

# Annual Report

2010



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## **Vision**

To be recognised as a leading regulator for achieving optimum viability and competition in the Namibian energy industry

## **Mission Statement**

To regulate and control the Namibian ESI in the interest of all stakeholders with regard to price, quality and reliability

## **Professionalism**

To conduct every task to a standard of excellence and to maintain the highest level of technical competence and personal integrity / efficiency so as to ensure the satisfaction of all stakeholders

## **Integrity**

To be accountable and act in accordance with government policy and accept full responsibility for all outcomes; to be transparent, open, honest and fair in all dealings and communications with stakeholders.

## **Innovation**

To innovate through learning, teamwork and knowledge sharing in order to remain competitive in the market and to continue to deliver excellent service

## **Sustainability**

To ensure the endowment of Namibia's energy resources are available to present and future generations by considering our economic, environmental and social responsibility

## **Abbreviations/Acronyms**

CBI	-	Capacity Building Institute	NEF	-	National Energy Regulatory
CENORED	-	Central Northern Electricity	NIRP	-	National Integrated Resource Plan
CEO	-	Chief Executive Officer	NESC	-	Namibia Electricity Safety Code
CSI	-	Corporate Social Investment	NMC	-	Namibia Medical Care
DSM	-	Demand Side Management	NORED	-	Northern Electricity Distributor
ECB	-	Electricity Control Board	PPA	-	Power Purchase Agreement
EDI	-	Electricity Distribution Institute	QOS	-	Quality of Supply
EPMS	-	Employee Performance System	QOSS	-	Quality of Supply and Service Standards
ESI	-	Electricity Supply Industry	RED's	-	Regional Electricity Distributor(s)
ETSIP	-	Education and Training Sector Improvement Programme	REEEI	-	Renewable Energy and Energy Efficiency Institute
FIG	-	Figure	SADC	-	Southern Africa Development Community
HIV	-	Human Immune Deficiency Virus	SNIED	-	Sam Nujoma Innovative Enterprise Development
IPP	-	Independent Power Producers	TOU	-	Time of Use
LPU	-	Larger Power User	ZESA	-	Zambian Electricity Supply Agency
LRMC	-	Long Run National Cost			
MME	-	Ministry of Mines and Energy			
MW	-	Mega Watts			
NAMCOR	-	Namibia Petroleum Corporation			
NAMPOWER	-	Namibia Power Corporation			
NAMREP	-	Namibia renewable Programme			





## Chairperson's Report

On behalf of the Board, it is my esteemed pleasure to present the 2010 Annual Report providing an overview of the Electricity Control Board's operations, operating environment and Audited Financial Statements for the year ended 31 March 2010.

During the year under review, the ECB operated under serious challenges emanating from a combination of factors such as the energy crisis that beset the Southern African countries including Namibia, the mandatory reduction in imports from Eskom and the global recession.

The commendable manner in which the ECB handled the challenges attests to the good leadership and the commitment of all employees of the ECB to the Regulator's core values of professionalism, integrity, innovation and sustainability. The ECB in furthering its mandate is guided by the spirit and ethos of the 1998 White Paper on Energy Policy, with its policy goals aimed at achieving security of supply, social upliftment, effective governance, investment and growth, economic competitiveness and efficiency and sustainability. The White Paper reaffirms Namibia's commitment to constructive engagement in the Southern Africa Development Community (SADC) and Southern African Power Pool (SAPP) in order to maximise economic benefits and enhance security of supply through appropriate diversification of economically competitive and reliable energy sources.

The issue of security of supply in Namibia is a recurring agenda item, and this is primarily due to demand exceeding supply. The ECB takes cognisance of the fact that a modern society cannot function without a reliable and affordable supply of electricity as electricity touches all aspects of our society – education, healthcare, infrastructure, commerce and industry. This underpins the Regulator's commitment to fostering and cultivating a more pro-active than reactive response to ensuring security of supply in Namibia. The ECB strongly believes that Namibia needs a coherent strategy jointly crafted by all stakeholders to ensure security of energy supply.

The Government of Namibia has a documented policy of encouraging private sector participation in the country's electricity sector through promoting Independent Power Producers (IPPs). The ECB has prioritised this Government objective and committed significant resources to its implementation. Among other important enabling instruments aimed at facilitating entry for IPPs, the ECB developed models and templates needed for the IPP license application and review process. The models include the following, (a) Regulatory Model, (b) Pricing Model, and (c) Market Model. The templates cover the full range of documents for various agreements customarily included in an IPP application and licensing process.

The growing number of Independent Power Producer applications the ECB continues to receive evidences the success of the above initiative. The ECB has issued conditional licenses for power generation projects using both traditional and renewable energy generation technologies.

The successes mentioned above notwithstanding, Namibia had not signed a PPA with any IPP by the end of the financial year under review. The market restructuring has been very slow and the current de facto single buyer model severely restricts IPP entry into the ESI. As such, the ECB has commissioned a project to adopt a Modified Single Buyer Model. It is anticipated that upon the opening of the market to multiple players through implementation of the above-mentioned model, and defining the related market rules, Namibia ought to be in a better position to attract private sector investment in the energy sector.

The other factors that have continued to impede private sector investment in the ESI include (a) electricity prices that are not yet cost reflective, and (b) the absence of a National Integrated Resource Plan (NIRP).

Cabinet postponed the implementation of cost reflective electricity prices from the initial target date of 2010/2011 to 2011/2012 to mitigate the impact of the 2009 global economic recession on the Namibian economy.

The Ministry of Mines and Energy mandated the ECB to facilitate the process of drafting an NIRP, primarily, to determine the long-term electricity demand and detail how this demand should be met in terms of generating capacity, type, timing and cost. Once in place, the NIRP should enable NamPower to expedite the signing of PPAs with intending IPPs and thus remove a major obstacle to private sector participation and investment in generation.

The strength of the ECB is the quality of its people and their commitment to furthering its mandate and core values. On behalf of the Board, I would like to thank all employees for their dedication, special effort and contributions during the year 2009/2010.

Likewise, the Board, the CEO and the entire management and staff of the ECB, would like to express their sincere gratitude to Honourable Erkki Nghimtina, for his contributions, and dedication to the Namibia Electricity Supply Industry and particularly for his support for the cause of the ECB during his time as Minister of Mines and Energy. We also extend our gratitude to our new Minister, Honourable Isak Katali, who has competently taken up the reins, for his ongoing co-operation, guidance and visionary leadership extended to the ECB and the entire ESI. We trust that under his leadership the ECB will rise to even greater heights.

Furthermore, I wish to thank our stakeholders for their active participation and involvement in regulatory matters of the ESI. Their invaluable contributions and involvement have ensured ECB has continued efficient and effective regulation of the electricity supply industry. The participation of all stakeholders in the ESI has become ever more important because security of supply in the energy sector is no longer a developmental issue only, but embraces national security as well. It is the wish of the ECB that this issue be prioritised including at policy level.



**Mr Jason Nandago**





# ECB Board Members



**Mr Jason Nandago**  
Chairperson



**Mrs Panduleni Shimutwikeni**  
Vice Chairperson



**Mr Gersom Katjimune**  
Board Member



**Mrs Uilka Kamboua (Late)**  
Board Member



**Mr Fritz Jeske**  
Board Member



**Mr Siseho C Simasiku**  
Chief Executive Officer

# ECB Management



**Mr Siseho C Simasiku**  
Chief Executive Officer



**Ms Mara Uazenga**  
GM: Administration and Finance



**Mr Rojas Manyame**  
GM: Regulation



**Ms Damoline Muruko**  
Manager: Corporate Communications  
and Legal Services



**Ms Helene Vosloo**  
Manager: Economic Regulation

**Not Pictured**  
**Mr Robert Kahimise**  
Manager: Regulatory Support Services



# Chief Executive Officer's Report

**Siseho C. Simasiku**

I am pleased to report on behalf of Management and staff, that the ECB, despite various challenges, has stood the test of time. After ten years of excellence in electricity regulation the ECB is preparing for a new phase where it will regulate more than one energy source.

Ten years of excellence have however not been without challenges both internally and externally. During the 2009/2010 period, the ECB placed the issue of supply of reliable and affordable electricity to the various segments of society high on its agenda. Ensuring security of electricity supply is a high priority for all stakeholders of the Electricity Supply Industry (ESI) as it is the backbone for ensuring economic growth and productivity in most sectors of the country's economy. The issue of security of supply requires the development of a coherent and collective strategy; and, in advocacy for this setting, the ECB drafted various position papers and made various presentations to policy makers and stakeholders on how to ensure the supply of efficient and reliable electricity.

The White Paper on Energy Policy, 1998 (White Paper) sets out the Government's aspirations and targets, which, in turn, inform ECB's initiatives. An effective energy supply security strategy should as per the White Paper, be based on elements that address both the supply and demand side and should derive from a National Integrated Resource Plan (NIRP).

During the 2009/2010 reporting period the ECB has, at several platforms, highlighted the need for a strategy to gradually reduce the overall dependence on imports and on a single source of supply; a comprehensive energy efficiency strategy including the promulgation of a demand side management program (DSM), an action plan addressing cost reflectivity and sector reforms including the promulgation of a market model, a regulatory model and related rules that would provide a clear message to potential investors in the power sector.

For the year under review, generation options for Namibia remained limited and investment in the sector did not match anticipations. As a result, Namibia remained a net importer of electricity, importing up to  $\pm 70\%$  of its electricity consumption during the reporting period. Whereas previously the main source of energy was South Africa, Zimbabwe became our main source during 2009. This switch is by no means a consolation given Zimbabwe's critical power shortages.

The investor orientated market framework and the “Modified” Single Buyer Model aimed at enhancing energy supply security through attracting private sector participation in generation were not implemented during the 2009/2010 reporting period to allow more stakeholder consultations. The proposed market framework and the “Modified” Single Buyer Model are based on the premise that, aside from its positive impact on the security of supply, unbundling of national utilities is a prerequisite for the effective functioning of a regional market regime and financial sustainability of the power sector.

During this year’s tariff review the ECB consulted extensively with the public and stakeholders on NamPower’s application for a 35% tariff increase. The ECB granted NamPower an effective average increase of 15% for the financial year 2010/2011. Distribution utilities and Local Authorities were granted varying increases according to their respective revenue requirements as submitted to the ECB.

The above is consistent with the following main regulatory objectives:

- Equitably rewarding investors (recovery of cost of supply plus regulated rate of return) while keeping prices affordable to consumers,
- Ensuring quality of supply and service (taking cognisance of different quality standards and associated costs), and
- Maximising operational efficiency through restructuring and performance evaluation and monitoring.

The above tariff increases did not lead to cost reflective electricity prices as Cabinet had directed that the implementation of Cost Reflective Tariffs be postponed to the year 2011/2012. The ECB implemented Time-of-Use (TOU) tariffs on 1 July 2009 for all NamPower’s transmission and supply customers. The decision to implement TOU tariffs was based on the realization of the important role they would play in demand side management and the correct pricing signals they would send to consumers. This would further assist many of the Large Power Users (LPUs) to control their costs, and in so doing make them more competitive.

Indeed the staff of the Electricity Control Board (ECB) has been stretched beyond limits in performing their duties during this financial year and I commend them for their exceptional performance.

**I am pleased to report the deliverables for the 2009/2010 financial year as follows:**



# Human Resources

## Remuneration and Performance Management

The Employee Performance Management System (EPMS) is applied to all employees at the ECB and is intended to promote a performance-driven culture. All employees participate in a performance incentive scheme, in terms of which specific financial and non-financial targets are set in a balanced scorecard for the year under review. Performance is measured on three levels - *corporate*, team and *individual* and is rewarded by acknowledgement and, where appropriate, remuneration and/or career advancement opportunity.

The ECB's remuneration strategies are aimed at rewarding employees at market related levels and in accordance with their contribution to the organisation's operating and financial performance. They cover basic pay as well as all the requisite benefits and incentives that are reviewed annually against the Namibian labour market benchmarks.

## Staffing

The ECB continually reviews its employment policies to ensure that they are appropriate and progressive and to promote a working environment conducive to recruiting, empowering, developing and retaining quality staff. The ECB makes concerted efforts to address the gender balance at all employment levels and categories.

For the period under review staff turnover was relatively high at senior management level. However, the extension of the employment contract of the current CEO, Mr. Simasiku, for another five years, mitigated the impact of the said staff turnover.

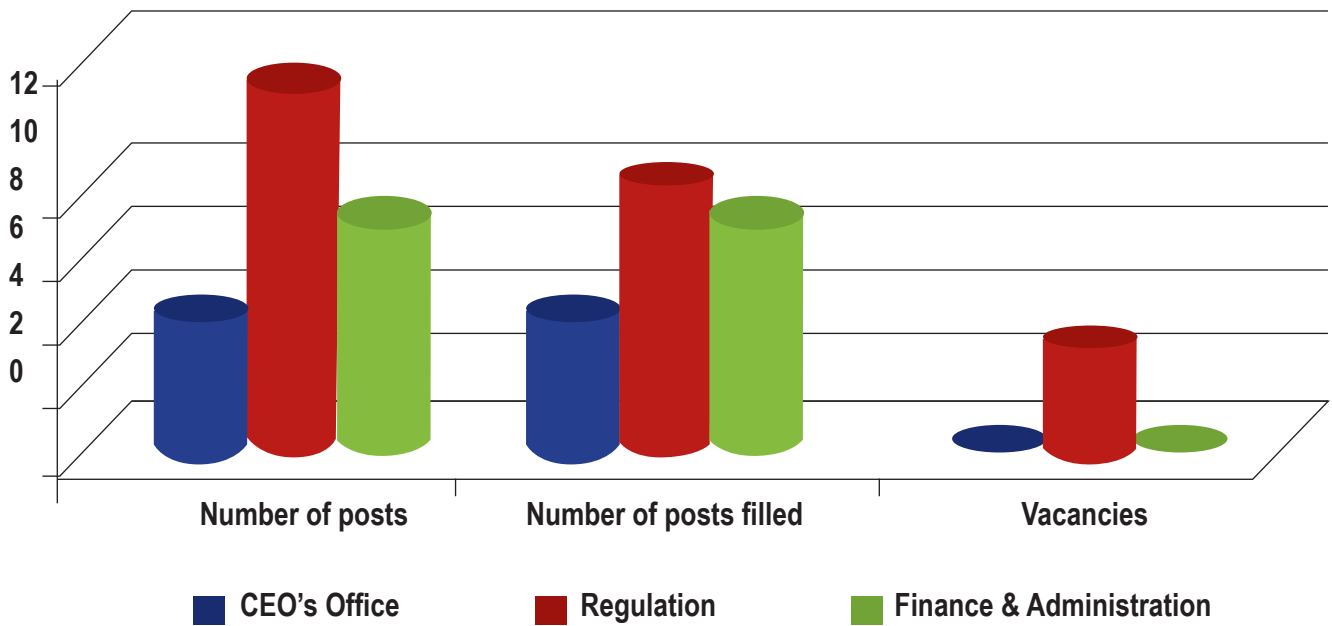
The total staff complement as at 31 March 2010 is reflected in Figure 1 below.

<b>Division</b>	<b>Number of posts</b>	<b>Number of posts filled</b>	<b>Vacancies</b>
CEO's Office	4	4	0
Regulation	11	8	3
Finance & Administration	7	7	0
<b>Total</b>	<b>22</b>	<b>19</b>	<b>3</b>

*Figure 1: Staff Compliment and Vacancies*



**ECB Staff Complement as on 31 March 2010**



## Training and Development

ECB's commitment to the skills and professional development of its employees remains a priority despite financial challenges. Training and development being a key strategic business tool in terms of staff retention, takes place at all employment levels. Employees are encouraged to undertake studies that will assist them in their current and future careers with the ECB.

## Employee Wellness

All employees have access to the lifestyle management programme, through our medical aid scheme. Furthermore, staff members regularly participate in the annual ESI Games and other related events.

## Corporate Social Investment (CSI)

Since its inception in 2000, the ECB has been closely involved in the improvement of the lives of individuals, families and the society as a whole. The ECB has a focused corporate social investment and sponsorship programme (CSI).

In the 2009/2010 financial year, the ECB spent N\$126,209.00 under the CSI Vote as follows:

<b>Annual Recipients</b>	<b>Amount [N\$]</b>
JP Karuaihe Trust Fund	10 000.00
The National Emergency Disaster Fund	20 000.00
Christina Swart-Opperman Aids Orphanage Foundation Trust	10 000.00
Education & Training Improvement Programme of the Ministry of Education (ETSIP)	10 000.00
<b>Ad Hoc Recipients</b>	
Katutura Road Runners Club	3 000.00
Maria Mwengere School	2 000.00
Other	71 209.00
	126 209.00

## ECB Awards

The ECB recognised its achievers at an award ceremony held during its Year End Function. The Performance Review Committee spearheaded the nomination process for these awards and the highlight of the evening was the announcement of the winners in the various award categories.

The Chairperson's Award went to **Mr Siseho C. Simasiku (CEO)** and **Mr Rojas Manyame** (General Manager: Regulation) scooped the CEO's Award for Outstanding Performance.

## Crosscutting Matters

The expansion of ECB's mandate which was effected in November 2007, under the Electricity Act, Act 4 of 2007 ("the Act") entailed drafting and implementing various subordinate legislative instruments, such as procedures, codes, rules, guidelines and regulations. The legislative drafting process involved extensive stakeholder consultations and information dissemination to the industry.

The Act mandates the ECB to act as a mediator for the settlement of disputes between licensees, and between licensees and their customers. This intervention has been enhanced by the enactment of the ECB Mediation Procedures. Implementation of these procedures has minimised disputes amongst industry participants.

With substantial input from the Legal Office, the ECB has successfully streamlined internal policies such as the Cellular phone Policy, the HIV policy, and the Bursary Policy.

**Legal projects embarked upon during the financial year 2009/2010 are highlighted below:**

### Regulatory Instruments

During the review period, the ECB developed several regulatory instruments required to ensure a more comprehensive regulation of the electricity supply industry.

The Regulatory Instruments developed, together with explanatory notes and timelines for completion, are listed in Figure 2 below. These regulatory instruments cover all forms of subordinate legislation.

### List of Regulatory Instruments

The specific regulatory instruments under review include:

- Administrative Regulations
- Quality of Supply and Service Standards (QoSsS)
- Technical Rules
- Economic Rules
- ECB Complaints Handling Procedures
- Section 18 rules with regard to persons exempted from holding licenses
- Mediation Procedural Rules
- License Application Objection Form
- Public Hearing Procedural Rules
- Distribution Infrastructure Technical Standards
- Namibian Electricity Safety Code

Most of the instruments have been finalised and are awaiting Board approval or promulgation and Gazetting.

### Details of Regulatory Instruments

Details of Regulatory Instruments			
No.	Name of Regulatory Instrument	Description	Status of Development
1.	Electricity Act, 2007	Due to the Electricity Act, 2000, not comprehensively and efficiently providing for regulatory oversight of the Namibian ESI, extensive amendments to that Act were required. One of the priorities of the ECB was thus to ensure an updated Electricity Act. In light of the extensive amendments required it was decided that the “old” Act should be repealed in its entirety and replaced by a new Act.	Completed in 2007 and currently being implemented.

## Description of and Status of ECB Regulatory Instruments

No.	Name of Regulatory Instrument	Description	Status of Development
2.	Administrative Regulations, 2000	<p>Administrative Regulations were issued in 2000 under the Electricity Act, 2000. Due to extensive amendments to the Administrative Regulations, it was decided to repeal the existing 2000-Regulations in totality and replace them with a new set of Regulations.</p> <p>The Administrative Regulations deal with certain ECB administrative matters and the electricity licensing system (i.e. advertising of applications, submission of applications, issue of licenses, etc). Due to changes in the Electricity Act, 2007, certain amendments to the Administrative Regulations are required (for example to provide for exemptions to the licensing requirements).</p>	<p>Submitted to Legal Drafters for final comments. Expected to be promulgated before end of October 2010.</p> <p>Implementation to commence in 2010.</p>
3.	Electricity Redistribution and Resale Rules	<p>The Electricity Act, 2007, contains a number of exemptions to the requirement to hold a distribution license. The Electricity Act, 2007, also provides for exemption applications and authorises the ECB to make rules on exempted distribution activities. In the absence of such rules exempted distributors are operating in an unregulated environment. The ECB thus regarded it as important to ensure a regulated environment as soon as possible. The draft Electricity Redistribution and Resale Rules have been consulted in combination with individuals within the industry and the ECB is finalising these rules subsequent to having received final comments thereon.</p>	<p>Rules finalised and awaiting Board endorsement before submission to Minister of Mines and Energy for approval. Publication in the Government Gazette and implementation after compliance with the above and upon promulgation of the Electricity Regulation.</p> <p>Implementation and commencement in 2010.</p>

## Description of and Status of ECB Regulatory Instruments

No.	Name of Regulatory Instrument	Description	Status of Development
4.	Namibian Electricity Safety Code (NESC)	<p>The NESC was completed after extensive consultations with the industry and submitted to the Board and Minister for approval. The NESC will come into operation one year after its publication in the Government Gazette thus providing sufficient time for the industry to align themselves with the contents thereof.</p>	<p>Code finalised. Publication in Government Gazette and implementation in 2010.</p>
5.	Quality of Supply and Service Standards (QoSsS)	<p>The QoSsS contains the standards for electricity supply and service in Namibia. Similar to the NESC, members of the industry engaged in consultation regarding the QoSsS, which will subsequently be submitted to the Board for approval. Following Board approval, final consultations will be conducted with the Minister of Mines and Energy. In terms of the Electricity Act, 2007, the Minister must only be consulted for issues pertaining to standards issued under the Act. Once so consulted the QoSsS will be submitted to the Legal Drafters for scrutiny and certification whereafter it will be published in the Government Gazette.</p>	<p>Finalised and ready for approval and promulgation process.</p> <p>Consulted with Minister whereafter to be submitted to Legal Drafters for scrutiny and promulgation.</p> <p>Commencement in 2011.</p>
6.	Technical Rules	<p>A detailed set of Electricity Technical Rules was drafted during the existence of the Electricity Act, 2000. However, since the drafting of these Rules, many changes took place in the Namibian ESI and various other legal instruments were prepared by the ECB.</p>	

## Description of and Status of ECB Regulatory Instruments

No.	Name of Regulatory Instrument	Description	Status of Development
6.	Technical Rules (continued)	Many of the latter instruments relate to aspects currently addressed in the Technical Rules. As such, the ECB is in the process of revising them in order to identify issues which can be removed from the Technical Rules (due to them being covered in other instruments), issues which must move to the Economic Rules and finally issues which must remain in the Technical Rules.	Revision finalised and currently being circulated for final stakeholder comments before Board approval is sought and subsequent submission to the legal drafters for scrutiny and promulgation.
7.	Economic Rules	The ECB embarked on the drafting of Economic Rules which will regulate financial and economic aspects of the Namibian ESI such as surcharges, tariff related issues, and the like.	Drafting of Economic Rules commenced early 2009. Currently being circulated for final stakeholder comments before submitted to the Board for approval and subsequent scrutiny by the Legal Drafters.
8.	ECB Complaints Handling Procedures	The purpose of the external complaints procedure is to provide a formal procedure whereby complaints within the ESI (for example customers complaining about conduct of licensees, or customers, licensees and other affected parties complaining about the actions of the REDs, etc) will be dealt with by the ECB.	The procedures have been finalised and await Board approval.  Implementation in 2010.
9.	Mediation Rules	In terms of the Electricity Act, the ECB must mediate disputes in the ESI between customers, licensees, and other stakeholders. The Mediation Rules provide for disputes to be dealt with in accordance with a formal and comprehensive dispute mediation procedure.	Rules finalised and ready for Board approval. Implementation in 2010.

## Description of and Status of ECB Regulatory Instruments

No.	Name of Regulatory Instrument	Description	Status of Development
10.	ECB License Application Objection Form	The ECB Objection to License Application Form has been adapted and made compatible with the requirements of the Electricity Act, 2007	Approved by Board and implementation commenced in early 2010.
11.	Public Hearing Procedural Rules	In terms of the Electricity Act, the ECB can, under certain circumstances, conduct public hearings. The Public Hearing Rules have been finalised and adapted to the Electricity Act, 2007.	Finalised and ready for Board approval. Implementation in 2010.
12	Distribution Infrastructure Technical Standards	The standards applied by the various types of licenses have been perceived as somewhat fragmented. Currently each licensee uses its own standards for infrastructure construction. Thus, the harmonization of distribution standards has been identified as an important aspect of improved service delivery. The aim is to develop common standards for all distribution licensees.	Document circulated for final comments and will be presented to the Board in November 2010. Implementation by 2011.

*Figure 2: Details of the Regulatory Instruments*

### Corporate Governance

To protect and enhance stakeholder values, the ECB Board has a strong on-going commitment towards transparency and good corporate governance as an imperative part of discharging its responsibilities. The ECB has always maintained a high level of corporate governance and continues to refine its practices in this area each year.

Sections 4 - 16 of the Act regulate the Governance aspects of the Board. The ECB currently has four out of the five required non-executive directors who, during the year under review contributed extensively to the ECB's strategy and business development functions. The vacancy created by the untimely passing away of one of our Board members, has not been filled yet.

The ECB Board met on a regular basis during the year and implemented the King Code of Governance (King III Report). Furthermore, ECB's three Board Committees, namely the Audit Committee, the Human Resources and Remuneration Committee and the Pricing and Tariffs Committee have now been established and will be fully functional in the next financial year.





## Energy Regulatory Framework

Currently, the overall energy framework is defined in the Petroleum Products and Energy Act of 1990. However, the Act mainly focuses on downstream petroleum products and the National Energy Fund (NEF). There is no overarching law concerning energy sources such as electricity, gas, renewable and nuclear energy. In addition, the Petroleum Products and Energy Act, 1990 Act is outdated and no longer meets the needs of modern developments. Hence, the need to draft an energy Act that is all inclusive in nature, to extensively and broadly cover regulatory issues.

Key stakeholders of the Namibian Energy sector held several consultative meetings to review the currently fragmented energy sector laws and to brainstorm on how best to transform the electricity regulator into an energy regulator. The transformation of the ECB into an energy regulator requires amendments to the current Electricity Act or drafting of a new separate Act for the energy Regulator.

In order to facilitate this legislative reform process, a stakeholder steering committee, the Namibian Energy Regulatory Framework Stakeholder Committee (NERFSC) was established. The Ministry of Mines and Energy chairs the NERFSC steering committee while the Electricity Control Board acts as its Secretariat. The NERFSC consists of all major governmental stakeholders in the energy sector, namely MME, ECB, Namcor, NamPower, NAMREP and REEEI.

Parallel to the activities of NERFSC, the ECB in 2009, embarked upon a Needs Assessment study to establish what the ECB needs are vis-à-vis the above-mentioned process.

### **The outcomes of the Needs Assessment study were:**

- A formalised legal framework for the electricity sector is needed to support Government Policies for the electricity industry. This can be done through the revision and transformation of the current Petroleum Products and Energy Act into an overarching Energy Act;
- An urgent need exists to accelerate the transformation of the ECB into a national energy regulator for various energy sources such as electricity, gas, renewable energy;
- There is a need for a piece of legislation for REDs or utilities in general to facilitate the finalisation of the ESI restructuring process. Namibia intended, to create five (5) Regional Electricity Distribution Companies, but to date only three (3) have been established. The lagged implementation in this regard can be blamed on the absence of a legal framework for the REDs. The proposed legislation would facilitate issues around taxing of asset transfers, legality of surcharges and ownership of surcharges;
- The most important decisions concerning gas in the Namibian energy system have to do with the utilisation of Kudu offshore gas field. For this project to materialize, legislative and regulatory issues need to be addressed. Namibia currently has a draft Gas Bill which needs to be revised and finalised.

## REDs Study

**The ECB identified a need to investigate the adequacy of the regulatory framework within which the REDs and the utilities operate. The main objectives of the utility regulation study are:**

- To undertake a study and comparative research on the restructuring of the electricity distribution industries (EDI) in at least three (3) foreign jurisdictions;

- To investigate the current regulatory system and identify problem areas and areas in need of further regulation;
- To make recommendations as to the most efficient way to regulate electricity utilities including identification of any amendments necessary to existing legislation and/or new legislation that may be required;
- To recommend under which portfolio Ministry various utilities, with specific reference to REDs, should resort;
- To investigate and make recommendations as to the relevance of REDs, to the needs of the consumer.

The outcomes of this study will be discussed with the Board and stakeholders during October 2010 and subsequent submission to the Minister will take place before the end of 2010.

## Challenges

**The following legal challenges affected the performance of the ECB during the 2009/2010 financial year:**

- The transformation of the ECB into an energy regulator has taken longer than expected, because it is ultimately a Policy decision and involves lengthy legislative reforms;
- The Electricity Act 4 of 2007 has several inadequacies, one of them being that the ECB has no legal right to review power purchase agreements between Nampower and prospective IPP's;
- The absence of a REDs legislation makes it difficult for the ECB to effectively regulate the REDs;
- The Act provides for issuance of trading licenses through an electricity market. However the ECB has not been able to issue any trading licenses because Namibia needs to develop market rules that will regulate an open market where IPP's and utilities can trade freely before the Regulator can issue such trading licenses;
- Namibia's energy industry has fragmented and out-dated laws which make it difficult for the ECB to regulate the industry in a harmonised manner.

## Economic Regulation

The ECB granted NamPower a 15% effective average increase for the 2009/2010 financial year. Distribution utilities and Local Authorities were granted varying increases according to the revenue requirements submitted to the ECB by each of them.

**The above is consistent with the following main regulatory objectives:**

- Equitably rewarding investors (recovery of cost of supply plus regulated rate of return) while keeping prices affordable to consumers,
- Ensuring quality of supply and service (taking cognisance of different quality standards and associated costs), and
- Maximising operational efficiency through restructuring and performance evaluation and monitoring.

The graph in Figure 3 on the next page demonstrates (a) changes in the projected price path during the period 2008/2009 to 2009/2010; and (b) how NamPower's projected tariff increases needed to reach cost reflective levels by 2010/2011 have changed.

## Tariffs

### Generation and Transmission Tariff Increase for 2009/2010

Figure: Generation and Transmission Projected Price Increases

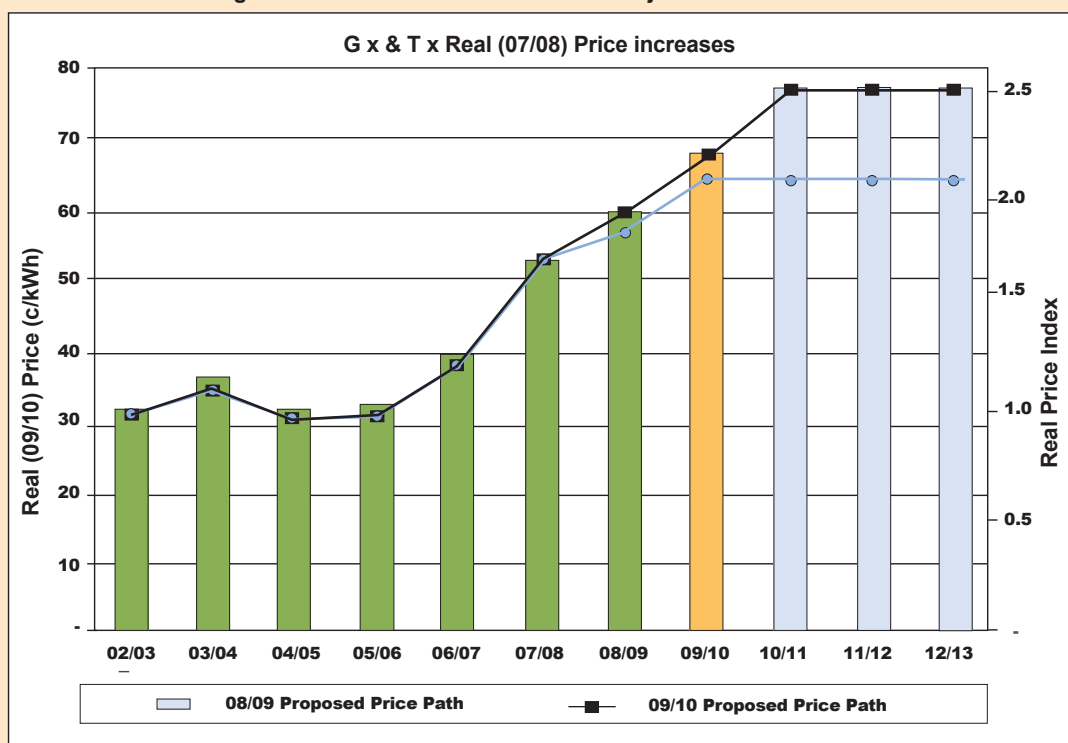


Figure 3: Generation and Transmission Tariff Increases 2009/2010

Once tariffs have reached cost reflectivity, they will have to reflect the long run marginal cost (LRMC) of supply especially for the new generation projects expected to come on board during the next ten years. This is necessary to ensure new investment in the generation sector to balance demand.

Namibia has been a net importer of electricity for many years and continues to import up to  $\pm 70\%$  of its electricity consumption from a number of countries in the region. Whereas previously the main source of energy was South Africa, Zimbabwe became our main source during 2009 as per PPA signed between Zesa and NamPower. The table below depicts the import dependence pattern during the period 2007 to 2010.

### The Impact of Imports on Namibian Tariffs

	2007/2008	2008/2009	2009/2010
<b>Imports [% of Total]</b>			
Local Generation	47%	53%	31%
Imports	69%	45%	55%
<b>Cost [% of Total]</b>			
Local Generation	47%	53%	22%
Imports	78%	46%	54%
<b>Average Price</b>			
Local Generation	0.27	0.27	0.32
Imports	0.52	0.43	0.40

Figure 4: Impact of Imports on the 2009/2010 Tariffs

In 2008/2009 Namibia imported 69% of its energy requirements at prices that were higher than domestic generation prices. In such a situation imports will increase tariffs to the end-consumer. However, during the period 2007/2008 - 2009/2010 where less energy was imported and the price of imports was lower than or equal to the average Namibian generation price, imports had a restrained impact on tariff increases. In this case, tariff increases were driven by other factors such as the need to become cost reflective, the need for investment in the generation sector, the payment of NamPower's debt and increases in prices of commodities and other primary energy resources such as oil and coal.

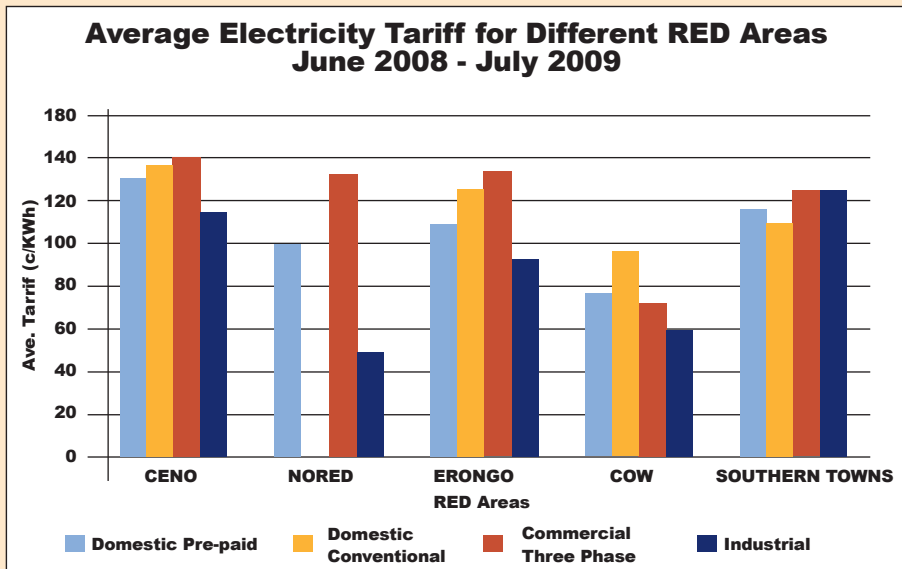


Figure 5: Average Electricity Tariff for Different RED Areas

Note that Southern Towns includes Keetmanshoop, Lüderitz, Leonardville, Mariental and Rehoboth in the chart above.

## Electricity Prices

### Average Electricity Prices And Costs For Distribution Areas, July 2009 - June 2010

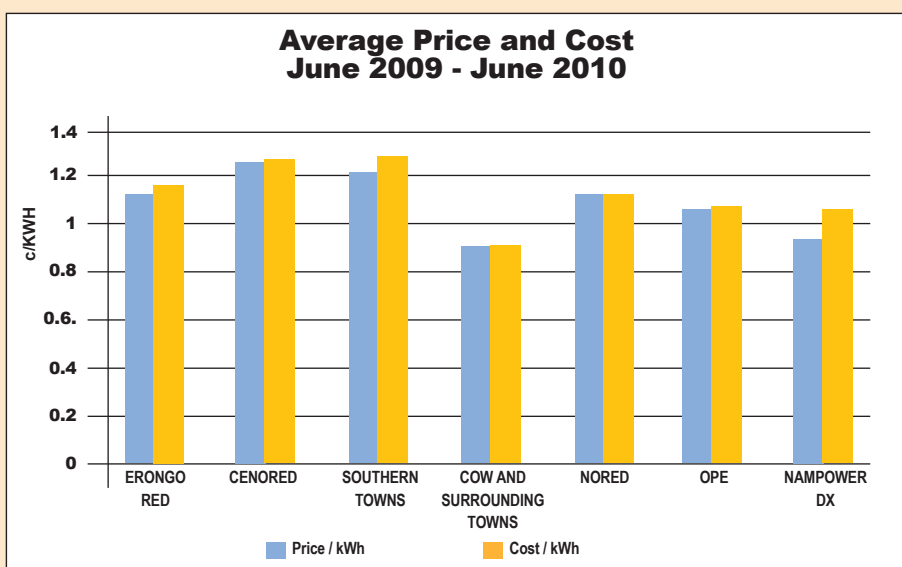


Figure 6: Average Electricity Price and Cost 2009/2010

Although no direct decision was made about cost reflectivity for distribution utilities, the ECB assisted them during the past ten years to reach cost reflective tariffs by 2011/2012. This posed quite a challenge due to high local authority surcharges and distorted tariffs for different areas and local authorities.

The ECB developed a transparent local authority surcharge methodology in 2004/2005 and assisted all local authorities and regional councils to ring fence their electricity business from the rest of the municipal accounts. Currently the following surcharges are paid on an annual basis to local authorities in Namibia:

## Surcharges

### Annual Local Authority Surcharge per Local Authority [N\$]

CENORED		CENTRAL RED AREA		ERONGO RED		SOUTHERN RED AREA	
Tsumeb	6 030 662	Gobabis	8 780 189	Walvis Bay	27 904 050	Aroab	0
Okakarara	72 589	Witvlei	0	Karibib	0	Gibeon	0
Grootfontein	7 860 841	Windhoek	133 068 615	Arandis	20 657	Tses	69 798
Khorixas	121 830	Omaheke	0	Henties Bay	2 365 724	Maltahöhe	0
Otavi	103 670	Okahandja	5 894 240	Usakos	1 249 299	Bethanie	140 371
Otjiwarongo	7 024 551			Omaruru	941 302	Leonardville	50 086
Outjo	1 157 940			Swakopmund	13 873 701	Berseba	0
Kamanjab	43 672			Erongop RC	0	Lüderitz	15 433 906
Otjozondjupa RC	109 056			Uis	0	Mariental	4 231 070
NamPower	50 156					Hardap RC	0
						Rehoboth	1 139 213
						Aranos	673 952
						Karasburg	427 952
						Keetmanshoop	1 431 132
						Koes	242 727
						Gochas	0
						Omaheke RC	0
						Kalkrand	0
	22 574 967		147 743 044		46 354 733		23 839 658

Figure 7: Annual Local Authority Surcharges

#### Note:

- All Local Authorities in the NORED area charge a flat rate of 5c/kWh
- The ECB approved in 2009/2010 a 5c/kWh local authority surcharge to all councils in the CENORED area that receive less than 5c/kWh.



In view of the fact that more of the distribution utilities were becoming cost reflective, the ECB developed a Reconciliation Framework as per recommendation of the National Tariff Study that was done in 2001. This framework would allow transmission and distribution utilities to claim back from their customers any under-recovery and require them to pay back any over-recoveries in subsequent years to their customers.

The ECB resolved that Time-of-Use (TOU) tariffs would be implemented as of 1 July 2009 for all NamPower's transmission and supply customers. This resolution was based on the realisation that TOU tariffs would play an important role in demand side management and send the correct pricing signals to consumers. This would further assist many of the Large Power Users (LPUs) to control their costs, and in doing so make them more competitive. In order to assist the distribution utilities in calculating the correct TOU tariffs, a methodology with the necessary model and worksheets was developed for implementation in the 2010/2011 financial year.

## **Market Restructuring**

### **Single Buyer**

Little progress was made with regard to the finalisation and implementation of the investor oriented market framework and the "Modified" Single Buyer Model, aimed at enhancing energy supply security and attracting private sector participation in generation, during the period under review. The delay was attributable to the long-drawn-out review of the final draft by the utility.

### **New Projects**

Since its inception in 2000, the ECB's main areas of concentration were setting up the regulatory authority internally, setting up a licensing system, determining and implementing tariff methodologies, setting up quality standards and assisting Government with the restructuring of the electricity supply industry. The ECB made significant strides in this regard and therefore, started shifting its focus to evaluating and monitoring the performance of Licensees. An economic model was developed to assess the impact of regulatory decisions on the economy.

Other economic regulatory projects included the development of **Economic Rules** and **Resale Rules**. It is expected that these rules will be finalised in the next financial year. These rules should lead the industry to improved efficiency and more effective financial and economic operations.

## **Industry Overview and Structure**

The ESI structural reform process started soon after the formation of the ECB and resulted in the establishment of three fully functional RED's, and the unbundling of NamPower's Generation, and Distribution business units.

The focus of the 2011/2016 strategic plan is expected to be on industrial reforms. Consequently, market restructuring is expected to be one of the key ECB activities.

One of the key challenges is the development of a favourable market structure for the entry of Independent Power Producers (IPPs). The acute shortage of generation capacity in the SADC region has heightened the need to attract private sector investment in both conventional and renewable energy.

The ECB will have to ensure that new investments in generation, transmission and distribution infrastructure are made in an economically sound and responsible manner.

## Namibian ESI Structure

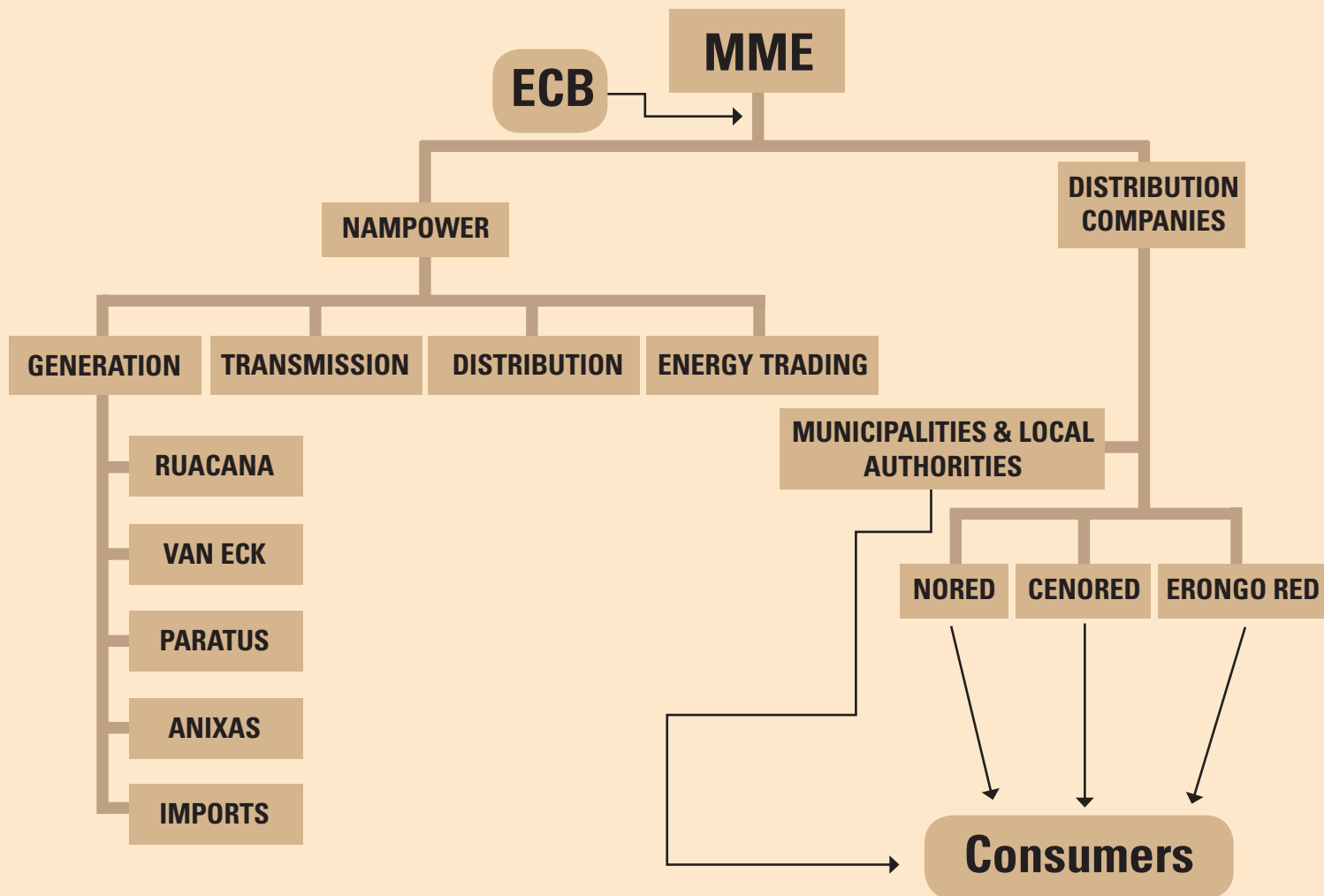


Figure 8: Structure of Electricity Supply Industry

## Energy Supply Challenges

For the year under review, generation options for Namibia remained limited, and the supply gap was met through bilateral supply agreements in place with neighbouring countries. Due to lack of investment in new generation capacity, Namibia maintained its status as a net importer. For the period under review, local generation contributed an average of less than 50%, far less than the 75% target set by the 1998 White Paper on Energy Policy. The scenario is expected to change with the commissioning of Anixas (21,5MW) and the Ruacana Power Station 92MW 4<sup>th</sup> Unit by 2012.



## Installed Capacities of Existing Plants

Power Station	Plant Type	Capacity [MW]
Ruacana	Hydro	240
Van Eck	Coal	120
Paratus	Diesel	24
Anixas	Diesel	21.5

→ Under Construction

Figure 9: Namibia's Installed Capacity

## ESI Capacity Building Activities

### Sponsorship for short-term training courses

The ECB sponsored nine delegates from different RED's to attend the following courses during the 2009/10 financial year:

- Senior Executives Seminar
- Quality of Supply Concepts
- Human Resources Master-Class Program
- Project Management Development Program

### Stakeholder Consultation on Capacity Building Institute Establishment

The ECB conducted comprehensive stakeholder consultations on the establishment of the proposed ESI Capacity Building Institute (CBI), through field surveys and stakeholder workshops. The major findings and recommendations are summarised in the ESI CBI Report.

### Licensing

The paragraphs below summarise the licensing activities undertaken during the review period.

#### New licenses granted

- Namdeb has up to date distributed electricity to the residents of Oranjemund free of charge. However, since Oranjemund is to be proclaimed as a town, it has become necessary to sell electricity to its residents. Consequently, a supply license was granted to Oranjemund Town Management (OTM).
- Special Conditional Generation Licences were issued to Electrawinds Africa (Pty) Ltd (Walvis Bay), Innwind Energy Namibia (Pty) Ltd and Bush Energy Namibia (CBEND) (Pty) Ltd.

#### License Applications under consideration

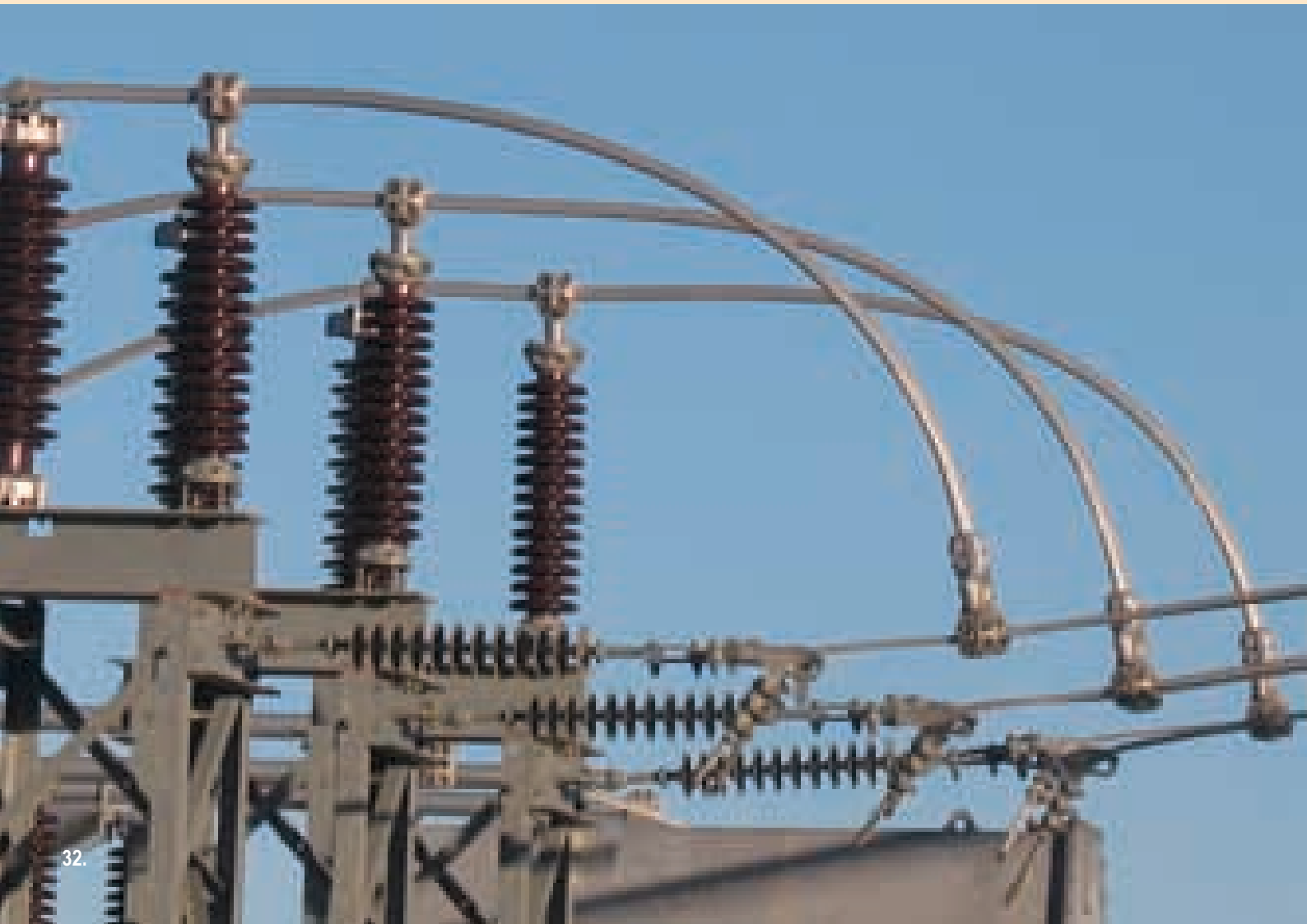
NamPower applied for a generation license for the Anixas Power station at Walvis Bay. Otjozondjupa Regional Council applied for an off-grid generation license at Tsumkwe.

## License Amendments

- NamPower applied for amendment of its Transmission License Conditions to allow for the 132 KV line and substation at Naruchas and is currently under consideration.
- Conditions of the Special Conditional Generation Licences of the following licensees were amended:
  - Aeolus Power Generation Namibia (Pty) Ltd license validity was extended to 30 November 2011.
  - Atlantic Coastal Energy (Pty) Ltd license validity extended to 31 October 2011.
  - Namibia International Mining Company (Pty) Ltd license validity was extended to 31 December 2012.
  - Vision Energy Resources (Pty) Ltd license validity was extended to 30 September 2011.

## License Renewals Granted

- In 2005 Erongo RED (Pty) Ltd was granted a 25-year distribution license and a 5-year supply license. The validity period of the supply license was initially based on the anticipation that a retail market would be operational in Namibia in 2010. In view of the fact that the retail market has not materialised and its implementation timeline remains undefined, Erongo RED's supply license was renewed for a period of twenty years, in line with the validity of its distribution license.
- The Local Authorities' Distribution and Supply licenses in areas initially earmarked for the Southern RED and Central RED were renewed for a further year, as these REDs have not yet been established. In total 42 distribution and 43 supply licenses were renewed.



## 2010 License Renewals

Figure 10: Short Term (Annual) Distribution and Supply Licenses 1-Jul-11

File No	Stakeholder	Subdivision	Type of License	Date of Renewal	Period	Due for Renewal Again
Alf-1/03	Aranos Village Council	SOUTHERN RED	Distribution and Supply	1-Jul-10	1	1-Jul-11
Alf-1/75	Aredareigas Homeowners Ass.	CENTRAL RED	Distrubution and Supply	1-Jul-10	1	1-Jul-11
Alf-1/15	Aroab Electrical Group	SOUTHERN RED	Distribution and Supply	1-Jul-10	1	1-Jul-11
Alf-1/52	Aroab Village Council	SOUTHERN RED	Distribution and Supply	1-Jul-10	1	1-Jul-11
Alf-1/53	Berseba Village Council	SOUTHERN RED	Distribution and Supply	1-Jul-10	1	1-Jul-11
Alf-1/67	Bethanie Village Council	SOUTHERN RED	Distribution and Supply	1-Jul-10	1	1-Jul-11
Alf-1/111	Finkenstein Development Trust	CENTRAL RED	Distribution and Supply	1-Jul-10	1	1-Jul-11
Alf-1/85	Gibeon Village Council	SOUTHERN RED	Distribution and Supply	1-Jul-10	1	1-Jul-11
Alf-1/10	Gobabis Municipality	CENTRAL RED	Distribution and Supply	1-Jul-10	1	1-Jul-11
Alf-1/83	Gochas Village Council	SOUTHERN RED	Distribution and Supply	1-Jul-10	1	1-Jul-11
Alf-1/28	Hardap Regional Council	SOUTHERN RED	Distribution and Supply	1-Jul-10	1	1-Jul-11
Alf-1/59	Kalahari Farming Two CC	SOUTHERN RED	Distribution and Supply	1-Jul-10	1	1-Jul-11
Alf-1/93	Kalkrand Village Council	SOUTHERN RED	Distribution and Supply	1-Jul-10	1	1-Jul-11
Alf-1/82	Kameelboom Power Supply	SOUTHERN RED	Distribution and Supply	1-Jul-10	1	1-Jul-11
Alf-1/02	Karas Regional Council	SOUTHERN RED	Distribution and Supply	1-Jul-10	1	1-Jul-11
Alf-1/04	Karasburg Municipality	SOUTHERN RED	Distribution and Supply	1-Jul-10	1	1-Jul-11
Alf-1/01	Keetmanshoop Municipality	SOUTHERN RED	Distribution and Supply	1-Jul-10	1	1-Jul-11
Alf-1/90	Keinab Power Supply (Pty) Ltd	SOUTHERN RED	Distribution and Supply	1-Jul-10	1	1-Jul-11
Alf-1/84	Khomas Power (Pty) Ltd	SOUTHERN RED	Distribution and Supply	1-Jul-10	1	1-Jul-11
Alf-1/94	Klein Karas Power CC	SOUTHERN RED	Distribution and Supply	1-Jul-10	1	1-Jul-11
Alf-1/96	Kokerboom Power Supply	SOUTHERN RED	Distribution and Supply	1-Jul-10	1	1-Jul-11
Alf-1/60	Leonardville Village Council	SOUTHERN RED	Distribution and Supply	1-Jul-10	1	1-Jul-11
Alf-1/43	Lüderitz Town Council	SOUTHERN RED	Distribution and Supply	1-Jul-10	1	1-Jul-11
Alf-1/87	Maltahöhe Village Council	SOUTHERN RED	Distribution and Supply	1-Jul-10	1	1-Jul-11
Alf-1/16	Mariental Municipality	SOUTHERN RED	Distribution and Supply	1-Jul-10	1	1-Jul-11
Alf-1/29	Namdeb Diamond Corporation	SOUTHERN RED	Supply	1-Jul-10	1	1-Jul-11
Alf-1/62	Namibia Airports Company	CENTRAL RED	Distribution and Supply	1-Jul-10	1	1-Jul-11
Alf-1/73	Nampower	CENTRAL & SOUTHERN RED	Distribution and Supply	1-Jul-10	1	1-Jul-11
Alf-1/92	Nature Investments (Pty) Ltd	SOUTHERN RED	Distribution and Supply	1-Jul-10	1	1-Jul-11
Alf-1/91	Naukluft Electricity Investments	SOUTHERN RED	Distribution and Supply	1-Jul-10	1	1-Jul-11
Alf-1/40	Okahandja Municipality	CENTRAL RED	Distribution and Supply	1-Jul-10	1	1-Jul-11
Alf-1/64	Omaheke Regional Council	CENTRAL & SOUTHERN RED	Distribution and Supply	1-Jul-10	1	1-Jul-11

File No	Stakeholder	Subdivision	Type of License	Date of Renewal	Period	Due for Renewal Again
Alf-1/23	Ongopolo Mine (Otjihase Mine)	CENTRAL RED	Distribution and Supply	1-Jul-10	1	1-Jul-11
Alf-1/09	Rehoboth Town Council	SOUTHERN RED	Distribution and Supply	1-Jul-10	1	1-Jul-11
Alf-1/66	Roshkor Township (Pty) Ltd	SOUTHERN RED	Distribution and Supply	1-Jul-10	1	1-Jul-11
Alf-1/78	S & S Kragvoorsiening	SOUTHERN RED	Distribution and Supply	1-Jul-10	1	1-Jul-11
Alf-1/72	Salt Block Power CC	SOUTHERN RED	Distribution and Supply	1-Jul-10	1	1-Jul-11
Alf-1/79	Swartrand Power Suppliers CC	SOUTHERN RED	Distribution and Supply	1-Jul-10	1	1-Jul-11
Alf-1/89	Swartwater Power Suppliers	SOUTHERN RED	Distribution and Supply	1-Jul-10	1	1-Jul-11
Alf-1/57	Tses Village Council	SOUTHERN RED	Distribution and Supply	1-Jul-10	1	1-Jul-11
Alf-1/80	Vergeleë Power Supply (Pty) Ltd	SOUTHERN RED	Distribution and Supply	1-Jul-10	1	1-Jul-11
Alf-1/20	Windhoek Municipality	CENTRAL RED	Distribution and Supply	1-Jul-10	1	1-Jul-11
Alf-1/56	Witvlei Village Council	CENTRAL RED	Distribution and Supply	1-Jul-10	1	1-Jul-11

## Summary

Type	Number
Distribution	42
Supply	43
<b>Total</b>	<b>85</b>

Figure 11: Long Term Distribution Licenses



Licensee	Date Issued	Period (yrs)
Erongo RED	1 August 2005	25
CENORED	12 July 2003	25
NORED	13 March 2003	25
NAMDEB	11 July 2001	10

## Complete List of Licensees

File No	Stakeholder	Subdivision	Type of License	Date of Issue	Period of Issue
Alf-1/98	Aeolus Power Generation (Pty) Ltd	Windhoek	Generation	1-Apr-07	22
Alf-1/68	Anglobase Namibia (Pty) Ltd	Scorpion Mine	Generation	12-Oct-01	15
Alf-1/03	Aranos Village Council	SOUTHERN RED	Distribution and Supply	1-Jul-10	1
Alf-1/75	Aredareigas Homeowners Ass.	CENTRAL RED	Distribution and Supply	1-Jul-10	1
Alf-1/15	Aroab Electrical Group	SOUTHERN RED	Distribution and Supply	1-Jul-10	1
Alf-1/52	Aroab Village Council	SOUTHERN RED	Distribution and Supply	1-Jul-10	1
Alf-1/105	Atlantic Coast Energy Company	Coal	Generation	1-Nov-07	25
Alf-1/53	Berseba Village Council	SOUTHERN RED	Distribution and Supply	1-Jul-10	1
Alf-1/67	Bethanie Village Council	SOUTHERN RED	Distribution and Supply	1-Jul-10	1
Alf-1/111	CBEND	Farm Pierre	Generation	1-May-10	5
Alf-1/76	CENORED (Pty) Ltd	CENORED	Distribution and Supply	12-Jul-03	25
Alf-1/108	Eletrawind	Walvis Bay	Generation	1-Nov-09	20
Alf-1/88	Erongo Red (Pty) Ltd	ERONGO RED	Distribution and Supply	1-Aug-05	25
Alf-1/111	Finkenstein development Trust	CENTRAL RED	Distribution and Supply	1-Oct-08	1
Alf-1/85	Gibeon Village Council	SOUTHERN RED	Distribution and Supply	1-Jul-10	1
Alf-1/10	Gobabis Municipality	CENTRAL RED	Distribution and Supply	1-Jul-10	1
Alf-1/83	Gochas Village Council	SOUTHERN RED	Distribution and Supply	1-Jul-10	1
Alf-1/28	Hardap Regional Council	SOUTHERN RED	Distribution and Supply	1-Jul-10	1
Alf-1/110	Innowind	Walvis Bay	Generation	1-Mar-10	20
Alf-1/59	Kalahari Farming Two CC	SOUTHERN RED	Distribution and Supply	1-Jul-10	1
Alf-1/93	Kalkrand Village Council	SOUTHERN RED	Distribution and Supply	1-Jul-10	1
Alf-1/82	Kameelboom Power Supply (Pty) Ltd	SOUTHERN RED	Distribution and Supply	1-Jul-10	1
Alf-1/02	Karas Regional Council	SOUTHERN RED	Distribution and Supply	1-Jul-10	1
Alf-1/04	Karasburg Municipality	SOUTHERN RED	Distribution and Supply	1-Jul-10	1
Alf-1/01	Keetmanshoop Municipality	SOUTHERN RED	Distribution and Supply	1-Jul-10	1
Alf-1/90	Keinab Power Supply (Pty) Ltd	SOUTHERN RED	Distribution and Supply	1-Jul-10	1
Alf-1/84	Khomas Power (Pty) Ltd	SOUTHERN RED	Distribution and Supply	1-Jul-10	1
Alf-1/94	Klein Karas Power CC	SOUTHERN RED	Distribution and Supply	1-Jul-10	1
Alf-1/96	Kokerboom Power Supply (Pty) Ltd	SOUTHERN RED	Distribution and Supply	1-Jul-10	1
Alf-1/97	Langer Heinrich (Pty) Ltd	Langer Heinrich Mine	Generation	12-Oct-01	15
Alf-1/60	Leonardville Village Council	SOUTHERN RED	Distribution and Supply	1-Jul-10	1
Alf-1/43	Lüderitz Town Council	SOUTHERN RED	Distribution and Supply	1-Jul-10	1
Alf-1/87	Maltahöhe Village Council	SOUTHERN RED	Distribution and Supply	1-Jul-10	1
Alf-1/16	Mariental Municipality	SOUTHERN RED	Distribution and Supply	1-Jul-10	1
Alf-1/95	Mile 7 WEC Power Station	ERONGO RED	Generation	6-Apr-06	10
Alf-1/49	MWTC		Generation	12-Oct-01	5

File No	Stakeholder	Subdivision	Type of License	Date of Issue	Period of Issue
Alf-1/29	Namdeb Diamond Corporation	SOUTHERN RED	Distribution	11-Jul-01	10
Alf-1/62	Namibia Airport Company	CENTRAL RED	Distribution and Supply	1-Sep-08	1
Alf-1/63	Namibia Airport Company		Generation	12-Oct-06	20
Alf-1/104	Namibia International Mining Company	Oil CCGT	Generation	1-Jun-07	20
Alf-1/73	Nampower	CENTRAL & SOUTHERN RED	Distribution and Supply	1-Jul-10	1
Alf-1/31	Nampower	Export	Export	11-Jul-01	20
Alf-1/32	Nampower	Import	Import	11-Jul-01	20
Alf-1/39	Nampower	Paratus	Generation	11-Jul-01	20
Alf-1/35	Nampower	Ruacana	Generation	11-Jul-01	25
Alf-1/37	Nampower	Stand by 1	Generation	11-Jul-01	15
Alf-1/38	Nampower	Stand by 2	Generation	11-Jul-01	15
Alf-1/34	Nampower	Van Eck	Generation	11-Jul-01	20
Alf-1/33	Nampower		Supply	12-Jul-02	20
Alf-1/30	Nampower		Transmission	11-Jul-01	25
Alf-1/92	Nature Investments (Pty) Ltd	SOUTHERN RED	Distribution and Supply	1-Jul-10	1
Alf-1/91	Naukluft Electricity Investments (Pty) Ltd	SOUTHERN RED	Distribution and Supply	1-Jul-10	1
Alf-1/71	NORED (Pty) Ltd	NORED	Distribution and Supply	13-Mar-03	25
Alf-1/40	Okahandja Municipality	CENTRAL RED	Distribution and Supply	1-Jul-10	1
Alf-1/64	Omaheke Regional Council	CENTRAL & SOUTHERN RED	Distribution and Supply	1-Jul-10	1
Alf-1/64	Omaheke Regional Council	Tallismanus	Generation	12-Oct-01	5
Alf-1/24	Ongopolo Mine	Tsumeb Services	Generation	11-Jul-01	20
Alf-1/25	Ongopolo Mine	Tsumeb Smelter	Generation	11-Jul-01	15
Alf-1/23	Ongopolo Mine (Otjihase Mine)	CENTRAL RED	Distribution and Supply	1-Jul-10	1
Alf-1/09	Otjozondjupa Regional Council	CENTRAL RED	Distribution and Supply	1-Jul-07	1
Alf-1/09	Rehoboth Town Council	SOUTHERN RED	Distribution and Supply	1-Jul-10	1
Alf-1/66	Roshkor Township (Pty) Ltd	SOUTHERN RED	Distribution and Supply	1-Jul-10	1
Alf-1/05	Rössing Uranium Limited		Generation	11-Jul-01	20
Alf-1/78	S & S Kragvoorsiening	SOUTHERN RED	Distribution and Supply	1-Jul-10	1
Alf-1/72	Salt Block Power CC	SOUTHERN RED	Distribution and Supply	1-Jul-10	1
Alf-1/79	Swarttrand Power Suppliers CC	SOUTHERN RED	Distribution and Supply	1-Jul-10	1
Alf-1/89	Swartwater Power Suppliers (Pty) Ltd	SOUTHERN RED	Distribution and Supply	1-Jul-10	1
Alf-1/55	Telecom Namibia		Generation	12-Oct-01	20
Alf-1/57	Tses Village Council	SOUTHERN RED	Distribution and Supply	1-Jul-10	1
Alf-1/80	Vergeleë Power Supply (Pty) Ltd	SOUTHERN RED	Distribution and Supply	1-Jul-10	1
Alf-1/99	Vizion Energy Resources (Pty) Ltd	Coal	Generation	1-Apr-08	25
Alf-1/103	VTB Capital Namibia (Pty) Ltd	Hydro	Generation	15-Jul-07	20
Alf-1/20	Windhoek Municipality	CENTRAL RED	Distribution and Supply	1-Jul-10	1
Alf-1/56	Witvlei Village Council	CENTRAL RED	Distribution and Supply	1-Jul-10	1

Figure 12: List and Details of Licenses

## Complete List of Generation Licensees

To date the ECB has issued twenty-three generation licenses. Three of the licenses were awarded to NamPower, eight special conditional licenses to IPPs, eleven companies were licensed to operate standby generators mainly in emergency cases for own needs.

Erongo RED is currently the only electricity distributor that generates electricity through a wind generator. The wind generator is embedded generation, supplying power to Erongo RED customers

File No	Licensee	Location	Primary Fuel	Classification	Date of Issue
Alf-1/98	Aeolus Power Generation (Pty) Ltd	Windhoek	Wind	IPP	1-Apr-07
Alf-1/105	Atlantic Coast Energy Company	Walvis Bay	Coal	IPP	1-Nov-07
Alf-1/111	CBEND	Farm Pierre, Outjo	Biomass	IPP	1-May-10
Alf-1/108	Electrawind	Walvis Bay	Wind	IPP	1-Nov-09
Alf-1/110	Innowind	Walvis Bay	Wind	IPP	1-Mar-10
Alf-1/104	Namibia International Mining Company	Walvis Bay	Oil CCGT	IPP	1-Jun-07
Alf-1/99	Vizion Energy Resources (Pty) Ltd	Walvis Bay	Coal	IPP	1-Apr-08
Alf-1/103	VTB Capital Namibia (Pty) Ltd	Aussenkehr	Hydro	IPP	1-Jul-10
Alf-1/39	Nampower	Paratus	Diesel	National Utility	11-Jul-10
Alf-1/35	Nampower	Ruacana	Hydro	National Utility	11-Jul-10
Alf-1/34	Nampower	Van Eck	Coal	National Utility	11-Jul-10
Alf-1/95	Erongo RED	Mile 7, Walvis Bay	Wind	Regional Utility	6-Apr-06
Alf-1/68	Anglobase Namibia (Pty) Ltd	Scorpion Mine	Diesel	Stand by	12-Oct-01
Alf-1/97	Langer Heinrich (Pty) Lrd	Langer Heinrich Mine	Diesel	Stand by	12-Oct-01
Alf-1/49	MWTC	Office Prime Minister	Diesel	Stand by	12-Oct-01
Alf-1/63	Namibia Airports Company	Hosea Kutako	Diesel	Stand by	12-Oct-01
Alf-1/37	Nampower	Stand by 1	Diesel	Stand by	11-Jul-01
Alf-1/38	Nampower	Stand by 2	Diesel	Stand by	11-Jul-01
Alf-1/65	Omaheke Regional Council	Talismanus	Diesel	Stand by	12-Oct-01
Alf-1/24	Ongopolo Mine	Tsumeb Services	Diesel	Stand by	11 Jul-01
Alf-1/25	Ongopolo Mine	Tsumeb Smelter	Waste Heat	Stand by	11-Jul-01
Alf-1/05	Rössing Uranium Limited	Rössing Mine	Diesel	Stand by	11-Jul-01
Alf-1/55	Telecom Namibia	Head Quarters, Whk	Diesel	Stand by	12-Oct-01

*Figure 13: List of Generation Licenses Issued To Date*

## Independent Power Producers (IPPs)

Despite the existence of an IPP Market Investment Framework, most IPPs failed to comply with suspensive license conditions. To rectify this situation, the ECB Board instructed that all licensees issued with conditional licenses provide progress reports to ECB every six months. This will enable the ECB to make informed decisions when considering the renewal of licenses

## List of IPP Licensees

Licensee	Type	Size	Date Issued	Period (yrs)
C-BEND (Bush Energy Namibia)	Biomass	250 kW	1-May-10	5
Vizion Energy Resources (Pty) Ltd	Coal (CFB)	300 MW	4-Apr-08	25
Atlantic Coast Energy Company (Pty)	Coal (pulverised)	700 MW	1-Nov-07	25
Namibia International Mining Company (Pty) Ltd	Diesel CCGT	210 MW	1-Jun-07	20
VTB Capital (Pty) Ltd	Small Hydro	30 MW	15-Jul-07	20
Aeolus Power Generation (Pty) Ltd	Wind	44 MW	1-Apr-07	22
Electrawinds (Pty) Ltd	Wind	50 MW	1-Nov-09	20
Innowinds (Pty) Ltd	Wind	60 MW	1-Mar-10	20

Figure 14: List of IPP Licensees

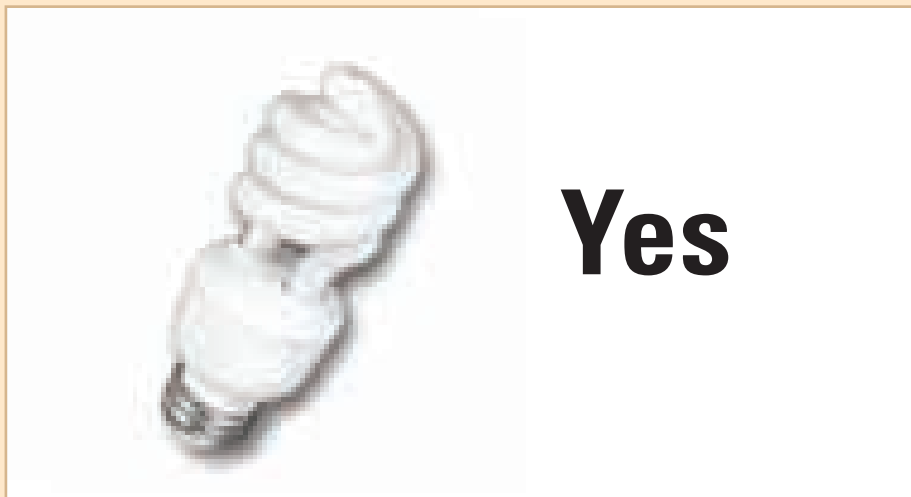
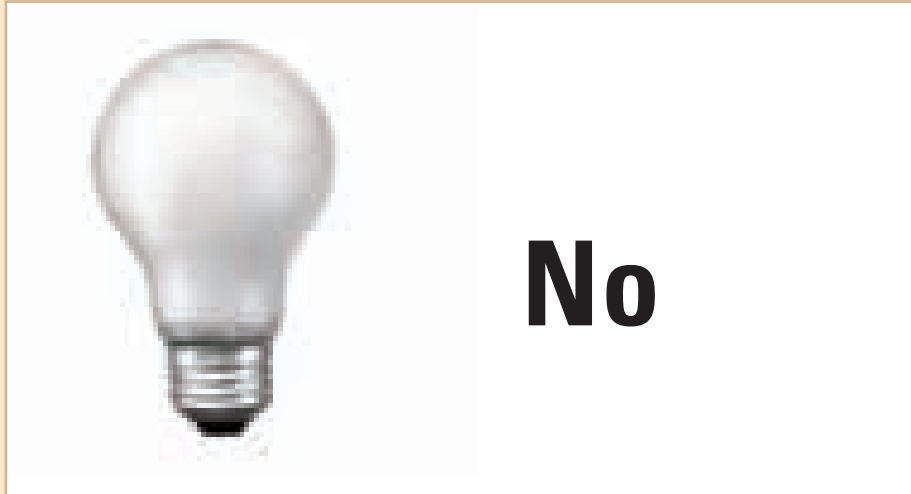
## Total Number of License Holders

In total, the following numbers of different types of licenses are recorded in the ECB data base:

Distribution	46
Supply	46
Supply (only)	1
Transmission	1
Generation	23
Export	1
Import	1
<b>Total</b>	<b>119</b>



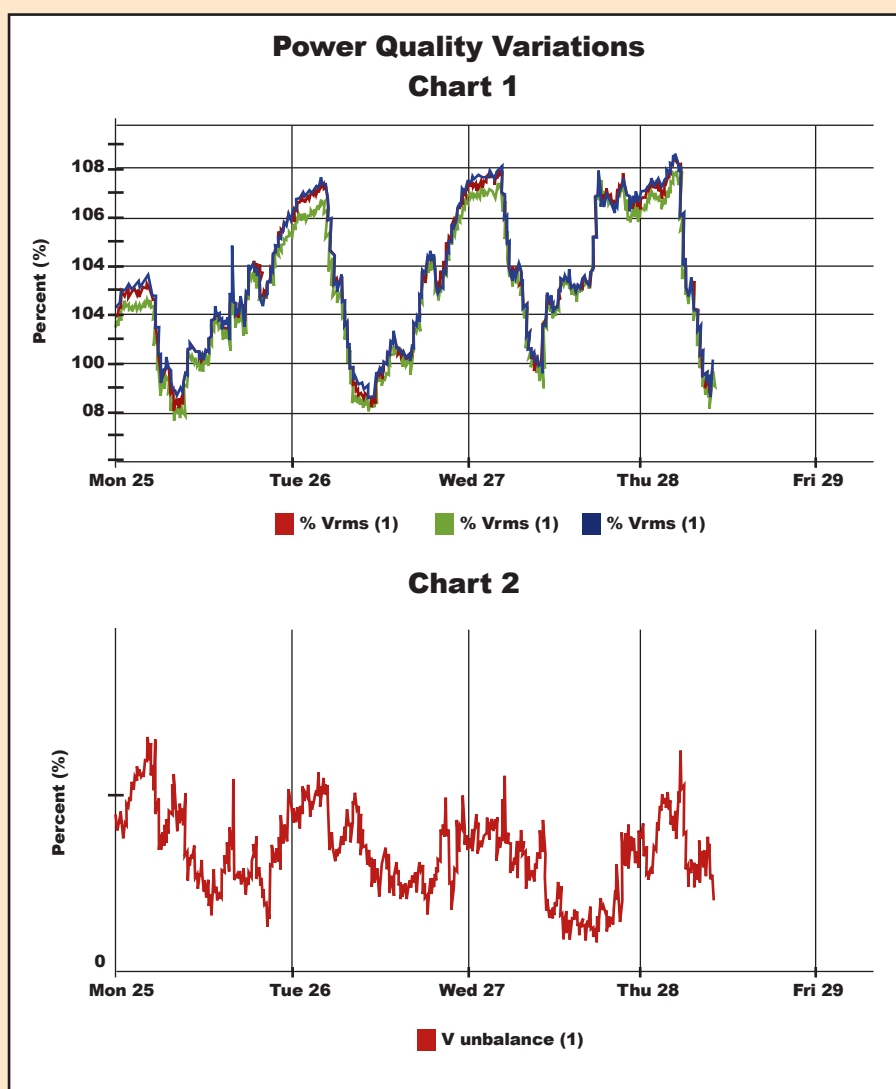
## Renewable Energy and Energy Efficiency (REEE) Awareness



The ECB has continued to promote the use of Renewable Energy and Energy Efficiency through awareness programs such as the issuing of energy saving booklets at the annual trade fairs, mainly the Windhoek and Ongwediva annual trade fairs. Competitions and demonstrations on ways to save electricity were also conducted at these trade fairs. Winning participants were usually issued with prizes conveying a message on how to save electricity.

# Technical Regulation

## Implementation of Quality of Supply and Service Standards Project



*Figure 15: Illustration of Power Quality Variations*

The ECB's Quality of Supply and Service standards were developed during the course of 2003 to 2004 and were ready for implementation in 2006. To facilitate the implementation process, the ECB outsourced the Project to GS Fainsinger consultants. The consultants were hired to operate, maintain, monitor and collect data for the QoS system.

The first phase of the project was completed in August 2008; however, the project was extended for another two years to allow the REDs and CoW to be self-sufficient and build capacity on their own. The second phase of the project is planned to end in August 2010 (REDs) and October 2010 (CoW).

The ECB intends to completely handover the QoS project to the REDs effectively from 1 September 2010. The REDs will handle and operate the QoS project with assistance from the consultants (Dithlare Consulting Services and GS Fainsinger) who have been assisting previously with the project. The consultants will analyse the data collected by the REDs and will assist the REDs in setting up and operating the quality of supply systems.

## Quality of Supply Parameters

The table in figure 16 shows the Quality of Supply Parameters

Type of variation	Characterising Method	Defining Characteristics	Causes	Power conditioning solution
Impulsive Transients Voltages	Magnitude Duration	Unidirectional Typical duration < 200 msec	Lightning Load switching Isolation transformers	Surge arresters Filters
Oscillatory Transients Voltages	Wave forms	Decaying oscillation Components < 500 Hz Components 500Hz - 2000Hz Components > 2000Hz	Lightning Line/cable switching Capacitor switching Transformer Switching	Surge arresters Filters Isolation Transformers
Voltage sags Voltage surges	Wave forms RMS vs Time	Duration 0.5 - 30 cycles Typ. Mag. 0.9 - 0.9 pu Typ. Mag. 1.05 - 1.75 pu	Load switching Remote faults	Constant voltage transformers
Under voltages/ Over voltages	RMS vs Time	Duration > 30 cycles Load changes Compensation Changes	Motor starting Constant voltage transformers	Voltage regulators
Interruptions	Duration	Complete loss of voltage Duration < 2s Duration 2s - 120s Duration > 120s	Breaker operations (Fault clearing)  Maintenance	UPS systems Backup generators
Harmonic Distortion	Wave forms harmonic spectra THD	Continuous Distortion (V or I) Components up to 50 <sup>th</sup> harmonic	Non linear loads System response characteristics (Zero sequence)	Filters Isolation transformers
Voltage Flicker	Magnitude Frequency of Modulation	Intermittent variations in 50 Hz voltage magnitude Frequency components < 25 Hz	Intermittent Loads Arching Loads Motor starting	Static Var Systems Series capacitors
Noise	Magnitude Coupling method Frequency	Continuous high frequency components of V or I Frequency components > 3000Hz	Power electronics Switching Arcing Electromagnetic Shielding	Wiring and grounding Improvements Chokes, Filters,
Electrostatic discharge	Peak voltage Peak current	Discharge of static electric charge	Humidity control filters Shielding	

Figure 16: Quality of Supply Parameters

## Quality of Service Improvement Initiatives

After the development of Quality of Service Standards in 2004, the ECB assisted licensees by developing an information management tool for quality of service called the QoS. This was made available to all licensees for logging quality of service parameters. Most licensees have since integrated quality of service standards in their different management systems. During the period under review licensees were requested to submit quality of service reports in their own formats. Standardisation of the reporting format will be done in the next review period.

## The Development and Harmonisation of Distribution Infrastructure Technical Standards

The Namibian ESI has been restructured into a rationalised distribution industry through the creation of Regional Electricity Distributors (REDs). Currently, the distribution licensees are using different technical standards pertaining to infrastructure installations. It is imperative for all players in the distribution sector to use uniform standards so as to achieve good quality of electricity supply and service delivery.

Based on the above background, the ECB embarked on a project to harmonize the existing distribution infrastructure standards and develop common electrical infrastructure standards for the Namibian ESI.

This project commenced in November 2008 and all the phases are expected to be completed in the next review period as shown in Figure 17 below. The final technical standards for distribution infrastructure maintenance manual have been drafted; it will undergo a period of three (3) years of appraisal before final adaption.

A summary of the of the project phases is shown in figure 17 below.

Description	Nov, 2008	July, 2010	Des, 2010	Dec, 2013
Project start				
Phase 1 - Development of Technical Standards Manual				
Phase 2 - Legal Processes				
Phase 3 - Reviewing of Manual				
Phase 4 - Implementation of Manual				

Figure 17: Distribution Electrical Infrastructure Project Phases

## **Transmission Grid Code**

As part of its regulatory tools development, the ECB embarked upon the above project in 2004. The importance of the Code is now being realised especially with the introduction of Independent Power Producers for promoting open access. The final draft was presented at a stakeholders' workshop held during the period under review for final review before the promulgation process. The final document will be submitted to the Minister of Mines and Energy in the next review period as part of the promulgation process.

## **Safety Code**

Legal drafting was completed and the document was submitted for promulgation and gazetting. Implementation of the Safety Code is expected to reduce accidents and incidents.

## **Development of optimised Maintenance Practices in the Distribution Sector**

In a quest to enhance efficiency and quality of supply and service, the ECB commissioned a project on optimisation of maintenance in the electricity distribution sector. This project is expected to be completed by the end of 2010.



## The Flow Chart for the Maintenance Project

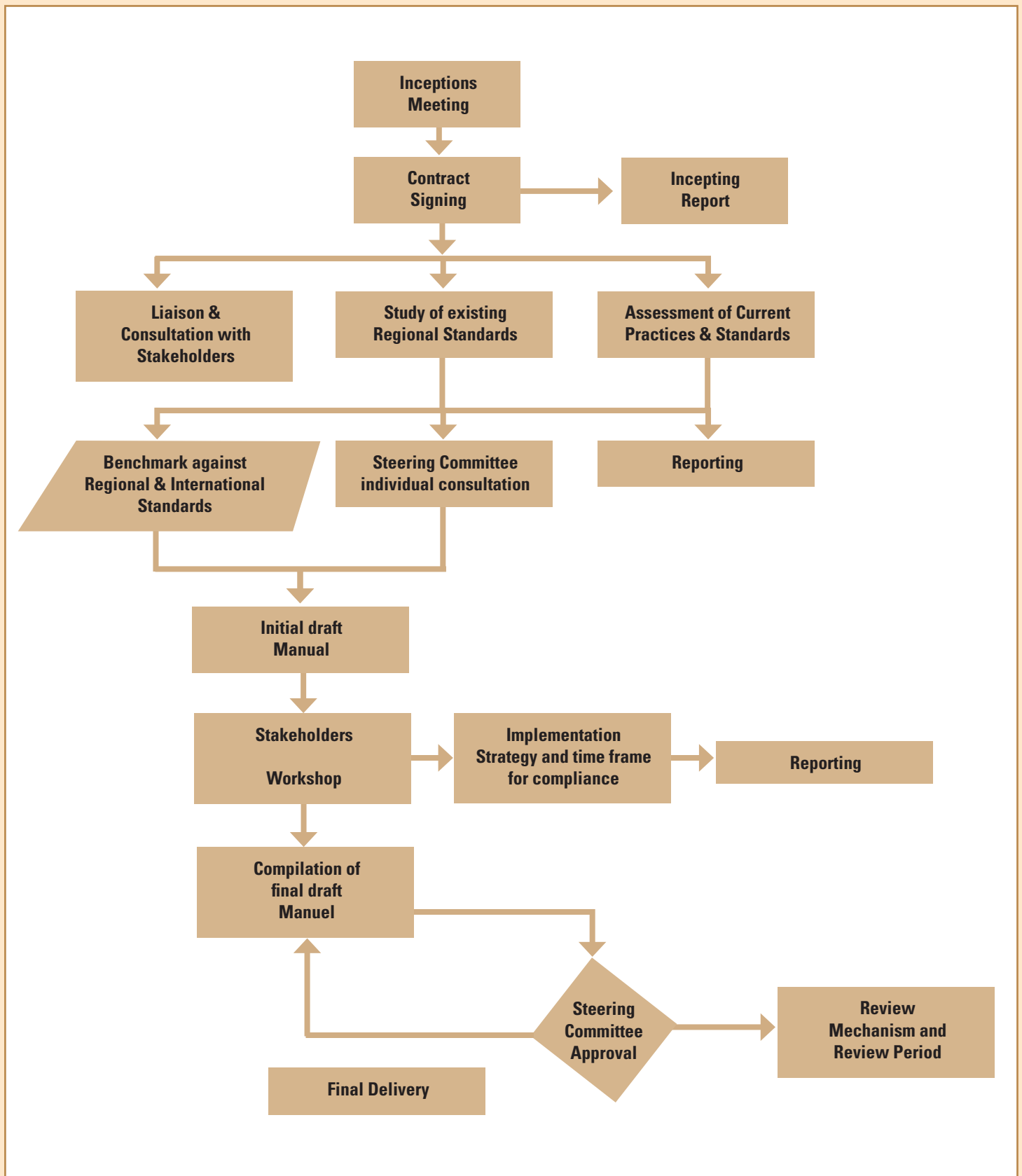


Figure 18: Flow Chart for the Maintenance Project

# Electricity Supply Industry (ESI) Statistics

## Electricity Consumption for the Distribution Areas, June 2009 - July 2010

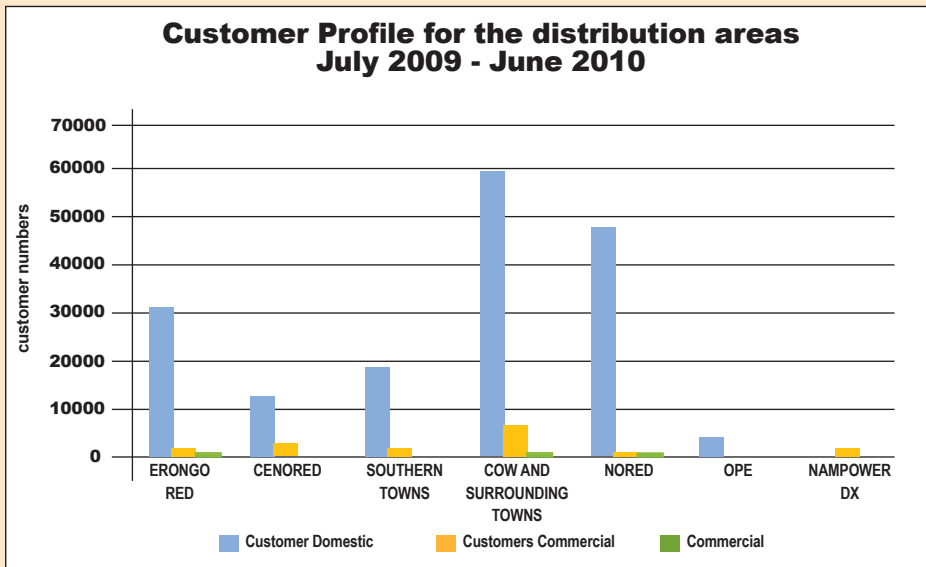


Figure 19: Customer Profile for the Distribution Areas

## Contribution to Units into the System, 2000 - 2009

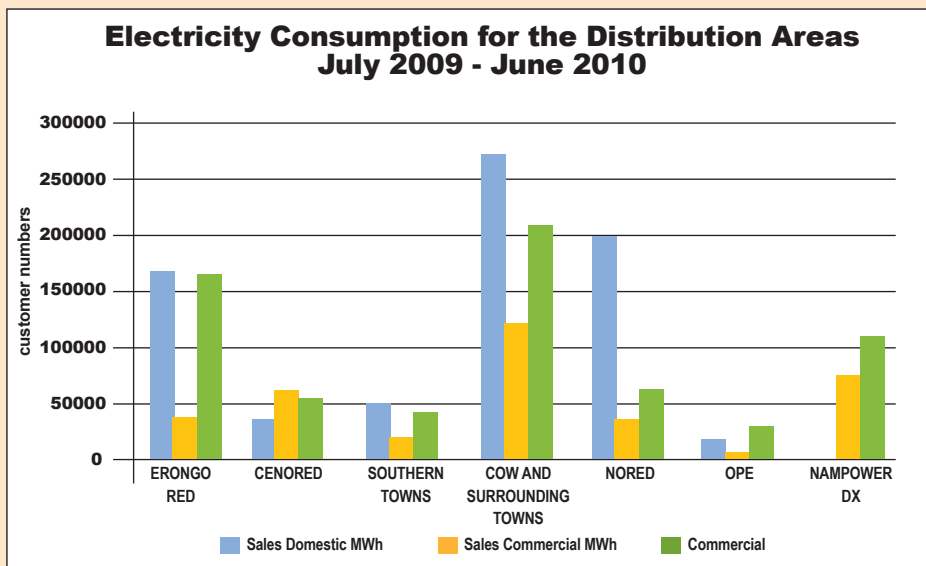


Figure 20: Electricity Consumption for the Distribution Areas

## Contribution to Units into the System, 2000 - 2009

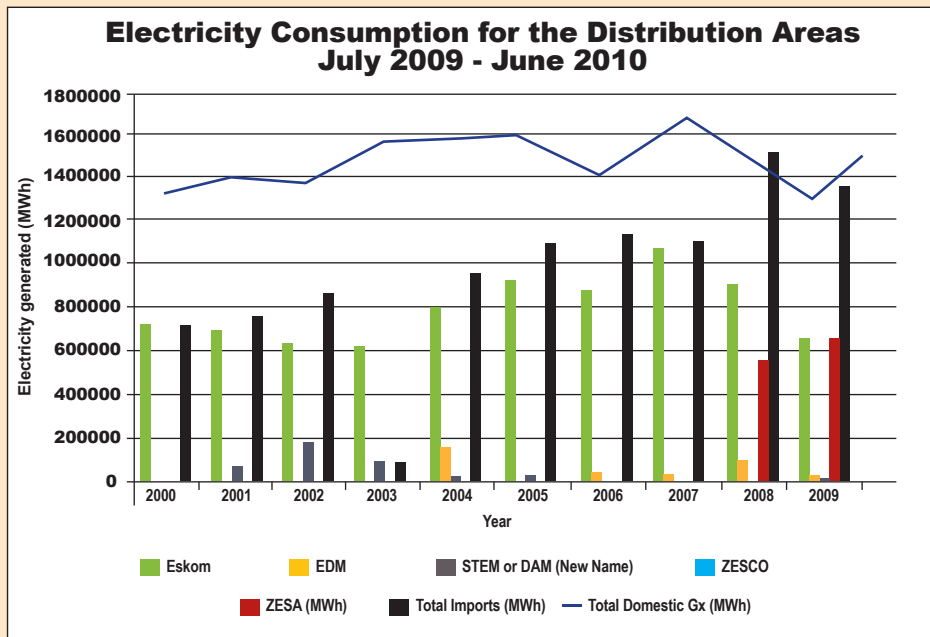


Figure 21: Customer Profile for the Distribution Areas

## Electricity Consumption, Imports and Local Generation, 2000 - 2009

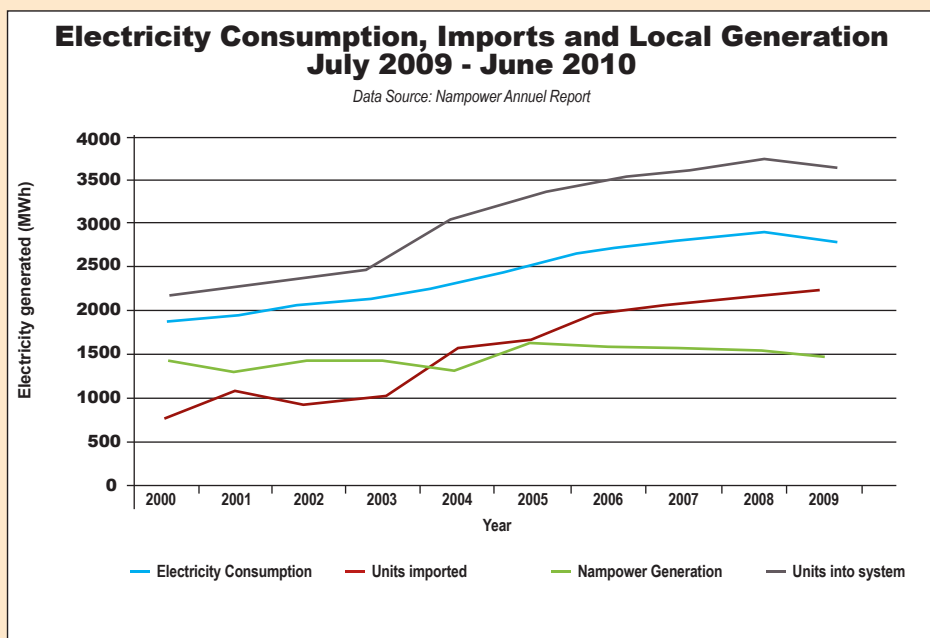


Figure 22: Electricity Consumption for the Distribution Areas



## Transmission Losses vs. Benchmarks over the Past five (5) Years

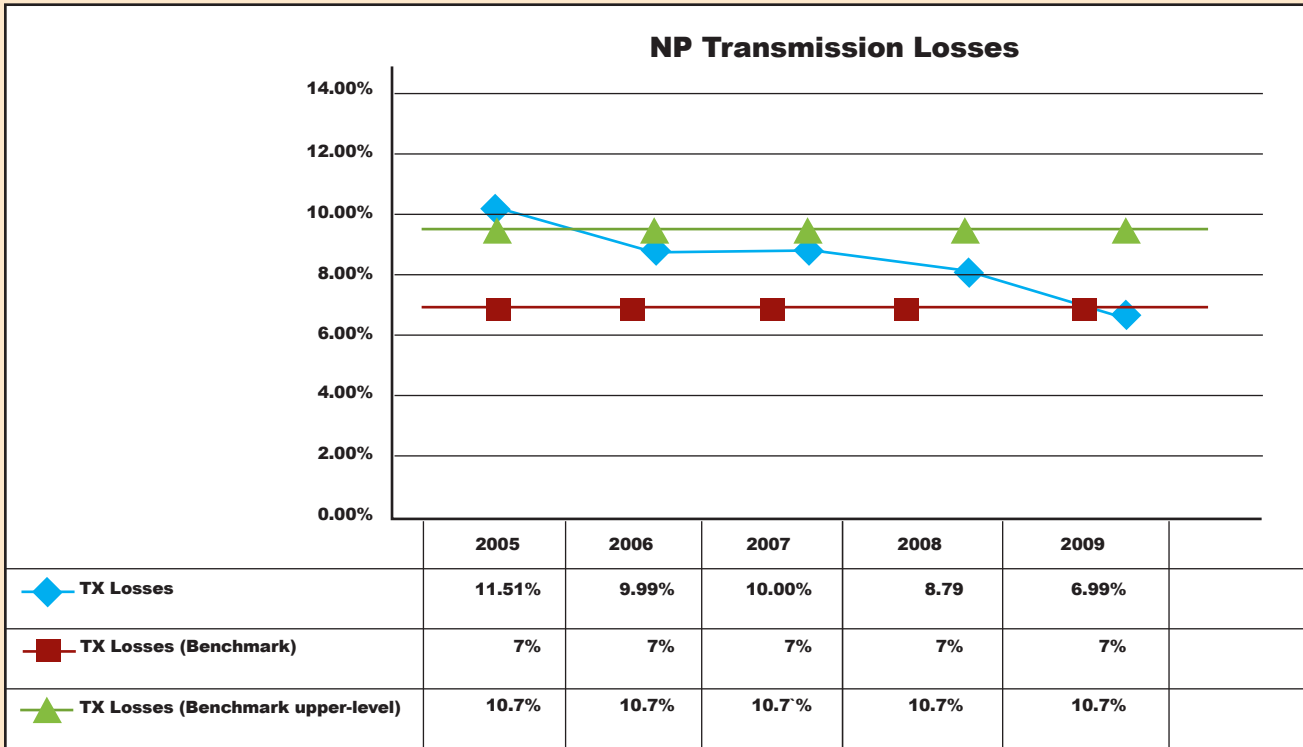


Figure 23: Electricity Consumption for the Distribution Areas





**ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2010**

# ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

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Statement of Changes in Reserves	56
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Notes to the Annual Financial Statements	58 - 72
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## BOARD MEMBERS' RESPONSIBILITY FOR FINANCIAL REPORTING

The members of the Board are responsible for the maintenance of adequate accounting records and the preparation and integrity of the financial statements and related information. The financial statements have been prepared in accordance with International Financial Reporting Standards. The Board's independent external auditors have audited the financial statements and their report appears on pages 51 to 52.

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

The annual financial statements are prepared on a going concern basis. Nothing has come to the attention of the Board members to indicate that the institution will not remain a going concern for the foreseeable future.

## BOARD MEMBERS' APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The annual financial statements set out on pages 48 to 73 were approved by the Board members on 15 October 2010 and are signed on their behalf by:



.....  
Board member



.....  
Board member

# **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE ELECTRICITY CONTROL BOARD**

We have audited the annual financial statements of the Electricity Control Board, which comprises the report of the Board members, the statement of financial position as at 31 March 2010, the statement of comprehensive income, the statement of changes in reserves and the statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 53 to 72.

## **Board Members' Responsibility for the Financial Statements**

The Board members are responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards and the Electricity Act No 4 of 2007. 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 about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of risk 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 the accounting policies used and the reasonableness of accounting estimates made by the Board members, as well as evaluating the overall financial statements presentation.

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

## Opinion

In our opinion, the financial statements fairly present, in all material respects, the financial position of the Electricity Control Board as at 31 March 2010 and the results of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Electricity Act No 4 of 2007.

## Other matter

Without qualifying our opinion, we draw attention to the fact that the detailed statement of comprehensive income set out on page 73 does not form part of the annual financial statements and is presented as additional information. We have not audited the statement and accordingly do not express an opinion on it.

*Deloitte + Touche*

Deloitte & Touche  
Registered Accountants and Auditors  
Chartered Accountants (Namibia)

Per VJ Mungunda  
Partner  
Windhoek

15 October 2010

# REPORT OF THE BOARD MEMBERS FOR THE YEAR ENDED 31 MARCH 2010

The Board members have pleasure in presenting their report on the activities of the Board for the year ended 31 March 2010.

## BACKGROUND AND OPERATIONS

The Electricity Control Board was established by the Government of the Republic of Namibia in terms of the Electricity Act No 2 of 2000 (repealed by Electricity Act No 4 of 2007), to exercise control over the electricity supply industry and to regulate the generation, transmission, distribution, use, import and export of electricity in accordance with prevailing Government policy so as to ensure order in the efficient supply of electricity.

## RESULTS

The results of the Board are fully set out in the attached annual financial statements.

## DIVIDENDS

No dividends have been paid or declared during the year (2009: Nil).

## BOARD MEMBERS AND SECRETARY

**The members of the Electricity Control Board during the year and at the date of this report were as follows:**

Mr Jason Nandago (Chairperson)

Mr Gersom Katjimune

Ms Panduleni Shimutwikeni

Mr Fritz Jeske

Board Secretary

Ms Damoline Muruko

### Business address

No 8 Bismarck Street

Windhoek

NAMIBIA

### Postal address

P O Box 2923

Windhoek

NAMIBIA

## SUBSEQUENT EVENTS

The Board members are not aware of any fact or circumstance, which occurred between the date of the financial statements and the date of this report, which might influence an assessment of the Board's state of affairs and require disclosure in these financial statements.

## GOING CONCERN

The Board incurred a loss of N\$ 2 687 023 (2009: N\$ 2 518 387) and a surplus of N\$ 392 582 is forecasted for the 2010/11 financial year. The Board has also accumulated sufficient surplus to absorb any future losses and together with future revision to the levies, these will ensure the operational existence of the Electricity Control Board and this confirms the appropriateness of the going concern basis in the preparation of the annual financial statements.

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2010

	Notes	2010 N\$	2009 N\$
<b>REVENUE</b>	4	16 265 534	17 577 682
Other income		85 100	3 400
Operating costs		<u>(19 811 850)</u>	<u>(21 388 198)</u>
<b>LOSS BEFORE INTEREST</b>		(3 461 216)	(3 807 116)
Interest received		<u>774 193</u>	<u>1 288 729</u>
<b>LOSS BEFORE TAXATION</b>	5	(2 687 023)	(2 518 387)
Taxation	7	<u>-</u>	<u>-</u>
<b>LOSS FOR THE YEAR</b>		(2 687 023)	(2 518 387)
Other comprehensive income		-	-
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>		<u><u>(2 687 023)</u></u>	<u><u>(2 518 387)</u></u>



# STATEMENT OF FINANCIAL POSITION

## AS AT 31 MARCH 2010

	Notes	2010 N\$	2009 N\$
<b>ASSETS</b>			
NON-CURRENT ASSETS			
Property, plant and equipment	8	4 152 659	3 548 179
CURRENT ASSETS			
Trade and other receivables	9	1 432 959	1 403 247
Bank balances and cash		11 367 238	14 258 882
<b>TOTAL ASSETS</b>		<b>16 952 856</b>	<b>19 210 308</b>
<b>EQUITY AND LIABILITIES</b>			
CAPITAL AND RESERVES			
Accumulated funds		11 687 045	14 374 068
CURRENT LIABILITIES			
Trade and other payables	10	4 798 715	4 396 644
Trust funds - MME projects	11	467 096	439 596
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>16 952 856</b>	<b>19 210 308</b>

## STATEMENT OF CHANGES IN RESERVES FOR THE YEAR ENDED 31 MARCH 2010

	<b>Accumulated Funds N\$</b>	<b>Total N\$</b>
Balance at 31 March 2008	16 892 455	16 892 455
Comprehensive loss for the year	(2 518 387)	(2 518 387)
Balance at 31 March 2009	14 374 068	14 374 068
Comprehensive loss for the year	(2 687 023)	(2 687 023)
Balance at 31 March 2010	11 687 045	11 687 045

# STATEMENT OF CASH FLOWS

## FOR THE YEAR ENDED 31 MARCH 2010

	Note	20010 N\$	2009 N\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		(2 092 030)	374 610
Cash received from government and customers		16 235 822	18 269 984
Cash paid to suppliers and employees		(19 102 045)	(19 184 103)
Cash utilised by operations	A	(2 866 223)	(914 119)
Interest received		774 193	1 288 729
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		(827 114)	(212 297)
Proceeds on property, plant and equipment		206 250	3 400
Acquisition of property, plant and equipment		(1 033 364)	(215 697)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		27 500	(153 765)
Increase/(decrease) in Trust Funds -MME Projects		27 500	(153 765)
Net (decrease)/increase in cash and cash equivalents		(2 891 644)	8 548
Cash and cash equivalents at the beginning of the year		14 258 882	14 250 334
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		11 367 238	14 258 882
<b>NOTE:</b>			
<b>A. Reconciliation of comprehensive loss before taxation to cash utilised by operations</b>			
Loss before taxation		(2 687 023)	(2 518 387)
Adjusted for:			
Depreciation		307 734	359 785
Profit on disposal of fixed assets		(85 100)	-
Insurance proceeds		-	(3 400)
Interest received		(774 193)	(1 288 729)
		(3 238 582)	(3 450 731)
Working capital changes		372 359	2 536 612
(Increase)/decrease in trade and other receivables		(29 712)	692 302
Increase in trade and other payables		402 071	1 844 310
<b>CASH UTILISED BY OPERATIONS</b>		(2 866 223)	(914 119)

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

## 1. BASIS OF PREPARATION

The annual financial statements are prepared on the historical cost basis, except for financial instruments which are carried at fair value. The principal accounting policies, which have been consistently applied in all material respects, comply in all material respects with International Financial Reporting Standards (“IFRS”).

## 2. ADOPTION OF NEW AND REVISED STANDARDS

Standards and interpretations effective in the current year

In the current year the entity has adopted all the new and revised Standards and Interpretations issued by the International Accounting Standards Board (“IASB”) and the International Financial Reporting Interpretations Committee (“IFRIC”) of the IASB that are relevant to its operations and effective for the reporting period beginning 1 April 2009. This is:

- IAS 1: Presentation of Financial Statements.

The adoption of this standard has not resulted in any significant changes in the entity’s accounting policies and results of operations. The adoption of the amendments to IAS 1 resulted in a change to the format of the primary statements. The comparatives have been restated to comply with the new formats.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2010

## 3. SIGNIFICANT ACCOUNTING POLICIES

### 3.1 Revenue

Revenue comprises levies, license and registration fees collected in terms of the Electricity Act No 2 of 2000 (repealed by Electricity Act No 4 of 2007) to defray costs necessarily incurred by the Control Board and are recognised on an accrual basis.

### 3.2 Property, plant and equipment

Property, plant and equipment are accounted for at historical cost less depreciation. Depreciation is calculated on a straight-line basis to write off assets to their estimated residual values over their anticipated useful lives as follows:

- Buildings	25 years	(4% p.a.)
- Furniture and equipment	5 years	(20% p.a.)
- Computer equipment	3 years	(33.3% p.a.)
- Motor vehicles	4 years	(25% p.a.)

Land is not depreciated.

Useful lives and residual values are reviewed annually.

### 3.3 Retirement benefits

Contributions to retirement funds are charged against income in the year in which they become payable.

### 3.4 Provisions

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

### 3.5 Impairment of assets

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

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

## FOR THE YEAR ENDED 31 MARCH 2010

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount but limited to the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised in the statement of comprehensive income.

### 3.6 Cash and cash equivalents

Cash and cash equivalents are measured at fair value and comprise cash on hand, deposits held on call with banks and investments in money market instruments, net of bank overdrafts and call loans. In the statement of financial position, bank overdrafts are included in current liabilities. Interest-bearing bank overdrafts and other short-term borrowings are recorded at the proceeds received, net of direct issue costs.

For the purpose of the statement of cash flows, the Board considers all bank balances and cash with a maturity of less than one year and bank overdrafts to be cash and cash equivalents.

### 3.7 Financial instruments

#### Initial measurement

Financial assets and financial liabilities are recognised on the statement of financial position when the Board has become a party to the contractual provisions of the instrument. Financial instruments carried on the statement of financial position include bank and cash balances, trade and other receivables and trade and other payables.

#### Subsequent measurement

Fair values and the recognition methods of the different financial instruments are disclosed in the notes to the annual financial statements. Fair value represents an approximation of the year end value, which may differ from the value that will be finally realised.

#### De-recognition

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

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2010

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.8 Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the statement of comprehensive income when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

### 3.9 Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

### 3.10 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the rights and rewards of ownership to the lessee. All other leases are classified as operating leases and rentals are charged against trading profit as they become due.

The Board as a lessee

Assets held under finance lease are recognised as assets of the Board at fair value at the date of acquisition. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the statement of comprehensive income over the term of the relevant lease so as to produce a constant periodic rate of interest on the remaining balance of the obligations for each period.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

### 3.11 Judgements by management

There were no material judgements made by management that could have a significant effect on the amounts recognised in the financial statements.

### 3.12 Key sources of estimation uncertainty

There are no key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that could have a significant risk of causing material adjustment to the carrying amounts of the assets and liabilities within the next financial year.

### 3.13 Trust Funds-Ministry of Mines and Energy Project

The Board undertakes a project on behalf of the Ministry of Mines and Energy ("MME"). The funds received are accounted for as monies held in trust and all expenditure incurred on this project are accounted for separately from the Board's transactions.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2010

	2010 N\$	2009 N\$
<b>4. REVENUE</b>		
Revenue comprises the following:		
- Levies income	16 140 034	17 441 432
- License fees	125 500	122 000
- Registration fees	-	14 250
	<u>16 265 534</u>	<u>17 577 682</u>
<b>5. LOSS BEFORE TAXATION</b>		
Interest received	774 193	1 288 729
Insurance proceeds	-	3 400
Profit on disposal of fixed assets	<u>85 100</u>	<u>-</u>
<u>Expenditure:</u>		
Auditor's remuneration:		
- audit fees - current year	91 080	79 200
- prior year	<u>7 920</u>	<u>10 775</u>
Depreciation	307 734	359 785
- land and buildings	97 119	97 119
- motor vehicles	78 178	80 225
- computer equipment	91 019	89 610
- furniture and equipment	41 418	92 831
Staff costs	11 175 937	10 498 775
Operating leases		
- office equipment	<u>268 351</u>	<u>221 639</u>
<b>6. MEMBERS EMOLUMENTS</b>		
- services as members	131 000	102 000
- other services	<u>37 122</u>	<u>2 000</u>
	<u>168 122</u>	<u>104 000</u>
<b>7. TAXATION</b>		

The Board is exempt from income tax in terms of section 16(1) (e) (i) of the Namibian Income Tax Act.



# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

## FOR THE YEAR ENDED 31 MARCH 2010

### 8. PROPERTY, PLANT AND EQUIPMENT

	<u>Land &amp; buildings</u> N\$	<u>Motor Vehicles</u> N\$	<u>Computer equipment</u> N\$	<u>Furniture &amp; equipment</u> N\$	<u>Total</u> N\$
<b>2010</b>					
<b>Cost</b>					
At 01 April 2009	3 727 940	550 118	583 361	979 398	5 840 817
Disposals	-	(671 268)	-	(3 622)	(674 890)
Additions during the year	-	882 512	111 704	39 148	1 033 364
At 31 March 2010	<u>3 727 940</u>	<u>761 362</u>	<u>695 065</u>	<u>1 014 924</u>	<u>6 199 291</u>
<b>Accumulated depreciation</b>					
At 01 April 2009	444 980	550 118	431 115	866 425	2 292 638
Disposals	-	(550 118)	-	(3 622)	(553 740)
Depreciation during the year	97 119	78 178	91 019	41 418	307 734
At 31 March 2010	<u>542 099</u>	<u>78 178</u>	<u>522 134</u>	<u>904 221</u>	<u>2 046 632</u>
<b>Net book value at 01 April 2009</b>	<u>3 282 960</u>	<u>-</u>	<u>152 246</u>	<u>112 973</u>	<u>3 548 179</u>
<b>Net book value at 31 March 2010</b>	<u>3 185 841</u>	<u>683 184</u>	<u>172 931</u>	<u>110 703</u>	<u>4 152 659</u>
<b>2009</b>					
<b>Cost</b>					
At 01 April 2008	3 727 940	550 118	648 490	918 600	5 845 148
Disposals	-	-	(220 028)	-	(220 028)
Additions during the year	-	-	154 899	60 798	215 697
At 31 March 2009	<u>3 727 940</u>	<u>550 118</u>	<u>583 361</u>	<u>979 398</u>	<u>5 840 817</u>
<b>Accumulated depreciation</b>					
At 01 April 2008	347 861	469 890	561 533	773 597	2 152 881
Disposals	-	-	(220 028)	-	(220 028)
Depreciation during the year	97 119	80 228	89 610	92 828	359 785
At 31 March 2009	<u>444 980</u>	<u>550 118</u>	<u>431 115</u>	<u>866 425</u>	<u>2 292 638</u>
<b>Net book value at 01 April 2008</b>	<u>3 380 079</u>	<u>80 228</u>	<u>86 957</u>	<u>145 003</u>	<u>3 692 267</u>
<b>Net book value at 31 March 2009</b>	<u>3 282 960</u>	<u>-</u>	<u>152 246</u>	<u>112 973</u>	<u>3 548 179</u>

Land and buildings comprises Erf 714, on 8 Bismarck Street, Windhoek.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2010

	2010 N\$	2009 N\$
<b>9. TRADE AND OTHER RECEIVABLES</b>		
Trade receivables	1 495 179	1 309 662
Sundry debtors	-	10 721
Staff loans and advances	103 728	173 812
Provision for doubtful debt	(165 948)	(90 948)
	<u>1 432 959</u>	<u>1 403 247</u>
<b>Past due but not impaired</b>		
Past due for 1 - 30 days	-	-
Past due for 31 - 60 days	-	-
Past due for 61 - 90 days	-	-
Past due for more than 90 days	282 948	165 948
	<u>282 948</u>	<u>165 948</u>
<b>Movement in provision for doubtful debt</b>		
Balance at the beginning of the year	(90 948)	(206 553)
Increase in provision recognised in comprehensive income	(75 000)	(2 081 544)
Amounts written off during the year	-	2 379 045
Balance at the end of the year	<u>(165 948)</u>	<u>(90 948)</u>

The Board's main customer is Nampower, for which the credit terms are 30 days and no interest is charged on the trade receivable balance at year end. The Board, therefore, believes that the trade receivables are not impaired and the above provision for doubtful debt sufficiently covers the risk of default.

## 10. TRADE AND OTHER PAYABLES

Sundry creditors	449 673	229 370
Accruals	4 349 042	4 167 274
	<u>4 798 715</u>	<u>4 396 644</u>

The average credit period on purchases of goods is 30 days and no interest is charged on the trade payables balance as at year end. The Board has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

## 11. TRUST FUNDS - MME PROJECTS

Balance at beginning of year	439 596	593 361
Funds received	30 016	55 097
Disbursements	(2 516)	(208 862)
Balance at end of year	<u>467 096</u>	<u>439 596</u>

MME Projects consist of various projects that are administered by the Board on behalf of the Ministry of Mines and Energy.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2010

2010  
N\$

2009  
N\$

## 12. RETIREMENT BENEFITS FOR EMPLOYEES

Retirement benefits are provided for employees through an independent retirement fund known as Namflex Pension Fund. The retirement fund is governed by the Namibian Pension Funds Act and is a defined contribution plan. All permanent employees qualify for the retirement benefits. Current year contributions to retirement benefits amounted to N\$ 988 710 (2009: N\$ 845 695).

The total value of contributions to the fund during the year amounted to:

Employee contributions	338 424	291 257
Employer contributions	650 286	554 438
	<u>988 710</u>	<u>845 695</u>

## 13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

### 13.1 Categories of financial instruments

#### Financial assets

Trade receivables	1 432 959	1 403 247
Bank balances and cash	<u>11 367 238</u>	<u>14 258 882</u>
Loans and receivables	<u>12 800 197</u>	<u>15 662 129</u>

#### Financial liabilities

Trade payables	4 798 715	4 396 644
Trust funds	<u>467 096</u>	<u>439 596</u>
Liabilities at amortised cost	<u>5 265 811</u>	<u>4 836 240</u>

### 13.2 Interest rate management

As part of the process of managing the Electricity Control Board's interest rate risk, interest rate characteristics of new borrowings and the refinancing of existing borrowings are positioned according to expected movements in interest rates.

#### Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the reporting date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year. A 100 basis point increase or decrease represents management's assessment of the reasonably possible change in interest rates.

**If interest rates had been 100 basis points higher or lower and all the other variables were held constant, the Electricity Control Board's:**

- Deficit for the year ended 31 March 2010 would decrease/increase by N\$113 672 (2009: N\$142 589).

This is mainly attributable to the Electricity Control Board's exposure to interest rates on its variable rate instruments.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2010

## 13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

### 13.3 Credit risk management

The Board only deposits cash surpluses with major banks and investment houses of high quality credit standing.

The granting of credit is made on application and is approved by management. At year-end the Board did not consider there to be any significant concentration of credit risk which has not been adequately provided for. The Board has minimised its liquidity risk by ensuring adequate facilities and reserve borrowing capacity.

### 13.4 Liquidity risk management

The Board has minimised its liquidity risk by ensuring adequate facilities and reserve borrowing capacity.

### 13.5 Liquidity and interest risk tables

The table below summaries the Board's exposure to liquidity and interest rate risk:

2010	Average effective Interest rate	1 - 3 months N\$	3 months - 1 year N\$	1-5 years N\$	Total N\$
<b>Financial Assets</b>					
Trade and other receivables	0%	1 432 959	-	-	1 432 959
Bank balances and cash	6.04%	11 367 238	-	-	11 367 238
		<u>12 800 197</u>	<u>-</u>	<u>-</u>	<u>12 800 197</u>
<b>Financial Liabilities</b>					
Trade and other payables	0%	4 798 715	-	-	4 798 715
Trust funds	0%	467 096	-	-	467 096
		<u>5 265 811</u>	<u>-</u>	<u>-</u>	<u>5 265 811</u>
<b>2009</b>	<b>Average effective Interest rate</b>	<b>1-3 months N\$</b>	<b>3 months - 1 year N\$</b>	<b>1-5 years N\$</b>	<b>Total N\$</b>
<b>Financial Assets</b>					
Trade and other receivables	0%	1 403 247	-	-	1 403 247
Bank balances and cash	9.59%	14 258 882	-	-	14 258 882
		<u>15 662 129</u>	<u>-</u>	<u>-</u>	<u>15 662 129</u>
<b>Financial Liabilities</b>					
Trade and other payables	0%	4 396 644	-	-	4 396 644
Trust funds	0%	439 596	-	-	439 596
		<u>4 836 240</u>	<u>-</u>	<u>-</u>	<u>4 836 240</u>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2010

## 13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

### 13.5 Liquidity and interest risk tables (continued)

#### Fair value

The directors are of the opinion that the book value of financial instruments approximates their fair value, as the items are of a short-term nature.

### 13.6 Maturity profiles of the financial instruments

2010	1 - 3 months N\$	3 months - 1 year N\$	1-5 years N\$	Total N\$
<b>Financial Assets</b>				
Trade and other receivables	1 432 959	-	-	1 432 959
Bank balances and cash	11 367 238	-	-	11 367 238
	<u>12 800 197</u>	<u>-</u>	<u>-</u>	<u>12 800 197</u>
<b>Financial Liabilities</b>				
Trade and other payables	4 798 715	-	-	4 798 715
Trust funds	467 096	-	-	467 096
	<u>5 265 811</u>	<u>-</u>	<u>-</u>	<u>5 265 811</u>
<b>2009</b>				
<b>Financial Assets</b>				
Trade and other receivables	1 403 247	-	-	1 403 247
Bank balances and cash	14 258 882	-	-	14 258 882
	<u>15 662 129</u>	<u>-</u>	<u>-</u>	<u>15 662 129</u>
<b>Financial Liabilities</b>				
Trade and other payables	4 396 644	-	-	4 396 644
Trust funds	439 596	-	-	439 596
	<u>4 836 240</u>	<u>-</u>	<u>-</u>	<u>4 836 240</u>

### 13.7 Capital risk management

The Board manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders by ensuring that economic value is added throughout. The capital structure consists of accumulated funds and cash and cash equivalents.

### 13.8 Market risk management

The Board's activities expose it primarily to the financial risks of changes in interest rates. Refer note 13.2 for detail on how the Board manages interest rate risk. There has been no change to the Board's exposure to market risks or the manner in which it manages and measures risk.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2010

	2010 N\$	2009 N\$
<b>14. COMMITMENTS</b>		
At the reporting date, the Board had outstanding lease commitments under non-cancellable operating lease for its office equipment, which fall due as follows;		
Within one year	-	36 645
In the second to five years	-	-
	-	36 645
	-	36 645

### 15. RELATED PARTIES

The Board regards RERA, Government and other parastatals as related parties. The following were the transactions entered into during the year:

Regional Electricity Regulator of Southern Africa (RERA)  
Subscription fees (membership)

	372 182	415 145
	372 182	415 145
	372 182	415 145

Compensation of key management personnel

Short-term benefits	3 462 421	1 798 025
Post-employment	365 980	304 526
	3 828 401	2 102 551
	3 828 401	2 102 551

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

## FOR THE YEAR ENDED 31 MARCH 2010

### 16. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS THAT ARE NOT YET EFFECTIVE

The following table contains effective dates of new statements / IAS and recently revised statements which have not been early adopted by the Board and that might affect future financial periods:

<b>New/Revised International Financial Reporting Standards and interpretations</b>	<b>Effective Date</b>
IFRS 1 First -time Adoption of International Financial Reporting Standards - Amendments Standards - Amendments relating to oil and gas assets and determining whether an arrangement contains a lease	1 January 2010
IFRS 1 First -time Adoption of International Financial Reporting Standards - Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters	1 July 2010
IFRS 1 First -time Adoption of International Financial Reporting Standards - Amendments resulting from May 2010 Annual Improvements to IFRS's	1 January 2011
IFRS 2 Share Based Payment - Amendment relating to vesting conditions and cancellations	1 January 2010
IFRS 2 Share Based Payment - Amendments resulting from April 2010 Annual Improvements to IFRSs	1 July 2010
IFRS 2 Share Based Payment - Amendments relating to group cash-settled share-based payment transactions	1 January 2010
IFRS 3 Business Combinations - Amendments resulting from May 2010 Annual Improvements to IFRS's	1 July 2010
IFRS 5 Non-current Assets Held for Sale and Discontinued Operations - Amendments resulting from May 2008 Annual Improvements to IFRSs	1 July 2010
IFRS 5 Non-current Assets Held for Sale and Discontinued Operations - Amendments resulting from April 2010 Annual Improvements to IFRSs	1 January 2010
IFRS 7 Financial Instruments: Disclosures - Amendments enhancing disclosures about fair value and liquidity risk	1 January 2010
IFRS 7 Financial Instruments: Disclosures - Amendments resulting from May 2010 Annual Improvements to IFRS's	1 January 2011
IFRS 8 Operating Segments	1 January 2010
IFRS 8 Operating Segments - Amendments resulting from April 2010 Annual Improvements to IFRSs	1 January 2010
IFRS 9 Financial Instruments - Classification and Measurement	1 January 2013

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

## FOR THE YEAR ENDED 31 MARCH 2010

### 16. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS THAT ARE NOT YET EFFECTIVE (Continued)

<b>New/Revised International Financial Reporting Standards and interpretations</b>	<b>Effective Date</b>
IFRIC 15 Agreements for the Construction of Real Estate	1 January 2010
IFRIC 17 Distributions of Non-cash Assets to Owners	1 July 2010
IFRIC 18 Transfers of Assets from Customers	1 July 2010
IAS 1 Presentation of Financial Statements - Comprehensive revision including requiring a statement of comprehensive income	1 January 2010
IAS 1 Presentation of Financial Statements - Amendments relating to disclosure of puttable instruments and obligations arising on liquidation	1 January 2010
IAS 1 Presentation of Financial Statements - Amendments resulting from May 2008 Annual Improvements to IFRSs	1 January 2010
IAS 1 Presentation of Financial Statements - Amendments resulting from April 2010 Annual Improvements to IFRSs	1 January 2010
IAS 1 Presentation of Financial Statements - Amendments resulting from May 2010 Annual Improvements to IFRSs	1 January 2011
IAS 7 Statements of Cash Flows - Amendments resulting from April 2010 Annual Improvements to IFRSs	1 January 2010
IAS 16 Property, Plant and Equipment - Amendments resulting from May 2008 Annual Improvements to IFRSs	1 January 2010
IAS 17 Leases - Amendments resulting from April 2010 Annual Improvements to IFRSs	1 January 2010
IAS 19 Employee Benefits - Amendments resulting from May 2008 Annual Improvements to IFRSs	1 January 2010
IAS 20 Government Grants and Disclosure of Government Assistance - Amendments resulting from May 2008 Annual Improvements to IFRSs	1 January 2010
IAS 23 Borrowing Costs - Comprehensive revision to prohibit immediate expensing	1 January 2010
IAS 23 Borrowing Costs - Amendments resulting from May 2008 Annual Improvements to IFRSs	1 January 2010
IAS 24 Related Party Disclosures - Revised definition of related parties	1 January 2011
IAS 27 Consolidated and Separate Financial Statements - Consequential amendments arising from amendments to IFRS 3	1 January 2010
IAS 27 Consolidated and Separate Financial Statements - Amendments resulting from May 2008 Annual Improvements to IFRSs	1 January 2010



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2010

### 16. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS THAT ARE NOT YET EFFECTIVE (Continued)

<b>New/Revised International Financial Reporting Standards and interpretations</b>	<b>Effective Date</b>
IAS 27 Consolidated and Separate Financial Statements - Amendment relating to cost of an investment on first-time adoption	1 January 2010
IAS 27 Consolidated and Separate Financial Statements - Amendments resulting from May 2010 Annual Improvements to IFRSs	1 July 2010
IAS 28 Investments in Associates - Amendments resulting from May 2008 Annual Improvements to IFRSs	1 January 2010
IAS 28 Investments in Associates - Consequential amendments arising from amendments to IFRS 3	1 January 2010
IAS 29 Financial Reporting in Hyperinflationary Economies - Amendments resulting from May 2008 Annual Improvements to IFRSs	1 January 2010
IAS 31 Interest in Joint Ventures - Amendments resulting from May 2008 Annual Improvements to IFRSs	1 January 2010
IAS 31 Interest in Joint Ventures - Consequential amendments arising from amendments to IFRS 3	1 January 2010
IAS 32 Financial Instruments: Presentation - Amendments relating to puttable instruments and obligations arising on liquidation	1 January 2010
IAS 32 Financial Instruments: Presentation - Amendments relating to classification of rights issues	1 February 2010
IAS 34 Interim Financial Reporting - Amendments resulting from May 2010 Annual Improvements to IFRS's	1 January 2011
IAS 36 Impairment of Assets - Amendments resulting from May 2008 Annual Improvements to IFRSs	1 January 2010
IAS 36 Impairment of Assets - Amendments resulting from April 2009 Annual Improvements to IFRSs	1 January 2010
IAS 38 Intangible Assets - Amendments resulting from May 2008 Annual Improvements to IFRSs	1 January 2010
IAS 38 Intangible Assets - Amendments resulting from April 2009 Annual Improvements to IFRSs	1 January 2010
IAS 39 Financial Instruments: Recognition and Measurement - Amendments resulting from May 2008 Annual Improvements to IFRSs	1 January 2010

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2010

### 16. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS THAT ARE NOT YET EFFECTIVE (Continued)

<b>New/Revised International Financial Reporting Standards and interpretations</b>	<b>Effective Date</b>
IAS 39 Financial Instruments: Recognition and Measurement - Amendments resulting from April 2009 Annual Improvements to IFRSs	1 January 2010
IAS 39 Financial Instruments: Recognition and Measurement - Amendments for eligible hedged items	1 July 2010
IAS 39 Financial Instruments: Recognition and Measurement - Amendments for embedded derivatives when reclassifying financial instruments	30 June 2010
IAS 40 Investment Property - Amendments resulting from May 2008 Annual Improvements to IFRSs	1 January 2010
IAS 41 Agriculture - Amendments resulting from May 2008 Annual Improvements to IFRSs	1 January 2010

The board members anticipate that the adoption of these statements and interpretations will have no material impact on the financial statements in future periods.

## DETAILED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2010

	2010 N\$	2009 N\$
<b>INCOME</b>		
Levies received	16 140 034	17 441 432
License fees	125 500	122 000
Registration fees	-	14 250
Interest received	774 193	1 288 729
Other income	85 100	3 400
<b>TOTAL INCOME</b>	<b>17 124 827</b>	<b>18 869 811</b>
<b>EXPENDITURE</b>		
Advertising	535 700	387 736
Audit fees- current year		
- prior year	91 080	79 200
	7 920	10 775
Provision for doubtful debt	75 000	2 081 544
Bank charges	33 984	29 208
Bursaries	33 653	45 275
Computer expenses	100 880	82 033
Computer software expenses	109 199	66 510
Conference and seminar expenses	207 606	194 215
Depreciation	307 734	359 785
Members' fees	168 122	104 000
Donations	116 209	3 800
Entertainment	131 919	125 351
Insurance	110 540	79 436
Legal and professional fees	468 531	3 280 052
Licenses and permits	-	10 773
Light, heat and water	120 031	102 988
Maintenance	186 498	191 005
Office expenses	45 792	64 587
Penalties	-	330
Postage and couriers	9 341	5 782
Printing and stationary	249 117	165 042
Project costs	2 319 792	-
Recruitment and staff training	421 841	698 813
Rent – equipment	268 351	221 639
Salaries and other staff costs	11 175 937	10 498 775
Security services	83 194	67 287
Sponsorships	-	80 364
Subscriptions	526 958	441 717
Staff welfare	29 750	-
Subsistence and travelling – staff members	1 498 972	1 573 875
– board members	-	25 570
Telephone and fax	242 656	196 847
Vehicle expenses	135 543	113 884
<b>TOTAL EXPENDITURE</b>	<b>19 811 850</b>	<b>20 453 430</b>
<b>COMPREHENSIVE LOSS FOR THE YEAR</b>	<b>(2 687 023)</b>	<b>(2 518 387)</b>



**Contact Details**

8 Bismarck Street  
PO Box 2923  
Windhoek, Namibia  
Tel (+264 61) 374 317  
Fax (+264 61) 374 305  
[www.ecb.org.na](http://www.ecb.org.na)