Cash and cash equivalents at 31 December</b>	<b>11</b>	<b>19 861 928</b>	<b>21 344 204</b>



## NOTES TO THE FINANCIAL STATEMENT

for the year ended 31 December 2009

### 1. Incorporation and activities

MOTRACO – Companhia de Transmissão de Moçambique, SARL is a limited liability company incorporated on 16 October 1998 and its 2009 financial statements, by BoD proposal were approved on 23th April 2010. The principal objective of the company is the transportation of electricity via its power transmission system from South Africa to the Mozal Aluminium Smelter, Electricidade de Moçambique, Swaziland Electricity Company and Eskom of South Africa. However, back-to-back contractual arrangements exist for the company to invoice Mozal for electrical energy consumed and to pay Eskom for the energy supplied to Mozal.

### 2. Summary of significant accounting policies

#### 2.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations adopted by the International Accounting Standards Board (IASB).

#### 2.2 Basis of presentation

The financial statements are prepared in US Dollars. They are prepared on the historical cost basis, without any adjustment to reflect the impact of specific price changes or changes in the general level of prices.

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

The company maintains its books of accounts and prepares its statutory financial statements in accordance with regulations on accounting and reporting framework promulgated by the Mozambican Commercial Code and Tax Legislation and the Generally Accepted Accounting Principles in Mozambique issued by the Ministry of Finance. The financial statements have been prepared from the statutory financial statements of the company and are presented in US dollars with adjustments and reclassifications for the purpose of fair presentation in accordance with IFRS. Such adjustments mainly comprise of:

- a) accounting for depreciation based on economic useful life rather than tax rates;
- b) Recognition and measurement of financial instruments;
- c) Treatment of dividends proposed on the current year's results;
- d) Classifications and disclosures as required.

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

### 2.3 Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to US Dollars at the foreign exchange rate ruling at the balance sheet date. Foreign exchange differences arising on translation at the balance sheet date are recognized in the income statement. Non-monetary assets and liabilities that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to US Dollars at foreign exchange rates ruling at the dates the fair value was determined.

### 2.4 Financial instruments

Financial assets are recognized when the company has rights or other access to economic benefits. Such assets consist of cash, equity instruments, a contractual right to receive cash or another financial asset, or a contractual right to exchange financial instruments with another entity on potentially favourable terms. Financial liabilities are recognized when there is an obligation to transfer benefits and that obligation is a contractual liability to deliver cash or another financial asset or to exchange financial instruments with another entity on potentially unfavourable terms.

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

Financial assets and liabilities are categorized and the accounting treatment is determined according to such categorization. Financial liabilities which are categorized as held for trading are fair valued with movements recorded in the income statement. All other liabilities are held at amortized cost. Financial assets which are held for trading are treated similarly to financial liabilities held for trading. Financial assets which are held for resale are



also fair valued and movements in the fair value are recorded within equity until sold when the gain/loss is recycled to the income statement. All other financial assets are recorded at amortized cost.

If a legally enforceable right exists to set off recognized amounts of financial assets and liabilities, which are in determinable monetary amounts, and the company intends to settle on a net basis, the relevant financial assets and liabilities are offset.

The company uses derivative financial instruments, interest rate swaps and forward exchange contracts to hedge its exposure to foreign exchange and interest rate risks arising from operational and financial activities. The company does not hold or issue derivative financial instruments for trading purposes. Derivative financial instruments are recognized initially at cost. Subsequent to initial recognition, derivative financial instruments are stated at fair value.

Where a derivative financial instrument hedges the variability in fair value of a recognized payable or receivable, any resultant gain or loss on the hedging instrument is recognized in the income statement. The hedged item is stated at fair value in respect of the risk being hedged, with any gain or loss being recognized in the income statement.

i) Impairment of financial assets

The company assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a 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 a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

*Due from loans and advances to customers*

For amounts due from loans and advances to customers carried at amortised cost, the company first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the income statement.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

#### ii) Fair Value of Financial Instruments

The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date.

For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

#### 2.5 Trade and other receivables

Trade and other receivables are recognized at amortized cost less impairment.

#### 2.6 Cash and cash equivalents

Cash and cash equivalents comprises cash balances and call deposits including those denominated in foreign currencies, repayable on demand with any bank or other financial institution and forming an integral part of the company's cash management. For the purpose of the cash flow statement, bank overdrafts are considered as borrowings. Included in this group is the debt reserve service account constituted with Rand Merchant Bank on amount of USD 5,647,457, as guarantee to the loan disbursed by the RMB on Motraco behalf.

#### 2.7 Interest-bearing borrowings

Interest-bearing borrowings are recognized initially at fair value, less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the income statement over the period of the borrowings on an effective interest basis.



## 2.8 Property, plant and equipment

### i) Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, where applicable.

The cost of self-constructed assets includes the cost of materials, site preparation and restoration, delivery and handling, installation, commissioning, direct labor, and an appropriate proportion of overheads.

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

### ii) Subsequent expenditure

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major repairs and overhaul expenditure is capitalized. Other subsequent expenditure is capitalized only when it is probable that future economic benefits embodied within the item will flow to the company and the cost of the item can be measured reliably. All other costs are recognized in the income statement as expenses as incurred.

### iii) Borrowing costs

Interest costs on borrowing to finance the construction of property, plant and equipment are capitalized, during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

### iv) Depreciation

Depreciation is charged to the income statement on a straight-line basis at rates calculated to write off the cost or valuation less estimated residual value of each asset, evenly over its expected useful.

The assets residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively if appropriate.

The estimated useful lives for the current and prior years are as follows:

• Plant and equipment	3 – 5 years
• Furniture and fittings	5 years
• Motor vehicles	5 years
• Transmission lines	25 years
• Buildings and installations	25 years



## 2.9 Financial lease

### Initial recognition

The company recognizes assets held under a finance lease in the balance sheet and present them as a receivable at the amount equal to the net investment in the lease. Under this lease substantially all the risks and rewards incidental to legal ownership are transferred by the company, and thus the lease payment receivable is treated by the company as repayment of principal and finance income to reimburse and reward the company for its investment and services.

Initial direct costs incurred by the company include commissions, legal fees and internal costs that are incremental and directly attributable to negotiating and arranging a lease. These costs are included in the initial measurement of the finance lease receivable and reduce the amount of income recognized over the lease term. The interest rate implicit in the lease is defined in such a way that the initial direct costs are included automatically in the finance lease receivable.

### Subsequent measurement

The recognition of finance income is based on a pattern reflecting a constant periodic rate of return on the company's net investment in the finance lease. The company aims to allocate finance income over the lease term on a systematic and rational basis. This income allocation is based on a pattern reflecting a constant periodic return on the company's net investment in the finance lease. Lease payments relating to the period, excluding costs for services, are applied against the gross investment in the lease to reduce both the principal and the unearned finance income.

Estimated unguaranteed residual values used in computing the company's gross investment in a lease are reviewed regularly. If there has been a reduction in the estimated unguaranteed residual value, the income allocation over the lease term is revised and any reduction in respect of amounts accrued is recognized immediately.

Finance income is recognized in the income statement.

## 2.10 Impairment of non-financial assets

The carrying amount of the company's assets is reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amount is estimated.

An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the income statement. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then, to reduce the carrying amount of the other assets in the cash-generating unit on a pro rata basis.



i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

ii) Reversals of impairment

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

2.11 Recognition of revenue

Revenue is recognized when it is probable that the economic benefits will flow to the company and when the revenue can be reliably measured. Revenue is stated net of Value Added Tax on the following basis: (i) for rendering of services, when services are provided and; (ii) for interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

No revenue is recognized if there are significant uncertainties regarding recovery of the consideration due or associated costs.

2.12 Employee benefits

Contributions to the Instituto Nacional de Segurança Social – INSS (National Social Security Fund), a defined contribution scheme administrated by the State, which all Mozambican companies are, by law, obliged to make, are based on a percentage of salaries and are expensed in the period in which they are due.

2.13 Net financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method, interest receivable on funds invested and foreign exchange gains and losses, as well as guarantee fees, collateral demand and fair value movements.

Interest income is recognized in the income statement as it accrues using the effective interest method.

Interest expense is recognized in the income statement as it accrues using the effective interest rate.

#### 2.14 Provisions

A provision is recognized in the balance sheet when the company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

#### 2.15 Dividends

Dividends are recognized as a liability in the period in which they are declared.

#### 2.16 Contingencies

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the probability of any outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

#### 2.17 Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

#### 2.18 Comparative figures

Where applicable, comparative figures have been adjusted to reflect the presentation adopted in the current year.

<b>3. Revenue</b>		<b>2009</b>	<b>2008</b>
		<b>USD</b>	<b>USD</b>
Wheeling charges	(a)	21 217 157	19 986 530
Other income		724 943	170 545
EIB interest subsidy		168 373	270 056
		<b>22 110 473</b>	<b>20 427 131</b>

(a) For statutory purposes, revenue is reported in accordance with the Mozambican Commercial Code and Tax Legislation and the Generally Accepted Accounting Practices in Mozambique. Under this perspective, the following revenue and costs from electricity would also be recognized:



	2009	2008
	USD	USD
Energy charge to Mozal	123 109 455	121 154 006
Electricity cost paid to Eskom	(107 718 883)	(105 454 840)
	15 390 572	14 699 166
	<b>22 110 473</b>	<b>20 427 131</b>

#### 4. Operating expenditure

Operating expenditure includes the following costs:

	2009	2008
	USD	USD
Depreciation	5 453 155	5 785 605
Operating and maintenance costs	1 585 268	1 173 650
Concession fees	329 523	325 196
Audit fees	87 037	68 076
Consultancy fees	127 927	1 809
Management fees	72 000	72 000
Staff costs	470 185	382 551
Training and development (a)	168 373	270 056
Control services	135 679	126 080
Telecommunications	312 528	389 075
Insurance	965 287	619 497
Travel and subsistence	72 735	50 576
Legal fees	31 787	
Others	161 648	724 590
	<b>10 073 132</b>	<b>9 988 761</b>

## 5. Net financing costs

	2009 USD	2008 USD
<b>Financial income</b>		
Interest income on loans and receivables	-	-
Interest income from investments	712 844	658 479
Fair value movement in derivatives	-	944 157
	712 844	1 602 636
<b>Financial expenses</b>		
Interests on overdrafts	-	-
Interests on debts and borrowings	(3 091 876)	(4 740 661)
Guarantee fees (a)	(1 063 110)	(1 076 140)
Others financial costs	(141 559)	(17 725)
	(4 296 545)	(5 834 526)
Exchange losses	(352 622)	(127 145)
Additional financial losses on hedging contracts	(593 993)	(674)
Fair value movement in derivatives	-	-
	(5 243 160)	(5 962 345)
<b>Net financing costs</b>	<b>(4 530 316)</b>	<b>(4 359 709)</b>

- a) The guarantee fees represent 1% per annum payable to Eskom Holdings Limited, one of the shareholders, on capital outstanding and accrued interest of the loan facilities (refer to Note 9) guaranteed by Eskom Holdings Limited.

## 6. Income tax expense

### 6.1 Mozambique

Under the terms of the foreign investment project authorization as contained in the Decree 14/98 and the internal resolutions n° 4/98 dated 31 March 1998, the Government of Mozambique has granted the Company, income tax and complementary taxes exemption in Mozambique, valid for five fiscal years starting from the commencement of operation of the energy transmission lines. This benefit expired in the financial year ended 31 December 2004. Under the terms of the same foreign investment project authorization, upon the expiration of the benefit above, the rate of income tax and complementary tax will be reduced by 65% for an additional period of ten fiscal years in the first instance. This is the fifth year that the company benefits from the 65% reduction in the tax rate.



Following is a reconciliation of the effective tax rate for the year ended 31 December 2009:

	2009	2008
	USD	USD
Current year tax charge as per income statement	481 892	637 718
<b>Reconciliation of effective tax rate</b>		
Profit before tax	7 507 025	6 078 661
Income tax using the domestic corporation tax rate	2 402 248	1 945 172
Effect of tax rate differential	(1 561 461)	(1 265 657)
Effect of disallowed expenses	(358 895)	(41 797)
	481 892	637 718

The tax authorities in Mozambique do not confirm the acceptance of tax returns assessed by them. These remain open and they have the right to review the tax situation of the company for a period of up to 10 years, which may result in eventual adjustments due to a different interpretation and/or non-compliance with the applicable legislation, namely, Corporate Taxation (IRPC), Employee Taxation (IRPS) and Value Added Tax.

The Directors are of the opinion that no significant adjustments or penalties will result in respect of open years if these were subject to review by the fiscal authorities.

## 6.2 South Africa

The financial statements have been prepared on the basis that the company does not have taxable income in South Africa. Motraco is however registered as a VAT vendor in South Africa and nil VAT returns are submitted on a monthly basis.

### 6.3 Swaziland

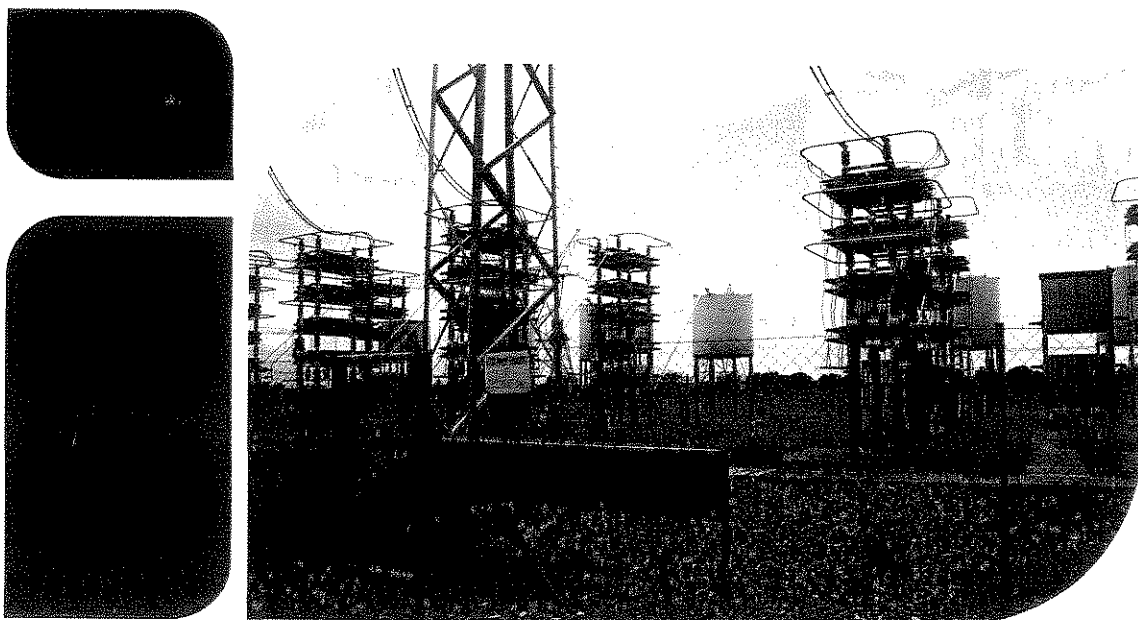
The financial statements have been prepared on the basis that the company does not have taxable income in Swaziland.

### 7. Earnings per share

The calculation of basic earnings per share at 31 December 2009 was based on the profit attributable to ordinary class A shareholders of USD 7 025 133 (2008: USD 5 440 943) and a weighted average number of ordinary class A shares in issue during the year ended 31 December 2009 of 395 000 (2008: 395 000), calculated as follows:

	2009 USD	2008 USD
Profit attributable to ordinary Class A shareholders	7 025 133	5 440 943
Weighted average number of ordinary Class A shares Issued Class A ordinary shares at 1 January	395 000	395 000
Weighted average number of ordinary Class A shares at 31 December	395 000	395 000

Diluted earnings per share were the same as basic earnings per share, since no potential dilutive financial instruments existed during the year.





8. Property Plant and Equipment

	Land and buildings	Motor vehicles	Computer office equipment	Furniture and fittings	Transmission network	Work in progress	Total
<b>Cost</b>							
At 1 January 2009	498 786	140 306	379 495	111 614	136 968 763	28 217	138 127 181
Additions	-	-	84 055	968	-	4 010 737	4 095 760
Disposals	-	-	-	-	(6 651 079)	-	(6 651 079)
At 31 December 2009	498 786	140 306	463 550	112 582	130 317 684	4 038 954	135 571 862
<b>Accumulated depreciation</b>							
At 1 January 2009	84 546	51 838	196 932	95 504	43 790 529	-	44 219 349
Additions	18 630	22 384	64 924	4 135	5 343 082	-	5 453 155
Disposals	-	-	-	-	(1 970 831)	-	(1 970 831)
At 31 December 2009	103 176	74 222	261 856	99 639	47 162 780	-	47 701 673
<b>Carrying amount</b>							
At 31 December 2009	395 610	66 084	201 694	12 943	83 154 904	4 038 954	87 870 189
At 31 December 2008	414 240	88 468	182 563	16 110	93 178 234	28 217	93 907 832

The addition in Work in progress account relates to the acquisition of a new transformer and reactor for the normal activities of the company. The company also disposed a scrapped transformer and reactor during the year as recorded on the Transmission network account.





### 9. Financial Derivative asset and derivative liability

	2009 USD	2008 USD
Asset	16 537 255	23 827 891
Liability	(16 187 092)	(22 883 734)

The derivative asset and liability arise from cross currency interest rate swaps. These facilities were taken up to hedge against the currency – Japanese Yen and Euros – and interest rate risk of the Japan Bank for International Cooperation, Agence Française de Developpement and Rand Merchant Bank loans. Under IAS39, Financial Instruments: Recognition and Measurement, these arrangements contain embedded derivatives which have to be separated from the host contracts and recognized separately at fair value. The differences between the asset and the liability are recognized in the income statement.

### 10. Trade and other receivables

	2009 USD	2008 USD
Trade receivables	480 734	853 927
Shareholder debtors	a) 1 762 470	1 762 470
EDM Financial lease	366 986	1 186 131
State receivables	b) 1 355 775	767 932
Prepayments	c) 11 008 100	11 209 671
Other receivables	81 725	3 693
	<b>15 055 790</b>	<b>15 783 824</b>

- a) The shareholders debtors corresponds to the remaining amount of EDM and SEC share capital, subscribed and not yet realized (USD 774 268 and USD 988 202, respectively).
- b) State receivables corresponds mainly to the amount of company tax – payment on account (USD 1 347 010), in respect of 2009 income tax.
- c) Prepayment balances are related to energy supplied to Mozal and services rendered to EDM and SEC in December 2009, for which the respective invoices will be issued in 2010.



For terms and conditions relating to related party receivables, refer to Note 22  
Trade receivables and other receivables are non-interest bearing and are generally on 30 day terms.

As at 31 December 2009, trade receivables were not impaired and there is no provision for impairment of receivables.

As at 31 December, the ageing analysis of trade receivables is as follows:

	2009 USD	2008 USD
Neither past due nor impaired:	480 734	853 927
<b>Total</b>	<b>480 734</b>	<b>853 927</b>

#### 11. Cash and cash equivalents

	2009 USD	2008 USD
Bank balances	19 861 900	21 344 081
Cash	28	123
Cash and cash equivalents in the statement of cash flows	<b>19 861 928</b>	<b>21 344 204</b>

#### 12. Capital

	2009 USD	2008 USD
Total share capital	<b>39 500 000</b>	<b>39 500 000</b>

Share capital consists of 395 000 Class A ordinary shares and 6 Class B shares. The holders of Class B shares do not have the right to receive dividends. The total number of shares as per the beginning is the same as per 31 December 2008 and is absolutely being held by the three shareholders, e.g. Eskom, EDM and SEC. The shares owned by these three shareholders are not object of any transaction in the financial market.

The amount of US\$ 1,762,470.00 was subscribed and not yet realized as at 31 December 2009 by shareholders EDM and SEC (Note 10).

<b>13. Reserves</b>		<b>2009</b>	<b>2008</b>
		<b>USD</b>	<b>USD</b>
Legal reserve	(a)	1 229 519	957 472
Loan reserve	(b)	4 215 703	4 215 703
		5 445 222	5 173 175
Interest subsidy	(c)	<b>635 449</b>	<b>657 063</b>

#### Nature and purpose of other reserves

- (a) In terms of Commercial Legislation of the Republic of Mozambique, the Company has to transfer 5% of annual profits, up to a limit of 20% of Share Capital to a Legal Reserve. This reserve is not distributable and can only be used for capitalization or to cover losses, after exhausting all other reserves.
- (b) Created in terms of loan agreements where a portion of the next financial year loan repayments is kept in the form of reserve.
- (c) Created as a provision account to record the subsidy given by EIB – European Investment Bank to the interest rate, on which EIB support 2% of a total of 7% interest rate charged on the Motraco's loan. Interest subsidy is intended to finance training activities for Motraco, EDM – Electricidade de Moçambique, SEC – Swaziland Electricity Company, Government of Swaziland and Government of Mozambique. The correspondent amount is recognized when loan interest is paid to EIB, and used when training activities are carried out.
- (d) No dividends were declared for 2009 (2008 - Nil).

<b>14. Non-current liabilities</b>		<b>2009</b>	<b>2008</b>
		<b>USD</b>	<b>USD</b>
Interest bearing borrowings			
EIB		32 315 237	35 364 689
AFD		12 914 063	13 631 510
		<b>45 229 300</b>	<b>48 996 199</b>



14.1 Terms and debt repayment schedule

	Total 2009	1 year or less	More than one year
	USD	USD	USD
European Investment Bank – note 14.1.1	35 365 036	3 049 799	32 315 237
Japan Bank for International Cooperation - note 14.1.2			
Agence Française de Developpement – note 14.1.3	14 348 958	1 434 895	12 914 063
	<b>49 713 994</b>	<b>4 484 694</b>	<b>45 229 300</b>

	Total 2008	1 year or less	More than one year
	USD	USD	USD
European Investment Bank – note 14.1.1	38 414 488	3 049 799	35 364 689
Japan Bank for International Cooperation - note 14.1.2	4 117 960	4 117 960	-
Agence Française de Developpement – note 14.1.3	15 066 407	1 434 897	13 631 510
	<b>57 598 855</b>	<b>8 602 656</b>	<b>48 996 199</b>

The above facilities are guaranteed by one of the shareholders, Eskom Holdings Limited, for which it receives a guarantee fee of 1% per annum on capital outstanding and accrued interest.

14.1.1 European Investment Bank (Contract A, Contract B and Contract C – 42 million Euros)

The company has two facilities with the European Investment Bank for financing its operations; both facilities, which are denominated in Euros, are repayable over 30 half yearly installments ending in October 2019.

In 2006, the company has obtained a third facility with European Investment Bank for financing its operations, which is also denominated in Euros. The facility is repayable over 23 half year installments ending in October 2017.

The interest rate on the Contract A facility benefits from a subsidy of 2.5% on the capital portion for the transfer of technical know-how and training of operational staff. The interest rate before the subsidy is defined as the greatest of 3% per annum and the average of the standard interest rate applicable at the date of issue of the disbursement notice to comparable loans made by the bank.

The interest rate on the Contract B and Contract C facilities are defined as the greater of 3% per annum and the average of the standard interest rate applicable at the date of issue of the disbursement notice to comparable loans made by the bank

#### 14.1.2 The Japan Bank for International Cooperation

The loan is a Japanese Yen denominated facility, for which the company has entered into cross-currency interest rate swap with Investec Bank Limited (Mauritius) amounting to US\$ 37 061 801; the swap (see note 14.1.4) was taken out to eliminate the foreign currency and the interest rate exposure risk generated by the Japanese Yen obligation. This loan was fully paid in October 2009.

#### 14.1.3 Agence Française de Développement

The loan facility is denominated in Euros, for which the company has entered into cross-currency interest rate swap with First Rand Bank Limited acting through its Rand Merchant Bank division amounting to US\$ 17 218 750; the swap (see note 14.1.7) was taken out to eliminate the foreign currency and the interest rate exposure risk generated by Euros obligation. The loan bears a fixed interest of 5.5% per annum and is repayable twice annually with the final repayment due in October 2019.

#### 14.1.4 Investec Bank (Mauritius) Limited – Hedge instrument (financial liability)

The Investec Bank facilities, which are in two tranches, were taken out to hedge against the currency and interest rate risk of the Japan Bank for International Cooperation loan (refer to note 14.1.2). The facilities bear floating US Dollar interest rates of 6 months LIBOR + 1.25% and LIBOR + 1.39% respectively and are repayable twice annually with the final repayment due in October 2009. As referred above the related loan was fully paid in October 2009.

#### 14.1.5 Investec Bank (Mauritius) Limited – Hedge instrument (financial asset)

The loan receivable is a Japanese Yen denominated hedge instrument with Investec Bank Limited (Mauritius). It relates to the cross-currency interest rate swaps taken out to hedge the Japanese Yen denominated liability (refer to note 14.1.2). The loan receivable, which bears a fixed interest of 2.2% is repayable twice annually with the final repayment due in October 2009. As referred above the related loan was fully paid in October 2009.



### 15. Capital Management

	2009 USD	2008 USD
Interest-bearing loans and borrowings (Note 14)	49 713 994	57 598 855
Trade and other payables (Note 16)	15 578 970	23 698 070
Less cash and short-term deposits (Note 20)	(19 861 928)	(21 344 081)
Net debt	<b>45 431 036</b>	<b>59 952 844</b>
Equity	57 047 598	50 044 079
Net unrealised reserves – Subsidies to interest (Note 13))	(635 449)	(657 063)
Total capital	<b>56 412 149</b>	<b>49 387 016</b>
Capital and net debt	<b>101 843 185</b>	<b>109 339 860</b>
Gearing ratio	44%	54%

The primary objective of the company's capital management is to ensure that it maintains a healthy capital ratio in order to support its business and meet all the requirements of all loans.

No changes were made in the objectives, policies or processes during the years end 31 December 2009 and 31 December 2008.

The company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The company's policy is to keep the gearing ratio between 55% and 65%. The company includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and cash equivalents. Capital includes equity attributable to the equity holders of the parent less the unrealized reserves.

### 16. Trade and other payables

	2009 USD	2008 USD
Trade payables (a)	2 425 984	9 638 116
Accruals (b)	13 072 955	13 999 659
Other payables	80 031	60 295
	<b>15 578 970</b>	<b>23 698 070</b>

- a) Trade payables correspond to the amount due to Eskom related to accumulated line losses, which was recorded previous year as a result of an agreement dated 12 August 2009. The decrease of this balance is due to the fact that ESKOM has settled 50% of interest in debt and for the fact that Motraco paid all debt and the remaining 50% of interest is payable in 24 equal instalments.
- b) Accruals balance includes an amount of USD 8 926 700 related to the energy supplied by Eskom in December 2009, only invoiced in 2010.

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled on 30 day terms.
- Other payables are non-interest bearing and have an average term of 30 days.
- Interest payable is normally settled half yearly throughout the financial year.
- For terms and conditions relating to related parties, refer to Note 22.

17. Cash generated by operations		
	2009 USD	2008 USD
Trade payables		
Accruals	3 091 876	4 740 661
Other payables	(290 735)	[390 934]

#### 18. Fair value

At the balance sheet date the recorded values of the company's cash and cash equivalents, trade receivables and trade payables approximate their fair values due to the relatively short periods to maturity.

Where forward foreign currency contracts are used to hedge exposures on future expected transactions, the company translates foreign balances hedged using forward foreign currency contracts at the forward rate inherent in the contracts. Consequently, the relevant asset or liability effectively has the gain or loss on the hedging instruments embedded in its carrying value.



	Carrying amount		Fair value	
	2009	2008	2009	2008
	USD	USD	USD	USD
<b>Financial assets</b>				
Cash and short-term deposits	17 591 928	20 074 204	17 591 928	20 074 204
Derivatives in effective hedges	16 537 255	23 827 891	16 537 255	23 827 891
Trade and other receivables	15 055 790	15 783 824	15 055 790	15 783 824
<b>Financial liabilities</b>				
Interest-bearing loans and borrowings	47 713 994	57 598 855	47 713 994	57 598 855
Floating rate borrowings*	-	4 117 961	-	4 117 961
Fixed rate borrowings	47 713 994	53 480 894	47 713 994	53 480 894
Derivatives in effective hedges	16 187 092	22 883 734	16 187 092	22 883 734
Trade and other payables	15 578 970	23 698 070	15 578 970	23 698 070

#### Fair value hierarchy

As at 31 December 2009, the company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

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

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Assets measured at fair value:

	31 December 2009	Level 1	Level 2	Level 3
Cash and short-term deposits	17 591 928	-	17 591 928	-
Derivatives in effective hedges	16 537 255	-	16 537 255	-
Trade and other receivables	15 055 790	-	15 055 790	-



Liabilities measured at fair value:

	31 December 2009	Level 1	Level 2	Level 2
Interest-bearing loans and borrowings:	47 713 994	-	47 713 994	47 713 994
Floating rate borrowings*	-	-	-	-
Fixed rate borrowings	47 713 994	-	47 713 994	47 713 994
Derivatives in effective hedges	16 187 092	-	16 187 092	16 187 092
Trade and other payables	15 578 970	-	15 578 970	15 578 970
Interest-bearing loans and borrowings:	47 713 994	-	47 713 994	47 713 994

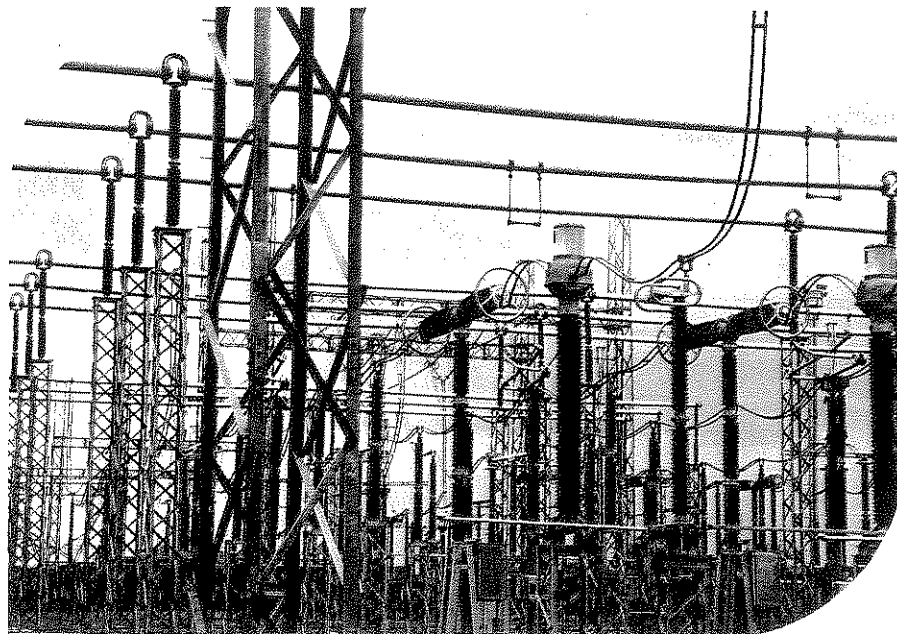
During the reporting period ending 31 December 2009, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

19. Commitments

All financial commitments and liabilities have been provided for or taken into consideration in the preparation of these financial statements. It is expected that all capital expenditure commitments will be financed out of internal resources and external borrowings.

20. Subsequent events

No subsequent events have occurred after the balance sheet date which could significantly impact the financial statements.





## 21. Related parties

### 21.1 Transactions with Eskom Holdings Limited

Eskom continued to provide loan guarantees, under the guarantee agreement, to the company's lenders, for the performance by the company of its obligations. Transactions with Eskom Holdings Limited during the year are shown in the table below.

	2009 USD	2008 USD
Supply of electricity	107 718 883	106 454 840
Guarantee fees	1 063 110	1 081 131
Operating and maintenance services	1 685 268	1 173 650
Telecommunications services	207 479	296 679
Control services	135 679	126 080
	<b>110 810 419</b>	<b>109 132 380</b>

### 21.2 Revenues from EDM and SEC

	2009 USD	2008 USD
EDM – Electricidade de Moçambique	3 422 674	3 229 877
SEC – Swaziland Electricity Company	2 260 712	2 057 487
	<b>5 683 386</b>	<b>5 287 364</b>

### 21.3 The balances with related parties at 31 December 2008 were as follows:

- EDM – Debit balance of USD 2 108 015 (2008: USD 3 247 329)
- SEC – Debit balance of USD 1 171 933 (2008: USD 1 167 078)
- Eskom – refer to Note 16.

The compensation of key management personnel of the Company is Short-term employee benefits amounting to USD 120,000 per annum for the General Manager and USD 54,000 per annum for the Administrative and Financial Manager (same in 2008).

They are also entitled to benefit by 4% on post-employment pension fund and 75% on medical expenses incurred.

## 22. Financial Risk Management Policies and objectives

IFRS 7 disclosures, consolidates and expands a number of existing disclosure requirements and adds some significant new disclosures. One of the challenges regarding this new standard for Motraco management is the fact the company's liabilities/assets contain financial derivatives exposed to several risks inherent to the financial market. This standard requires that entities report in their financial statements the metrics they use to manage and measure financial risks, but due to the national financial market weaknesses, the management can not accurately disclose sensitivity of its results to movements in market risks and as a consequence the company financial derivatives are evaluated according to the SA market.

### Operational risk

Motraco recognizes operational risk, inclusive of information risk and business continuity, as a significant risk category and manages it within acceptable levels. Motraco continues to develop and expand its guidelines, standards, methodologies and systems in order to enhance the management of operational risk.

To support this, Motraco has established sound practices, including:

- Policies and procedures to sustain effective risk management
- Ongoing assessment of the effects of changes in the regulatory environment and acquisition of skills and knowledge of the best practices to ensure the company's own endeavours are most appropriate for the environment.

### Financial risks

The Financial instruments as shown in the balance sheet include cash resources, trade receivables, trade payables and long term debts. Motraco is exposed to liquidity risk, credit risk and market risks.

Motraco uses financial instruments to manage exposure to risk, particularly credit/loan risk and market risk. Exposure to currency and liquidity risks arises in the normal course of the company's business. The company's risks are being monitored continually.

#### i) Liquidity risk

The company monitors its risk to a shortage of funds through cash flow projections.

The company's objective is to maintain a balance between continuity of funding in the longer term and flexibility in the shorter term through the use of bank overdrafts and loans from banks and financial institutions.

The company's policy is that not more than USD 13 M of borrowings should mature in the next 12 month period.

The table below summarises the maturity profile of the Company's financial liabilities at 31 December 2009 based on contractual undiscounted payments.



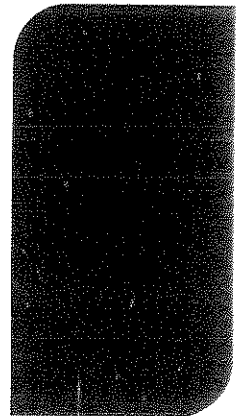
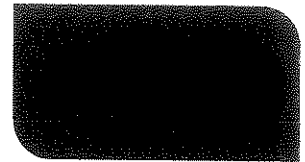
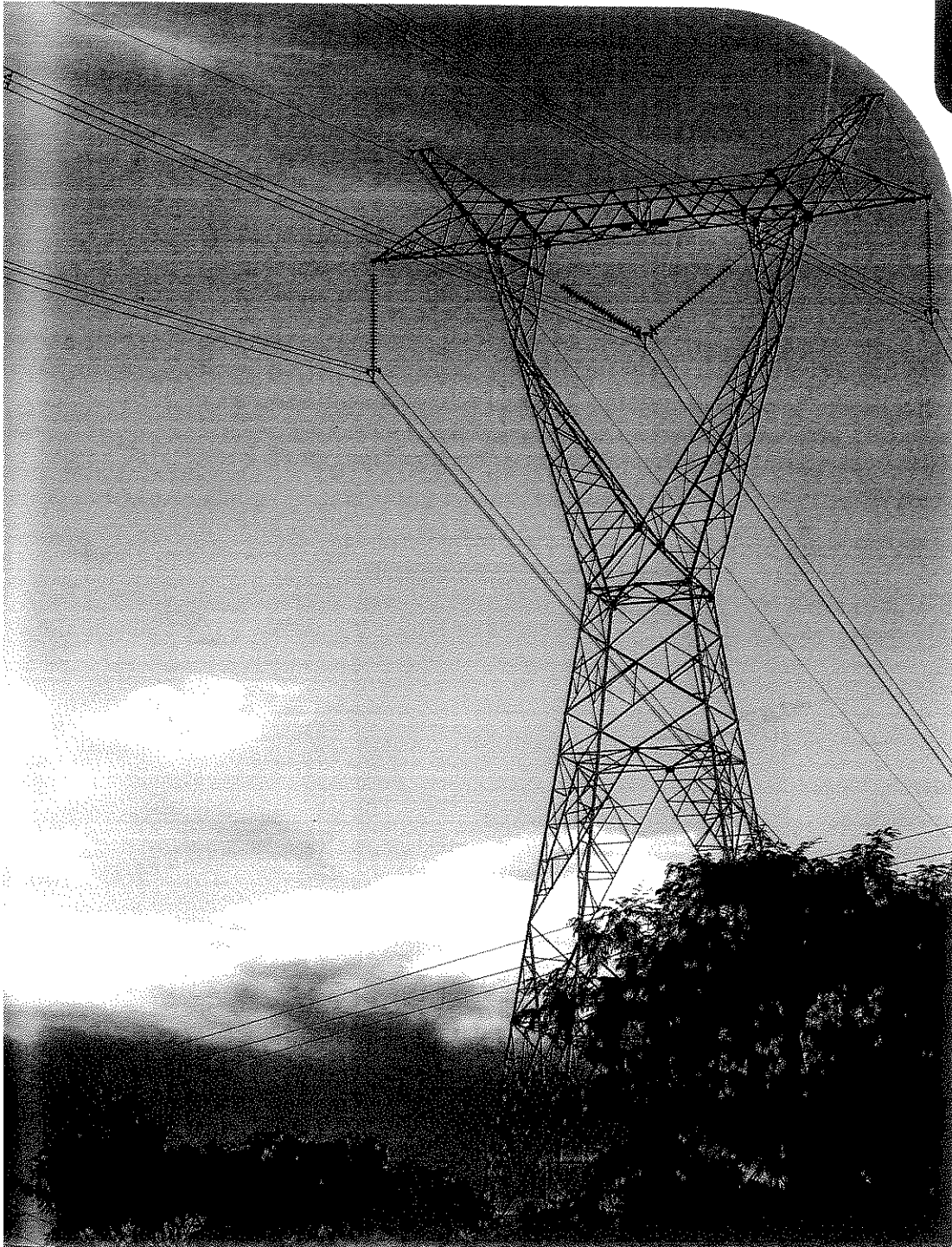
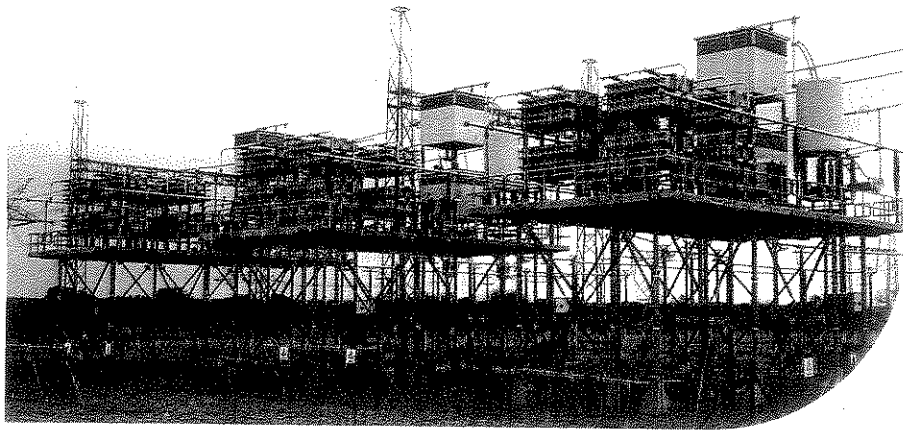
Year ended 31 December 2009	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
	USD	USD	USD	USD	USD	
Interest-bearing loans borrowings	-	-	4 912 660	26 490 908	18 310 426	49 713 994
Trade and other payables	8 926 700	-	-	-	-	8 926 700
Other liabilities	2 873 147	-	-	-	-	2 873 147
Financial derivatives (see below)	717 447	717 447	1 434 896	7 174 479	6 457 031	16 501 300
	<b>12 517 294</b>	<b>717 447</b>	<b>6 347 556</b>	<b>33 665 387</b>	<b>24 767 457</b>	<b>78 015 141</b>

Year ended 31 December 2008	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
	USD	USD	USD	USD	USD	
Interest-bearing loans borrowings	-	-	8 602 656	25 530 833	23 465 366	57 598 855
Trade and other payables	23 698 070	-	-	-	-	23 698 070
Other liabilities	496 773	-	-	-	-	496 773
Financial derivatives (see below)	2 399 368	1 814 402	1 698 141	7 174 479	6 457 031	19 543 421
	<b>26 594 211</b>	<b>1 814 402</b>	<b>10 300 797</b>	<b>32 705 312</b>	<b>29 922 397</b>	<b>101 337 119</b>

The disclosed financial derivative instruments in the above table are the gross undiscounted cash flows. However, those amounts may be settled gross or net.

Year ended 31 December 2009	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
	USD	USD	USD	USD	USD	
Inflows	12 063 686	11 983 725	12 038 267	12 320 485	13 500 000	61 906 163
Outflows	10 530 267	10 685 245	10 685 260	10 780 235	11 320 000	54 001 007
Net	<b>1 533 419</b>	<b>1 298 480</b>	<b>1 353 007</b>	<b>1 540 250</b>	<b>2 180 000</b>	<b>7 905 156</b>

Year ended 31 December 2008	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
	USD	USD	USD	USD	USD	
Inflows	10 834 572	10 801 400	10 553 205	10 862 125	-	43 051 302
Outflows	8 435 204	8 986 998	8 855 064	8 894 683	-	35 171 949
Net	<b>2 399 368</b>	<b>1 814 402</b>	<b>1 698 141</b>	<b>1 967 442</b>	<b>-</b>	<b>7 879 353</b>





ii) Credit risk

Credit risks of the company are those related to receivables, balances with banks and financial institutions and investments of surplus funds. It is company policy to deal with reputable counter parties. The company is not exposed to significant credit risks. The maximum exposure to credit risks is represented by the carrying amount of each financial asset in the balance sheet. The company does not hold collateral as security.

iii) Market risks

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk and other price risk. Financial instruments of the company affected by market risk include loans and borrowings and derivative financial instruments which are subject mainly to currency risks.

Currency risks

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expenses are denominated in a different currency from the company's functional currency).

The currencies giving rise to the currency risk in which the company deals are US Dollars, Japanese Yen, South African Rands, Euros and Mozambican Metical.

Regarding to this matter, Motraco focuses on when and how to hedge using financial instruments to manage costly exposures to risk. As a result of this policy, in order to avoid or minimize its exposure to the risk associated with the loans, the company signed swap contracts with RMB linked to the AFD loan (denominated in Euros) and Investec-Mauritius linked to the JBIC loan(denominated in Yens).

The following table demonstrates the sensitivity to a reasonably possible change in the currency exchange rates, with all other variables held constant, of the company's profit before tax (due to changes in the fair value of monetary assets and liabilities). There is only an immaterial impact on the company's equity.

	Change in exchange rates	Effect on profit before tax USD
<b>2009</b>		
- Euro	+/- 5%	-/+ 8 031
- Yen	+/- 5%	-
- South African Rands	+/- 5%	-/+ 26 412
- Mozambican Metical	+/- 5%	+/- 901 807
<b>2008</b>		
- Euro	+/- 5%	-/+ 58 142
- Yen	+/- 5%	+/- 205 908
- South African Rands	+/- 5%	-/+ 3 722
- Mozambican Metical	+/- 5%	-/+ 67 135

#### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The company's exposure to the risk of changes in market interest rates relates primarily to the company's long-term debt obligations which being from developmental institutions, are below market-related rates and are fixed.

#### Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the company's profit before tax (through the impact on floating rate borrowings). There is only an immaterial impact on the company's equity.

	Increase/decrease in basis points	Effect on profit before tax USD
2009	+/- 100	-/+ 32 872
2008	+/- 100	-/+ 41 180

### 23. New Standards and Interpretations

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2009, and have not been applied in preparing these financial statements.

#### Standards issued but not yet effective

##### Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements

The amendments to IFRS 1 allows an entity to determine the 'cost' of investments in subsidiaries, jointly controlled entities or associates in its opening IFRS financial statements in accordance with IAS 27 or using a deemed cost. The amendment to IAS 27 requires all dividends from a subsidiary, jointly controlled entity or associate to be recognised in the income statement in the separate financial statement. Both revisions will be effective for financial years beginning on or after 1 January 2009. The revision to IAS 27 will have to be applied prospectively. Given that the company does not have any investments in subsidiaries, jointly controlled entities or associates, these amendments will not have any impact on its financial statements.

##### IFRS 2 Share-based Payment — Vesting Conditions and Cancellations

The revised standards were issued in January 2008 and become effective for financial years beginning on or after 1 January 2009. The purpose of this amendment is to give greater clarity in respect of vesting conditions and cancellations.

The amendment defines a 'vesting condition' as a condition that includes an explicit or



implicit requirement to provide services. Therefore, any condition that does not have such a requirement is a non-vesting condition, for example possible non-compete provisions or transfer restrictions. The amendment requires 'non-vesting' conditions to be treated in a similar fashion to market conditions and, hence, factored into account in determining the fair value of the equity instruments granted.

Where an award does not vest as the result of a failure to meet a non-vesting condition, the accounting treatment depends on whether the failure to meet the condition is within or outside the control of either the entity or the counterparty. A failure to satisfy a non-vesting condition that is within the control of either the entity or the counterparty is accounted for as a cancellation. However, failure to satisfy a non-vesting condition that is beyond the control of either party does not give rise to a cancellation. This amendment is applied retrospectively. Given that the company does not have a policy of share-based payment, these amendments will not have any impact on its financial statement.

#### IFRS 3R Business Combinations and IAS 27R Consolidated and Separate Financial Statements

The revised standards were issued in January 2008 and become effective for financial years beginning on or after 1 July 2009. IFRS 3R introduces a number of changes in the accounting for business combinations occurring after this date that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. IAS 27R requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Given that the company does not have any business combination, these amendments will not have any impact on its financial statement.

#### IFRS 8 Operating Segments

The revised Standard was issued in November 2006 and replaces IAS 14 Segment Reporting and adopts a full management approach to identifying, measuring and disclosing the results of its operating segments, being effective for financial years beginning on or after 1 January 2009. The standard is only applicable to entities that have debt or equity instruments that are traded in a public market (as opposed to a "public securities market" as required by IAS 14 Segment reporting) or that files (or is in the process of filing) its financial statements with a securities commission or similar party. Given that the company does not have debt or equity instruments that are traded in a public market, these amendments will not have any impact on its financial statement.

Additional disclosures required by IFRS 8 (not required by IAS 14) are:

- Replacing the more extensive geographical information in IAS 14, IFRS 8 requires revenues for each group of similar products and services, and revenues attributed to: (1) the entity's country of domicile; and (2) all foreign countries with separate disclosure of revenues to individual foreign countries if material (single segment companies also need to give this information);
- An explanation of how the entity has determined its reportable operating segments, the basis on which the disclosed amounts have been measured, changes in the structure of the internal organisation and any consequential impact on the composition of reportable segments;
- A measure of profit or loss and assets must be disclosed for each reportable segment and additional line items such as interest revenue and expense are required if they are provided to the chief operating decision maker;



- When an entity has received more than 10% of its revenue from a single customer, the total amount of revenue earned from each customer and the name of the operating segment that reports that revenue;
- Segment liabilities, if such information is reviewed by the CODM;
- A reconciliation of total reportable segments to the corresponding IFRS amounts in the primary financial;
- Statements for revenues, profit or loss, assets, liabilities and other material items.

#### IAS 1 Revised Presentation of Financial Statements

The revised Standard was issued in September 2007 and becomes effective for financial years beginning on or after 1 January 2009. The Standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The company is still evaluating whether it will have one or two statements.

#### IAS 23 Borrowing Costs

The revised standard is effective for periods beginning on or after 1 January 2009. IAS 23R eliminates the option of expensing all borrowing costs and requires borrowing costs to be capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. This amendment is applied prospectively. The company plans on adopting this amended standard only upon them becoming effective and believes that it will not have a significant impact on its financial statements.

#### IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation

These amendments to IAS 32 and IAS 1 were issued in February 2008 and become effective for financial years beginning on or after 1 January 2009. The revisions provide a limited scope exception for puttable instruments to be classified as equity if they fulfil a number of specified features. The amendments to the standards will have no impact on the financial position or performance of the company, as the company has not issued such instruments.

#### IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items

These amendments to IAS 39 were issued in August 2008 and become effective for financial years beginning on or after 1 July 2009. The amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as hedged item. The company has concluded that the amendment will have no impact on the financial position or performance, as the bank has not entered into any such hedges.

#### IFRIC 13 Customer Loyalty Programmes

IFRIC 13 was issued in June 2007 and becomes effective for financial years beginning on or after 1 July 2008. The Interpretation requires loyalty award credits granted to customers in connection with a sales transaction to be accounted for as a separate component of the sales transaction. The consideration received in the sales transaction would, therefore, be allocated between the loyalty award credits and the other components of the sale.



The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished. Where the cost of fulfilling the awards is expected to exceed the consideration received, the entity will have to recognise an onerous contract liability. Given that the company does not have such programmes, these amendments will not have any impact on its financial statement.

#### IFRIC 15 Agreement for the Construction of Real Estate

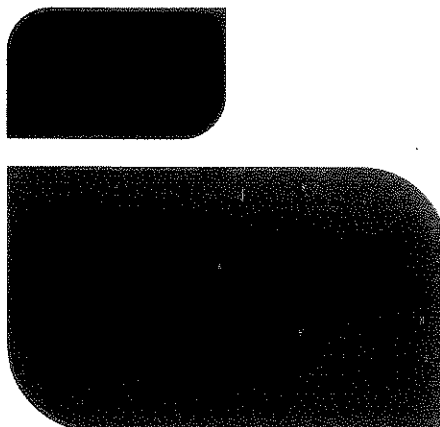
IFRIC 15 was issued in July 2008 and becomes effective for financial years beginning on or after 1 January 2009. The interpretation is to be applied retrospectively. It clarifies when and how revenue and related expenses from the sale of a real estate unit should be recognised if an agreement between a developer and a buyer is reached before the construction of the real estate is completed. Furthermore, the interpretation provides guidance on how to determine whether an agreement is within the scope of IAS 11 or IAS 18. IFRIC 15 will not have any impact on the company financial statements because the company does not conduct such activity.

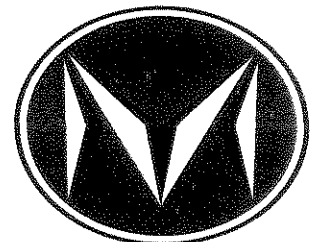
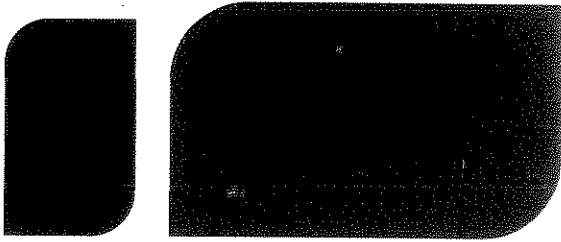
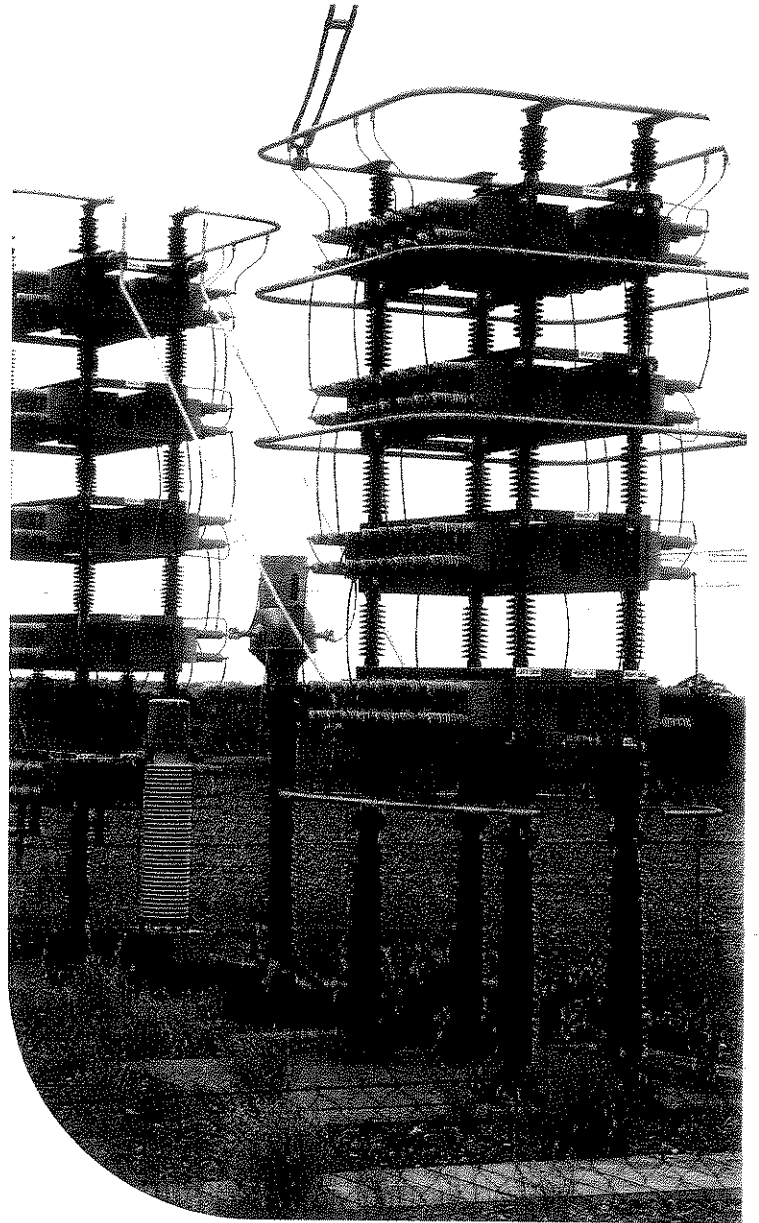
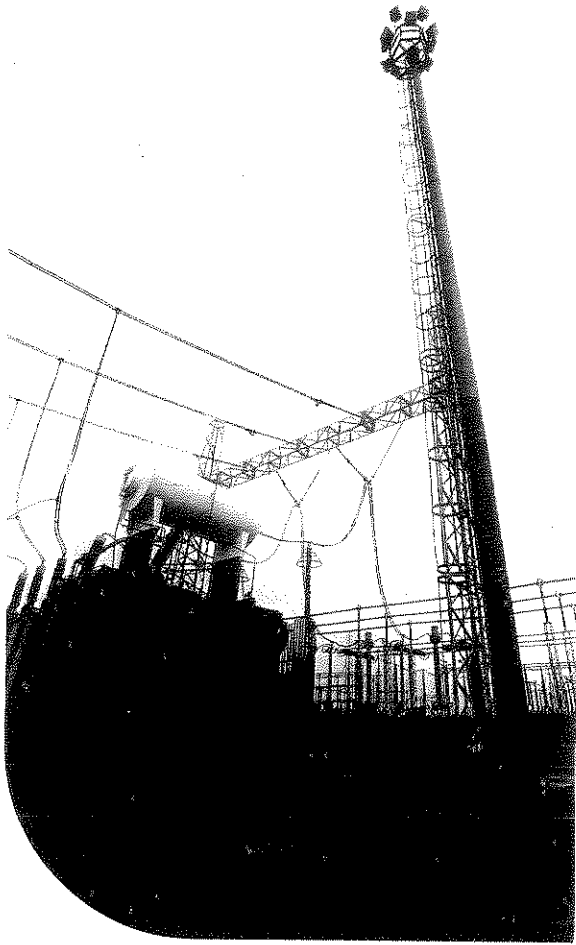
#### IFRIC 16 Hedges of a Net Investment in a Foreign Operation

IFRIC 16 was issued in July 2008 and becomes effective for financial years beginning on or after 1 October 2008. The interpretation is to be applied prospectively. IFRIC 16 provides guidance on the accounting for a hedge of a net investment. As such it provides guidance on identifying the foreign currency risks that qualify for hedge accounting in the hedge of a net investment, where within the group the hedging instruments can be held in the hedge of a net investment and how an entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment. IFRIC 16 will not have any impact on the company financial statements because the company does not conduct such activity.

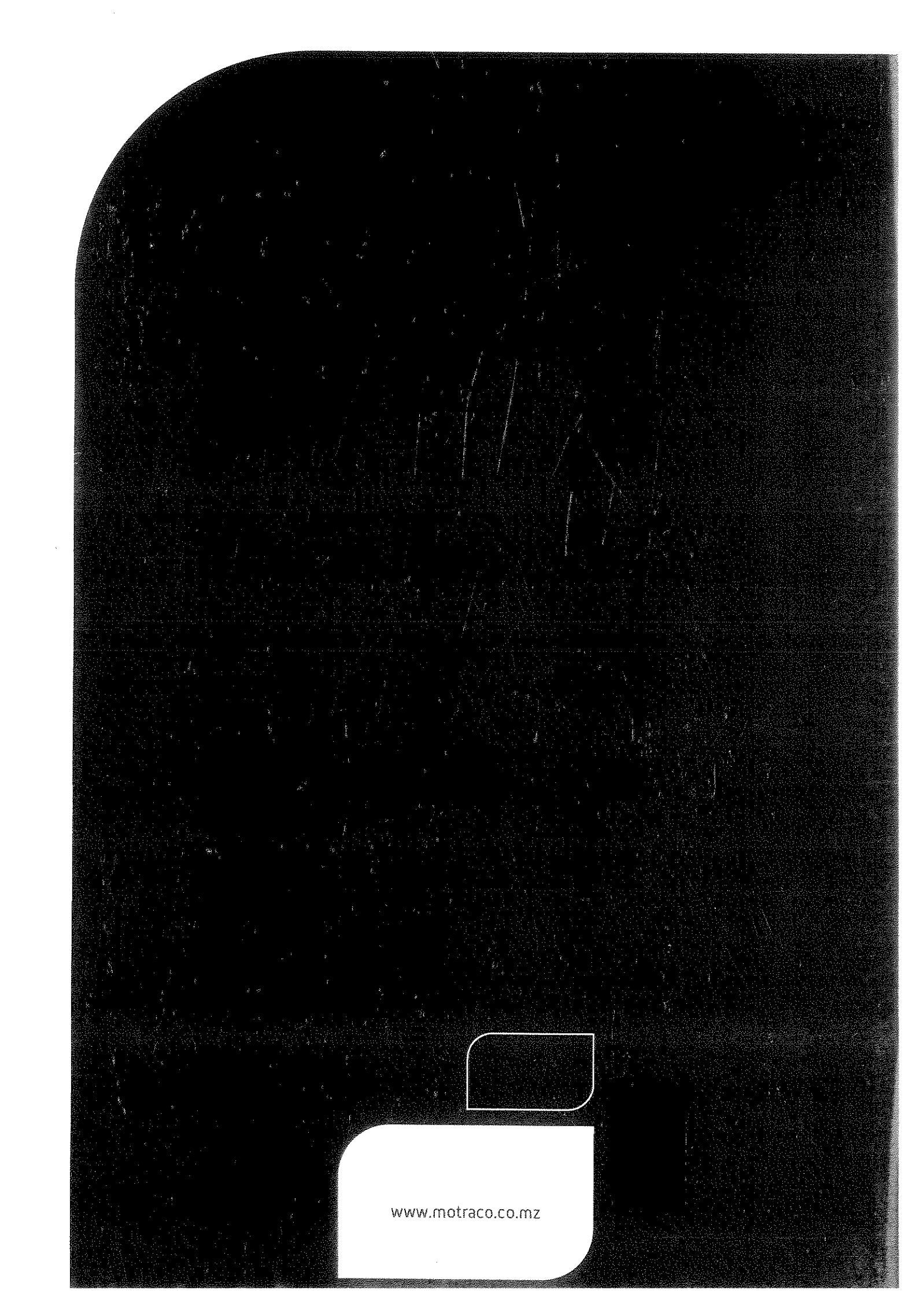
#### Improvements to International Financial Reporting Standards

The improvements to IFRS project is an annual process that the IASB has adopted to deal with non-urgent but necessary amendments to IFRS (the 'annual improvements process'). In the first omnibus edition, 34 amendments are dealt with by the Board. The Board has separated the amendments into two parts: Part I deals with changes the Board identified resulting in accounting changes and Part II deals with either terminology or editorial amendments that the Board believes will have minimal impact. The improvements are effective for periods beginning on or after 1 January 2009, unless stated otherwise. Impact assessment resulting from adoption of Improvements to IFRS in preparation of the company's financial statements is not yet available. Nevertheless, management is confident that these improvements will not have any significant impact on its financial statements.





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