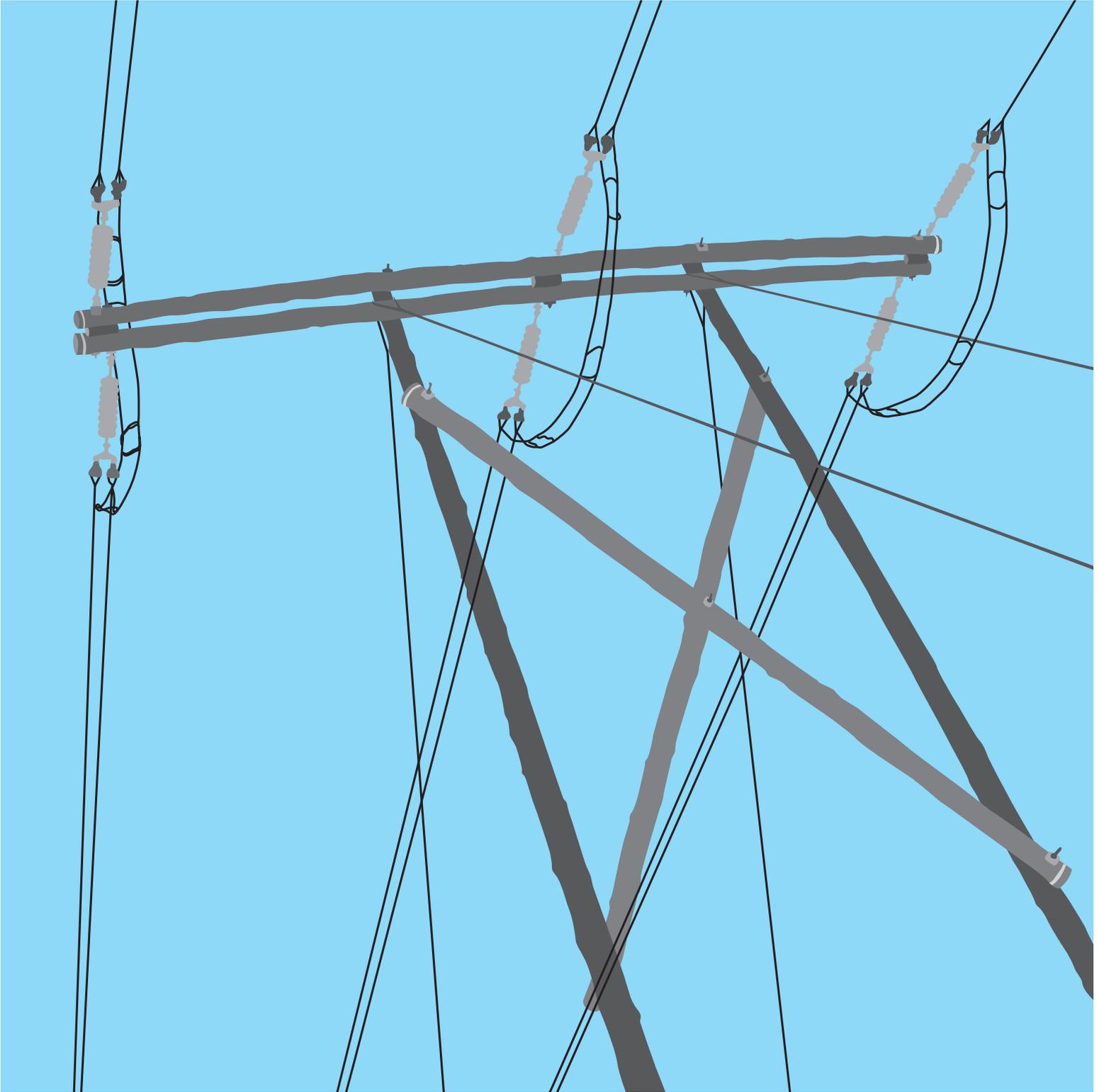


ELECTRICITY CONTROL BOARD

**Annual Report
2008**



contents

Mission Statement

To control and regulate an efficient Namibian ESI in a transparent and fair manner for the benefit of all stakeholders

Core Values

Transparency to be open and honest in all our dealings with stakeholders

Integrity

To be impartial in our judgment and treat all stakeholders equally

Efficiency

To ensure at all times that our regulatory functions add value to the ESI

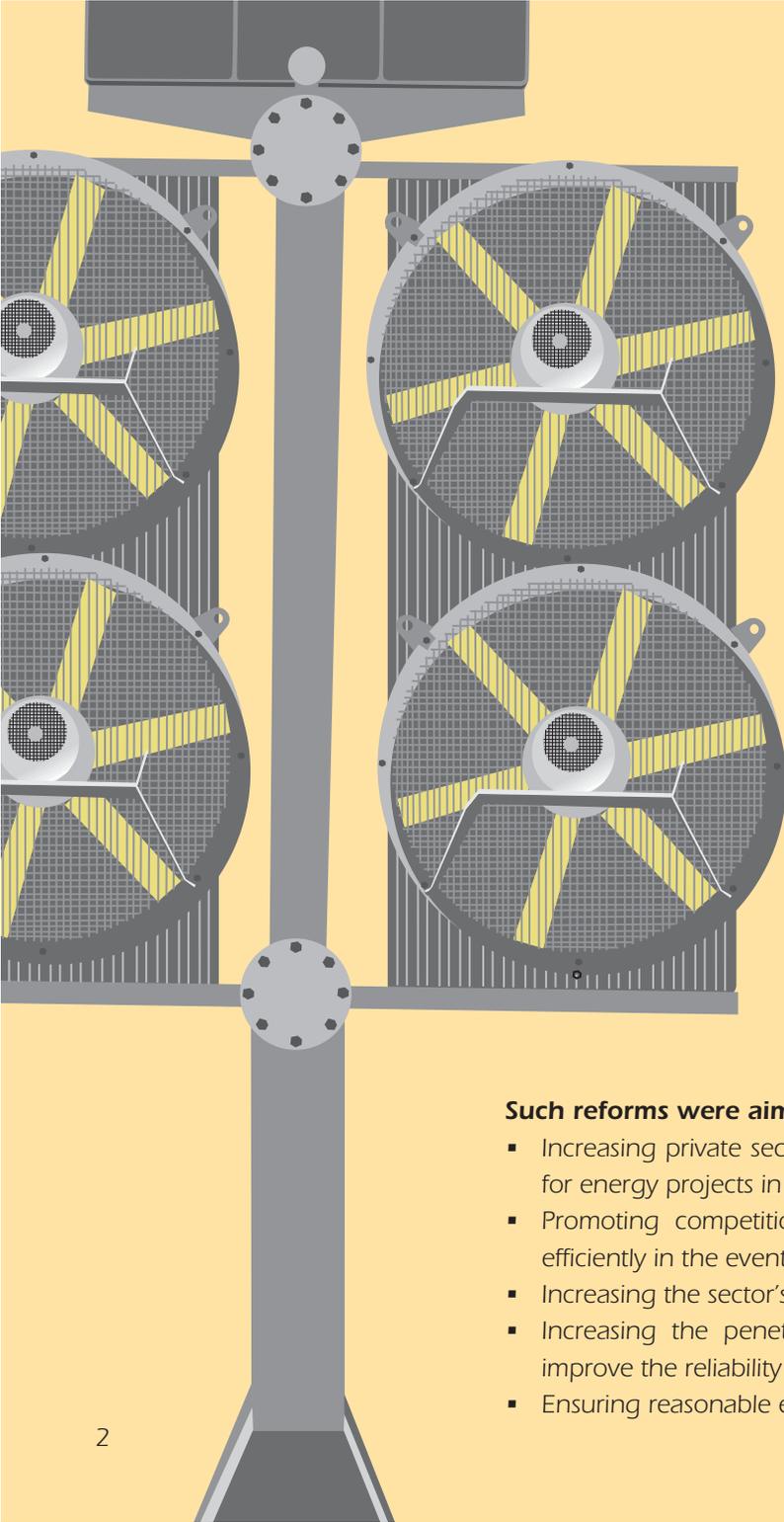
Sustainability

To ensure that the endowment of the energy resources are available to present and future generations

Professionalism

To maintain the highest standards of technical competency and personal integrity

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Chairman's Review

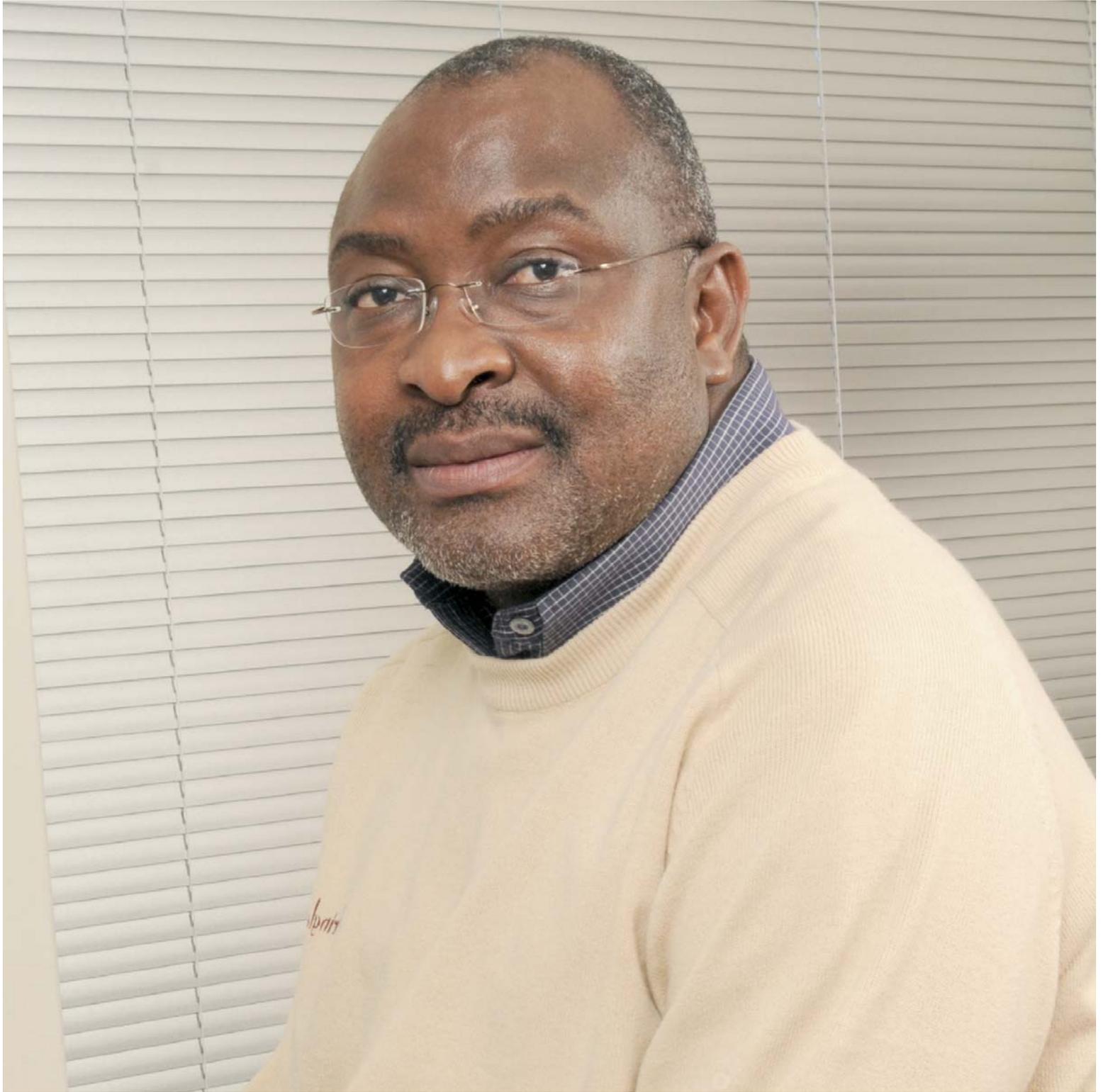
The Electricity Control Board (ECB), an independent statutory body, was established in 2000 under the Electricity Act, 2000 and has been ranked as one of the exemplary and respected electricity regulators in the SADC Region. The ECB is currently regulated under the Electricity Act (Act 4 of 2007). The Act provides for the existence of the ECB as an independent statutory regulator, tasked with regulating the Namibian Electricity Supply Industry (ESI).

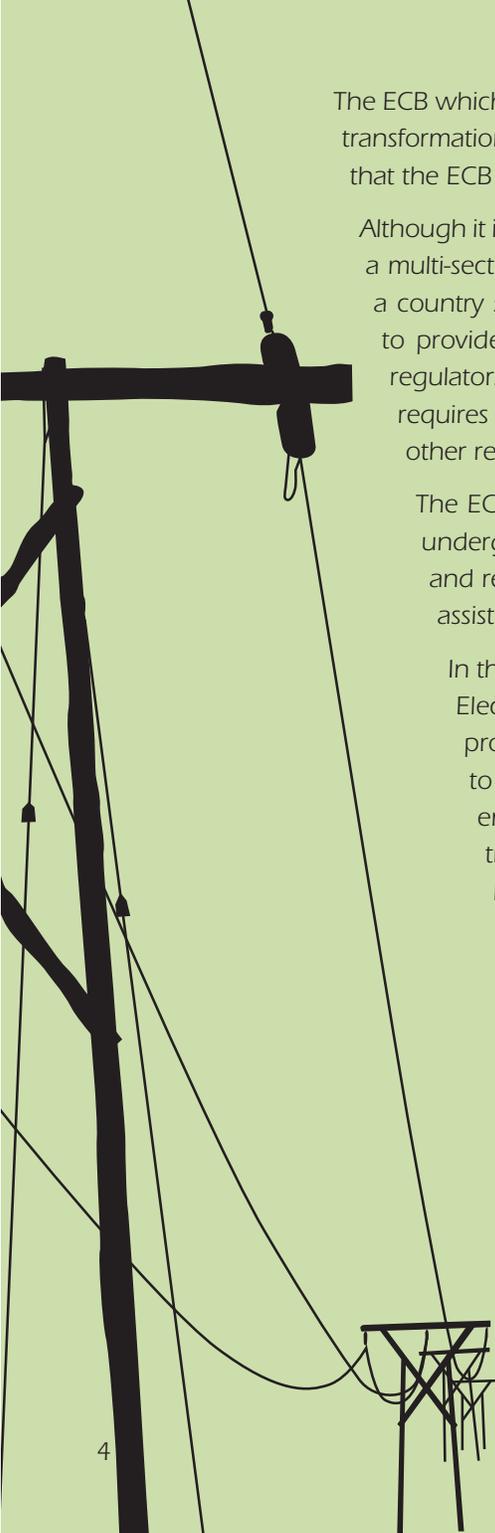
The ECB has posted notable achievements since its establishment, including, amongst others, the development of a licensing system for electricity operators and the independent regulation of electricity tariffs by means of a clear, transparent and consistent tariff methodology.

The ECB has since its inception and as part of Government Policy embarked on reforms aimed at achieving performance improvement and also to match changes nationally, regionally and internationally.

Such reforms were aimed at:

- Increasing private sector participation in mobilising financing and investment for energy projects in the electricity supply industry.
- Promoting competition among sector entities and regulating monopolies efficiently in the event where such competition is not possible.
- Increasing the sector's efficiency.
- Increasing the penetration, especially as regards rural electrification, and improve the reliability and quality of electricity supply.
- Ensuring reasonable economically viable and affordable tariffs.





The ECB which currently only regulates electricity has made significant progress in preparing for the transformation of the ECB into an overarching energy regulator in the industry and it is foreseen that the ECB may be regulating electricity, gas and renewable energy in the near future.

Although it is still early days and cannot as yet be confirmed, there is talk that the ECB may become a multi-sectoral regulator and acquire regulating functions to sectors other than only energy. In a country such as Namibia with limited resources and a small economy, it makes much sense to provide in some instances for a multi-sectoral regulator rather than establishing separate regulators for each sector. The transformation of the ECB into such multi sectoral regulator requires the industry to re-evaluate its frameworks including the 1998 Energy White Paper and other related legal instruments.

The ECB has taken cognizance of the fact that the Namibian Electricity Distribution (EDI) is undergoing fundamental changes, mainly to introduce efficiency so as to improve the quality and reliability of service delivery. The ECB has been a great player in trying to facilitate and assist the industry players in facing their changes and challenges.

In the 2007/2008 financial year, the ECB celebrated the passing of the long awaited new Electricity Act, Act 4 of 2007. The 2007 - Electricity Act not only has broader regulatory provisions for the industry but has expanded and strengthened the mandate of the ECB to allow for the more efficient regulation of the ESI. In particular the Act places more emphasis on the development and promotion of new generation, developments of trading within the market are accommodated, provision is made for exemptions from licensing requirements and for enforceable standards of supply and service.

The position of regional electricity distribution companies (REDs) remains a Government policy but has become a much debated issue as regards their rationale and their regulation. Provisions facilitating the REDs were left out of the Electricity Act 2007 and has therefore not only left a gap in the regulation and growth of the REDs, but also placed serious financial strain on the REDs and indirectly on the Local Authorities and the consumers, hence the urgency and need of holding an EDI summit to extensively discuss problems currently experienced in the restructuring of the distribution industry. The objective of such EDI summit will be to address Government policy in terms of the establishment of the Regional Electricity Distribution (RED) companies and the problems experienced in terms of legal issues, local authority surcharges and viability of these companies and also to extensively discuss REDs legislation.

With the establishment of REDs in Namibia and the growing interest in Independent Power Producer Generation Projects (IPPs), the ECB regularly interacts with various investment institutions such as the Development Bank of Southern Africa (DBSA) and similar funding/donor agencies. The ECB is actively participating in the establishment of a carbon credit system and a designated national authority (DNA) for the registration of such credits in Namibia. With increasing worldwide focus on cleaner energies, the use of such energies (through the promotion of IPPs) linked to carbon credits holds many benefits for Namibia.

During 2007/2008 the ECB continued to build on its regional and international relationships. Many of the member countries of the Southern Africa Power Pool (SAPP) are facing the same electricity supply constraints. At the same time, many of the SAPP member country governments have capacity constraints and cooperation between regulators is an efficient manner in which to build capacity, achieve skills transfer and, generally, build on sound relationships. In this regard the ECB has met with various regulators or regulators to be established in the SADC region such as Angola, Lesotho, Tanzania, Zambia and Zimbabwe. The ECB concluded various Memoranda of Understanding with regulators in the region focusing on corporation.

RERA continues to be one of the closest stakeholders of the ECB and the ECB continues to host the Regional Electricity Regulators Association (RERA) and this relationship has strengthened ECB's relationship and interaction with other SADC regulators and other relevant institutions.

During the 2007/2008 financial year the ECB as a regulator faced an electricity supply industry crisis and to date Namibia's major challenges still remain much needed electricity generation capacity, rising electricity tariffs, restructuring of the electricity distribution industry and extension of the electricity network.

The ECB's successes despite the challenges in the Namibian ESI as stated above are true testimony that it has stood the test of time. It is therefore very humbling to be associated with an organization of such stature. In the power vested in me as Chairman of the ECB Board and specifically in accordance with section 16 of the Electricity Act, No. 4 of 2007, I have the pleasure to herewith present the Annual Report and Financial Statements for the year ended 31 March 2008.



Mr J Nandago
Chairman





CEO's Report

The Electricity Control Board (ECB), as an esteemed regulator, celebrated 7 years of existence in 2007 marking the second year of the ECB's second strategic plan aimed at consolidation and implementation of its established regulatory processes and systems. The first five years to 2005 were formative and challenging years for the regulator where it concentrated on the establishment of regulatory processes and systems. On 16 November 2007 the long awaited and very controversial Electricity Act, Act 4 of 2007 was promulgated and has broadened the Regulator's mandate and gives it sufficient investigative and enforcement powers to ensure that the electricity legislation is being complied with.

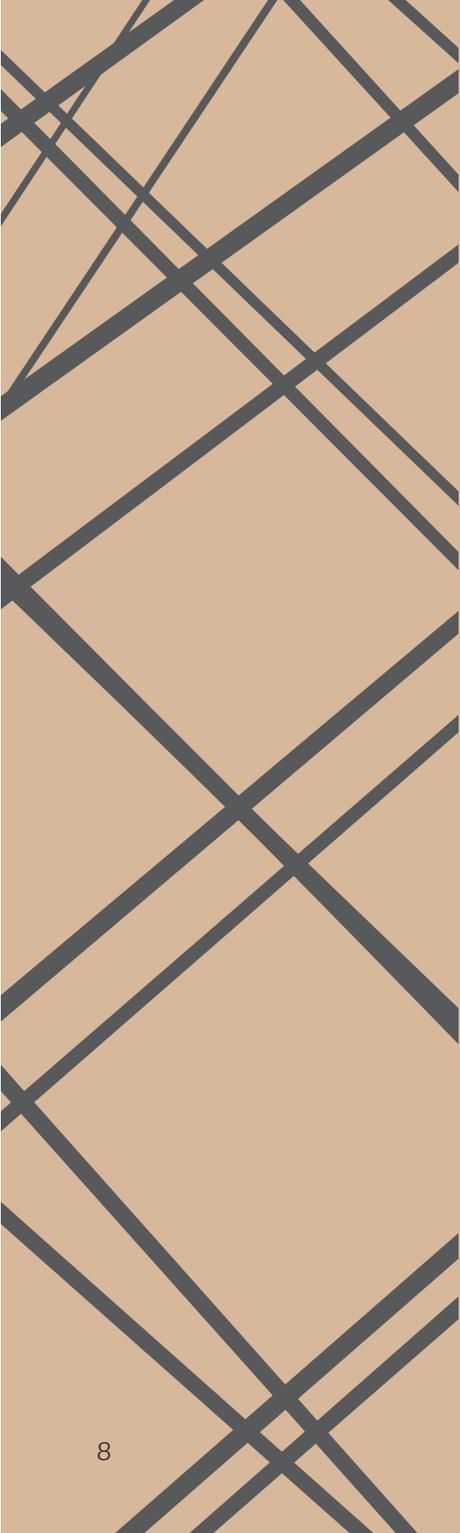
Currently NamPower, Namibia's national power utility has a monopoly on the generation and import of electricity. A single buyer study has been conducted and has, in principle, been accepted to be introduced in Namibia and implemented in the near future. On the longer term a multi buyer model/competitive pool is envisaged. The Electricity Act provides for the issuing of trading licences. Once market rules on the introduction of a single market framework have been agreed upon, it would be possible to issue the required licences to allow for trading on such market.

Namibia as a country is rapidly entering into a state of energy crisis and by some accounts has already entered a crisis stage as evidenced by the mandatory reduction in imports from Eskom which is facing an unprecedented electricity shortage with the generation surplus diminishing rapidly. Namibia furthermore, now receives only emergency supply from South Africa and Namibia's own generation reserves are not sufficient to withstand a sudden surge in electricity demand. Social impacts of sustained energy shortfalls can also be painful, given that energy, particularly electricity, is the life blood of most basic social needs - education, healthcare, transportation, and communication.

Dealing with the energy crisis in the industry remained a point high on our agenda during 2007/2008. The ECB has therefore recognised and remained committed to the urgent need for major investments in the energy sector and specifically also in the field of renewable energy and to increase both conventional and renewable energy generation capacity in Namibia.

Knowing that both supply shortages and increasing prices could result in economic stagnation, Namibia is taking great strides in the regulatory, governance and legal framework areas to measurably improve the country's energy security situation by opening it up to independent power production through independent power producers (IPPs) that will make the necessary investments in capital which Namibia simply does not have.





The objective is to increase the supply of reliable and quality electricity at a fair price to consumers. The added supply will keep tariffs at a reasonable level and increase competition in the marketplace. The increased competition may also raise the bar for both performance quality and reliability, thus improving the overall satisfaction of all consumers without great increases in tariffs.

As with other countries of the Southern African Power Pool (SAPP), Namibia is approaching a situation of supply shortages with serious electricity supply shortfalls. At the same time budgetary constraints hamper investments needed for new generating capacity and transmission and distribution systems. Since electricity is a vital ingredient for economic and social development, Namibia had to implement its power sector reform processes with the specific goal of creating an enabling environment to attract private investments into its power sector and to rationalise the industry.

The energy supply situation in the SADC Region is facing an enormous challenge due to many reasons including (i) a lack of effective advance planning, (ii) an impressive growth in energy demand in many of the countries in the region, and (iii) a sizable drop in Eskom's generation surplus over the last few years. In addition, many regional generation projects, e.g transmission linkage projects have suffered delays making the situation even worse. Many of the countries in the Region including South Africa are now facing energy shortfalls as evidenced by widespread power cuts.

As Namibia, to a large extent, depends on electricity to achieve development outcomes set out in Vision 2030 it is imperative for it to achieve the following two interrelated goals: (i) Increase efficiency to decrease cost (which is one of the main aims of the establishment of the REDs); and (ii) Create an environment that is encouraging to private sector investment.

The Electricity Act, 2007 aims at ensuring the continued cost-effective and efficient functioning of the ESI. The ECB has to date awarded various conditional licenses, including licenses for coal, mini-hydro and wind energy projects. Wind energy projects are in good progress and the ECB has been working around the clock to ensure that the position of renewable energy receives prominence.

The ECB in anticipating an energy crisis has identified the fact that Namibia does not have a National Integrated Resource Plan for the energy sector and has therefore commenced with the drafting of such plan. The ECB has in this regard strongly

assisted the Namibian Government to take action to mitigate the impact of the energy shortages on the economy.

We at the ECB have long been committed to growing and sustaining our regulatory functions and making a positive contribution to society, the Namibian economy and the environment. We support the principles of good corporate governance and pursue a policy of corporate responsibility.

Through this report the ECB wishes to state in clear terms its role in the promotion of an efficient electricity industry whilst ensuring a balance between the interest of customers and utilities and the long-term sustainability of the industry.

The ECB amidst all the successes has also faced various challenges such as the licensing process, performance and quality standards, grid codes, protecting low income consumers, dispute resolution, etc. The biggest challenge has so far been in the area of restructuring as all efforts to introduce some form of competition at generation level has proved to be a hard nut to crack.

The introduction of independent power producers (IPPs) and the restructuring of the market as a whole have not been successful. Efforts are still being made to open the electricity market; we still have to see successful entry of IPPs into the Namibian electricity market.

The ECB consists of a small team of 21 employees. During 2007/2008 the ECB continued to invest in its staff's capacity and our interaction with stakeholder institutions regionally and internationally. The ECB has encouraged and supported the participation of ECB personnel in regional conferences, workshops,

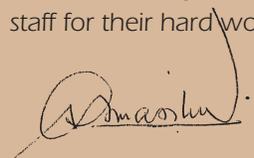
meetings, seminars and training courses in order to ensure that they are in tune with what is taking place on the world market place.

The ECB embarked on and/or completed major projects during the financial year in question which include:

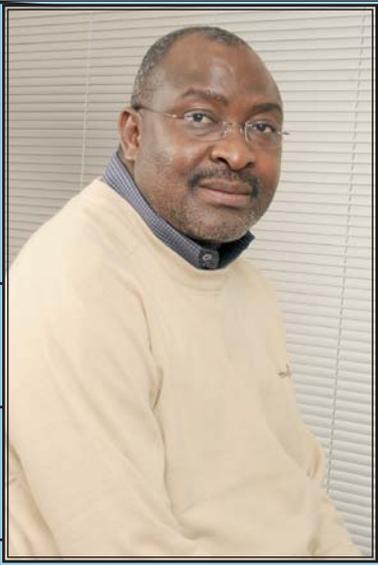
- The qualifications of electrical workers.
- The promulgation of the Electricity Act, Act 4 of 2007.
- The Safety Code.
- The Distribution Grid Code.
- Amendments to the Administrative Regulations.
- Development of a Performance Management Framework.
- The revision of the ECB's Corporate Governance Handbook.
- A pro forma connection policy.
- The review of the transmission and generation tariff methodology.
- Quality of supply and service measurement.
- Independent Power Producer & Market Investment Framework for Namibia - Implementation.
- Development of the Energy Regulatory Framework.
- Implementation of the Demand Side Management Study for Namibia.

The ECB in December 2007 allocated various industry awards to various players, these being existing REDs, City of Windhoek, and NamPower.

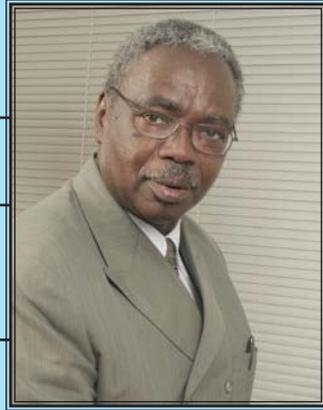
To conclude, I wish to thank our Board for the exceptional direction during the course of the last financial year and my staff for their hard work and achievements.



Mr. Siseho C Simasiku
CEO



Mr Jason Nandago
Chairman



Mr Siseho C Simasiku
CEO



Mr Fritz Jeske
Board Member



Mr Gersom Katjimune
Board Member



Ms Uilkka Kamboua
Board Member



Ms Mara Uazenga
GM Administration
and Finance



Ms Helene Vosloo
Manager Economic
Regulation



Mr Gerrit Clarke
Manager Regulatory
Support Services

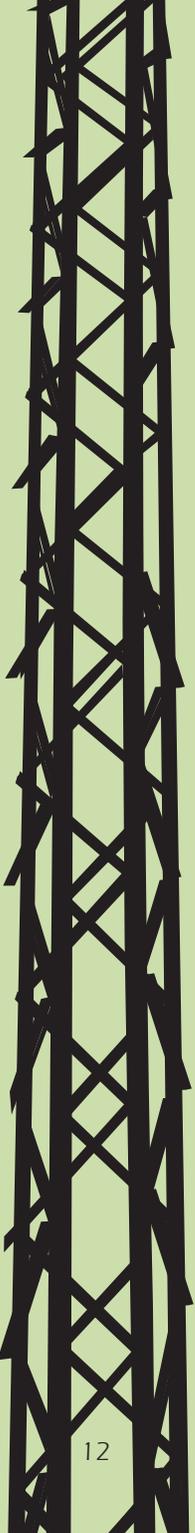


Ms Damoline Muruko
Manager Corporate
Communications and
Legal Services



Mr Rojas Manyame
Manager Technical Regulation

Not Pictured
Ms Penduleni M. Shimutwiken
Board Member



Human Capital Management

The compensation of the employees of the ECB is aligned primarily to their contribution to organisational performance and thus the ECB's remuneration strategy is designed to ensure that top performance is continually encouraged and rewarded. ECB has also undertaken a project to enhance its Human Resources policies and strategy. The aim of this exercise was to improve the employment experience of all ECB employees. To have achieved this ambitious goal, ECB employed the services of 21st Century to assist in collating the necessary information and to provide assistance in accurately understanding employee needs. The subsequent results of this perception survey were quite commendable in terms of Human Resources best practices that the ECB is employing.

Staffing

The ECB now has a workforce of over 17 employees for the period under review, that fully reflects the demographic diversity of the land and breadth of Namibia. The addition of skilled and experienced staff is important in an industry so reliant on specialist skills. Importantly the cultural fit between teams ensures that we rapidly move ahead as an organization. For this period under review the ECB has only experienced one resignation of the Corporate Legal Advisor, which was subsequently filled accordingly. Also, the ECB lost its accountant through death.

Staff vacancies

GM:Regulation
PRO
2xTechnician

The ECB focused strongly on training and development of staff during the period under review to meet the key strategic human capital needs of the company. (Good claim. Who and how many staff members did you employ during the year under review, your stakeholders may want to know Through skills development, the ECB invests in its staff members and their future potential and undertakes to inspire them to remain in the ECB and contribute significantly to its future successes. Training and development plays an important role in achieving our organisational targets, accounting for some 1% of our total payroll for the period under review. Employees with high levels of energy who are able to anticipate change and adapt quickly to keeping abreast with the rapidly changing electricity supply industry, are greatly valued, as the ECB is driven by the commitment of its employees to deliver its overall organisational objectives. Development of all employees through formal training programmes is an ongoing initiative that is fine tuned continually.

Health and Safety

The ECB is committed to ensuring that in all its sphere of activity, it will conduct itself in a way that is safe,

healthy and environmentally friendly. These issues form an integral part of the corporation (break the repetition). During the period under review the ECB developed an HIV/AIDS policy to guide its activities in implementing an HIV and Aids strategy for the entire organisation. Of significance was the annual commemoration of the World Aids Day on December 1, where the employees have shown their concern on this dreaded disease by donning attire to this effect.

Corporate Social Responsibility The company endeavours, further, to be a responsible corporate player by making a constructive and sustainable contribution to the Namibian economy. To this end, the ECB has several strategic priorities, including social responsibility, as it is important to maximise the impact of social spend, the approach centres on education, social development, arts, culture and sport. Education is the primary thrust of the ECB and hence view education as an essential ingredient in nation building and in view of this have assisted, four disadvantaged learners who would otherwise have been deprived of opportunity, in the form of study grants for the whole academic year.

The under mentioned entities have also benefited in kind and financially from the ECB's Corporate Social Responsibility programme:

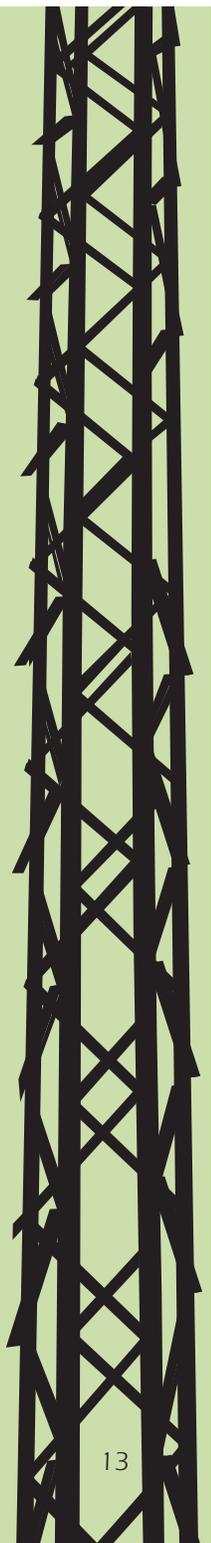
- Willem Bocharad Primary School
- Blouwes Primary School
- Ruacana Secodary School
- Mariental Primary School
- Nestor Tobias Boxing and Fitness Academy
- EMU - Office of the Prime Minister
- ETSIP
- Cancer Apple Project
- Polytechnic of Namibia

Economic Regulation

The 2007/08 Financial Year posed a number of challenges and problems for the Economic Regulation Department but a lot of progress has also been made on issues seen as very important for the Electricity Supply Industry.

Tariffs

All electricity licensees are currently ring-fenced and all tariff applications in the past year were reviewed according to the approved tariff methodology of the ECB. The Operating and Reporting Manuals (ORM) were filled out and each licensee was awarded a tariff increase according to its revenue requirement. The ECB still assisted the smaller local authorities with filling out the documentation.

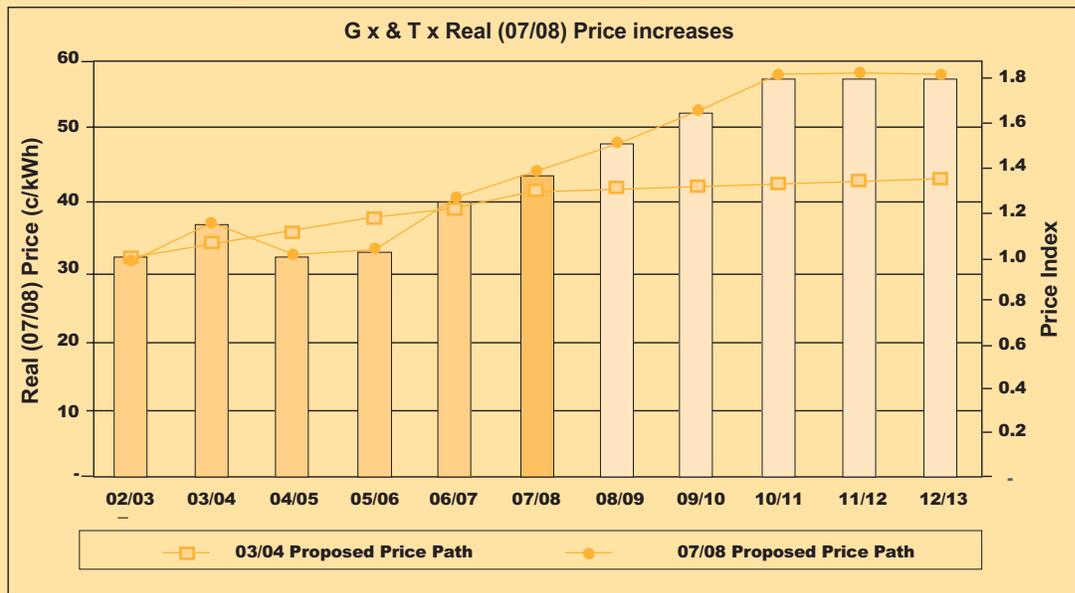


The ORM was also reviewed and updated to incorporate inherent changes between the newly created RED companies and local authorities; and to make it more user-friendly for the licensees to fill out.

The biggest challenge for the ECB as a whole and the Economic Regulation Department in particular, was the looming energy crises. The energy crises had a severe impact on the setting of tariffs. It is a fact to report that energy crisis combined with the restructuring of the ESI (Electricity Supply Industry) has put much pressure on electricity tariffs in Namibia. Especially in ensuring a balance between sustainable supply of electricity and looming higher electricity tariffs as well as the resultant economic implication thereof that posed a huge challenge to ECB.

From the chart it can be seen how the projected price path has changed since 2003/2004 to 2007/2008 and how the projected tariff increases needed to reach cost reflectivity by 2010/2011 within NamPower for generation and transmission prices have increased.

Figure: Generation and Transmission Projected Price Increases



NamPower was granted a 13.2% effective increase for the 2007/2008 financial year. Distribution utilities and Local authorities were granted increases according to the revenue requirement submitted to the ECB.

Impact of Electricity Crisis on Tariffs

Government policy stipulates that the market should be opened up for private investors. Private investment is further needed to invest in new generation projects to increase the generation supply not only for Namibia but also for the whole Southern African Region. This will be difficult to realize due to historically low electricity prices as a result of the surplus generation capacity in South Africa. The ECB continues to raise electricity generation prices above inflation to reach cost-reflectivity by 2010-11 in accordance with a Namibian Cabinet decision. Cost-reflective generation prices will greatly assist in attracting the necessary private sector investment in generation projects to alleviate the current supply crisis

Local Authority Surcharges

For the period under review, ECB started reviewing the Local Authority Surcharge methodology and the outcome will be discussed with all stakeholders in the ESI before implementation. The new methodology will try to make the LA Surcharge methodology more equitable, fair and transparent.

Performance Framework

The ECB also embarked on a study to develop a Performance Framework for all licensees. This deemed necessary since it is the Electricity Control Board (ECB)'s objective to exercise control over the ESI and to regulate the various electricity activities in accordance with prevailing government policy in order to ensure efficient supply of electricity.

In view of the above objective, ECB's main regulatory objectives are electricity-pricing methodology that equitably rewards investors (recovery of cost of supply plus regulated rate of return) while keeping prices affordable to consumers, ensuring quality of supply and service (taking cognizance of different quality standards and associated costs), and maximizing operational efficiency through restructuring and performance evaluation and monitoring.

Since its inception in 2000, the ECB has mainly concentrated on operationally setting up the regulatory authority internally, setting up a licensing system, determining and implementing a tariff methodology, setting up quality standards and assisting Government with the restructuring of the Namibian electricity industry. The ECB will therefore have to increase its focus on evaluating and monitoring the performance of Licensees.

Licensing

During 2007-8 the ECB issued three new Distribution & Supply Licenses, one each to Gibeon, Kalkrand and Maltahöhe Village Councils. The Distribution & Supply licenses of 42 Southern RED & Central RED shareholders were renewed for another year, as these REDs have not yet been established. CENORED's distribution licence was amended to be valid for 25 years instead of the previous 10. All operational REDs now have 25 year Distribution licenses.

Due to the urgent need for new investments in the power generation sector of Namibia, the ECB decided in principle, where appropriate, to fast track the processing of new generation license applications, provided that at least a pre-feasibility/conceptual study has been/is being completed and minimum requirements are met.

Should there be other outstanding matters e.g. an Environmental Impact Assessment, Power Purchase Agreement, information, etc. the ECB can recommend licenses to be issued that will be valid for a period of sufficient duration for the licensee to complete the outstanding requirements, which will be clearly defined in the license conditions. The ECB has issued the following five new special conditional generation licenses in 2007-2008:

Special conditional Generation Licenses Issued by the ECB

Licensee	Type	Size	Date Issued
Aeolus Power Generation	Wind	92 MW	1 April 2007
Namibian International Mining company (NIMC)	Diesel CCGT	210MW	1 June 2007
VTB Capital	Small Hydro	10 MW	15 July 2007
Atlantic Coast Energy (Former Birvis Investments 37)	Coal (pulverized)	700MW	7 Nov. 2007
Vizion Energy REsources (Pty) Ltd	Coal (CFB)	800MW	1 April 2008

The complete list of current licensees is contained in the following table.

Licencee	Area	Type of Licence	Date of Issue	Period of Issue (Years)
Aeolus Power Generation (Pty) Ltd	Windhoek	Generation	1 April 2007	22
Anglobase Namibia (Pty) Ltd	Scorpion Mine	Generation	12 Oct. 2001	15
Aranos Village Council	SOUTHERN RED	Distribution and Supply	1 July 2007	1
Aredareigas Homeowners Ass.	CENTRAL RED	Distribution and Supply	1 July 2007	1
Aroab Electrical Group	SOUTHERN RED	Distribution and Supply	1 July 2007	1
Aroab Village Council	SOUTHERN RED	Distribution and Supply	1 July 2007	1
Atlantic coastEnergy Company (Pty) Ltd	Coal	Generation	1 Nov. 2007	25
Berseba Village Council	SOUTHERN RED	Distribution and Supply	1 July 2007	1
Bethanie Village Council	SOUTHERN RED	Distribution and Supply	1 July 2007	1
CENORED (Pty) Ltd	CENORED	Distribution and Supply	12 July 2003	25
Erongo Red (Pty) Ltd	ERONGO RED	Distribution and Supply	1 Aug. 2005	25
Gibeon Village council	SOUTHERN RED	Distribution and Supply	1 July 2007	1
Gobabis Municipality	CENTRAL RED	Distribution and Supply	1 July 2007	1
Gochas Village Council	SOUTHERN RED	Distribution and Supply	1 July 2007	1
Hardap Regional Council	SOUTHERN RED	Distribution and Supply	1 July 2007	1
Kalahari Farming Two CC	SOUTHERN RED	Distribution and Supply	1 July 2007	1
Kalkrand Village Council	SOUTHERN RED	Distribution and Supply	1 July 2007	1
Kameelboom Power Supply (Pty) Ltd	SOUTHERN RED	Distribution and Supply	1 July 2007	1
Karas Regional Council	SOUTHERN RED	Distribution and Supply	1 July 2007	1
Karasburg Municipality	SOUTHERN RED	Distribution and Supply	1 July 2007	1
Keetmanshoop Municipality	SOUTHERN RED	Distribution and Supply	1 July 2007	1
Keinab Power Supply (Pty) Ltd	SOUTHERN RED	Distribution and Supply	1 July 2007	1

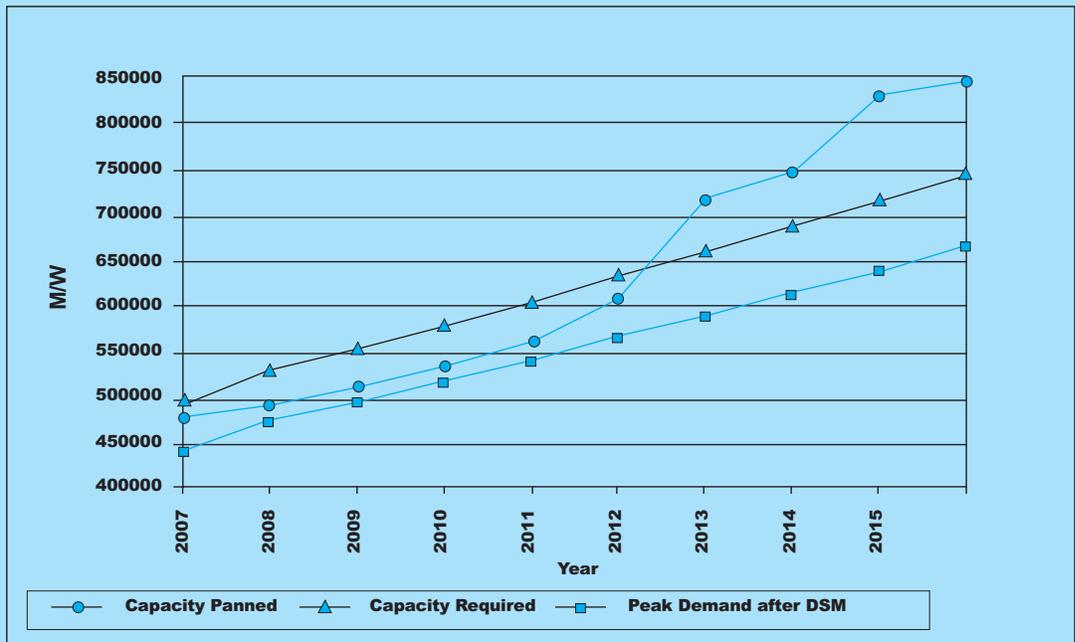
Licencee	Area	Type of Licence	Date of Issue	Period of Issue (Years)
Khomas Power (Pty) Ltd	SOUTHERN RED	Distrubution and Supply	1 July 2007	1
Klein Karas Power CC	SOUTHERN RED	Distrubution and Supply	1 July 2007	1
Kokerboom Power Supply (Pty) Ltd	SOUTHERN RED	Distrubution and Supply	1 July 2007	1
Leonardville Village Council	SOUTHERN RED	Distrubution and Supply	1 July 2007	1
Lüderitz Town Council	SOUTHERN RED	Distrubution and Supply	1 July 2007	1
Maltahohe Village Council	SOUTHERN RED	Distrubution and Supply	1 July 2007	1
Mariental Municipality	SOUTHERN RED	Distrubution and Supply	1 July 2007	1
Mile 7 WEC Power Station	ERONGO RED	Generation	6 April 2006	10
Namdeb Diamond Corporation	SOUTHERN RED	Distrubution	11 July 2001	10
Namibia Airport Company		Generation	12 Oct. 2006	20
Namibia International				
Mining Company (Pty) Ltd	Oil CCGT	Generation	1 June 2007	20
Nampower	CENTRAL & SOUTHERN RED	Distrubution and Supply	1 July 2007	1
Nampower	Export	Export	11 July 2001	20
Nampower	Import	Import	11 July 2001	20
Nampower	Paratus	Generation	11 July 2001	20
Nampower	Ruacana	Generation	11 July 2001	25
Nampower	Stand by 1	Generation	11 July 2001	15
Nampower	Stand by 2	Generation	11 July 2001	15
Nampower	Van Eck	Generation	11 July 2001	20
Nampower		Supply	12 July 2002	20
Nampower		Transmission	11 July 2001	25
Nature Investments (Pty) Ltd	SOUTHERN RED	Distribution and Supply	1 July 2007	1
Naukluft Electricity Invevstments (Pty) Ltd	SOUTHERN RED	Distribution and Supply	1 July 2007	1
NORED (Pty) Ltd	NORED	Distribution and Supply	13 March 2003	25

Licencee	Area	Type of Licence	Date of Issue	Period of Issue (Years)
Okahandja Municipality	CENTRAL RED	Distribution and Supply	1 July 2007	1
Omaheke Regional Council	CENTRAL & SOUTHERN RED	Distribution and Supply	1 July 2007	1
Ongopolo Mine	Tsumeb Services	Generation	11 July 2001	20
Ongopolo Mine	Tsumeb Smelter	Generation	11 July 2001	15
Ongopolo Mine (Otjihase Mine)	CENTRAL RED	Distribution and Supply	1 July 2007	1
Otjozondjupa Regional Council	CENTRAL RED	Distribution and Supply	1 July 2007	1
Rehoboth Town Council	SOUTHERN RED	Distribution and Supply	1 July 2007	1
Roshkor Township (Pty) Ltd	SOUTHERN RED	Distribution and Supply	1 July 2007	1
Rössing Uranium Limited		Distribution and Supply	11 July 2001	20
S & S Kragvoorsiening	SOUTHERN RED	Distribution and Supply	1 July 2007	1
Salt Block Power CC	SOUTHERN RED	Distribution and Supply	1 July 2007	1
Swartrand Power Suppliers CC	SOUTHERN RED	Distribution and Supply	1 July 2007	1
Swartwater Power Suppliers (Pty) Ltd	SOUTHERN RED	Distribution and Supply	1 July 2007	1
Telecom Namibia		Generation	12 Oct. 2001	20
Tses Village Council	SOUTHERN RED	Distribution and Supply	1 July 2007	1
Vergelee Power Supply (Pty) Ltd	SOUTHERN RED	Distribution and Supply	1 July 2007	1
Vizion Enerby Resources (Pty) Ltd	Coal	Generation	1 April 2008	25
Vogelstrausskluft Power (Pty) Ltd	SOUTHERN RED	Distribution and Supply	1 July 2007	1
VTB Capital Namibia (Pty) Ltd	Hydro	Generation	15 July 2007	20
Windhoek Municipality	CENTRAL RED	Distribution and Supply	1 July 2007	1
Witvlei Village Council	CENTRAL RED	Distribution and Supply	1 July 2007	1

	Number
Distribution and Supply	45
Distribution	1
Transmission	1
Generation	12
Export	1
Import	1
Total	58

Regional

The situation regarding the power supply crisis in the Southern African Region will remain tight for at least the next five years unless demand side management (DSM) is implemented soon, as is clearly indicated by the following graph from the Southern African Power Pool (SAPP). NamPower, Zesco, Zesa, Eskom and SNEL load-shaded during the period under review.



SADC set up an Energy Ministers Task Force to address the power shortages in the region. SAPP made recommendations to the Energy Minister's Task Force, who directed SAPP and the regional utilities as follows:

- PCP Programme: Development of a power conservation program (PCP) as a SADC programme.
- Energy Efficiency: Development of a SADC policy to ensure efficient use of available electrical energy.
- Standards: Develop a minimum energy efficiency standard for all new electrical connections.
- Phasing out Incandescent Lamps: Plan and propose the phasing out of incandescent light lamps in preference for compact florescent lamps (CFLs).

- Local Manufacturing: Assist in the development of local manufacturing capability to support DSM initiatives.
- Financial Incentives: Formulate the required financial incentives for DSM implementation.
- Project Tracking and Implementation.
- Creation of Special Purpose Vehicle Companies.
- Financial Model for Cross Border Projects .
- Promotion of regional projects.
- Information sharing on available funding.
- Attach TIME FRAMES to all activities.
- Recapitalisation of power utilities.
- Promotion of renewable energy technologies.
- Comprehensive skills audit/audit/database and sharing of resources and skills.
- Utilities to indicate financial requirements from governments for energy projects.
- Restore interconnected SAPP grid within 60-days.

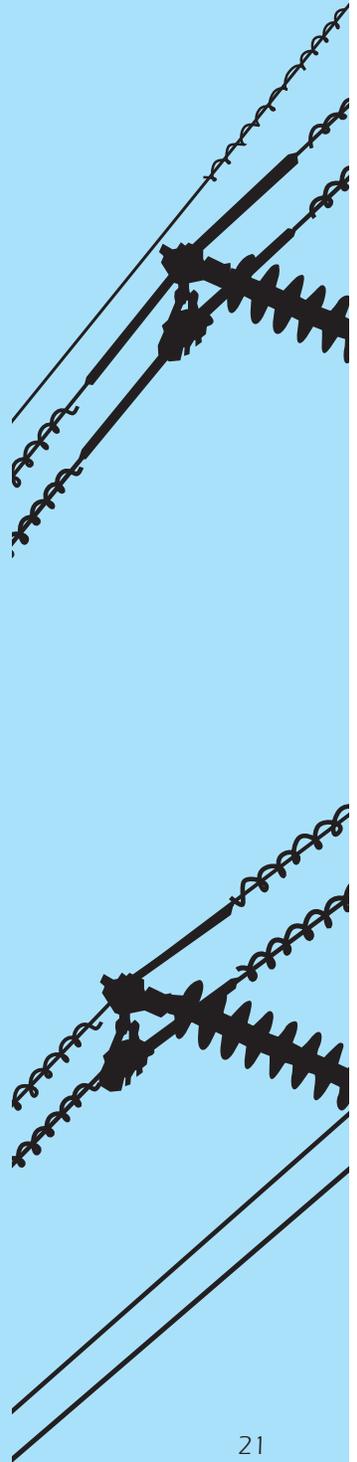
Local

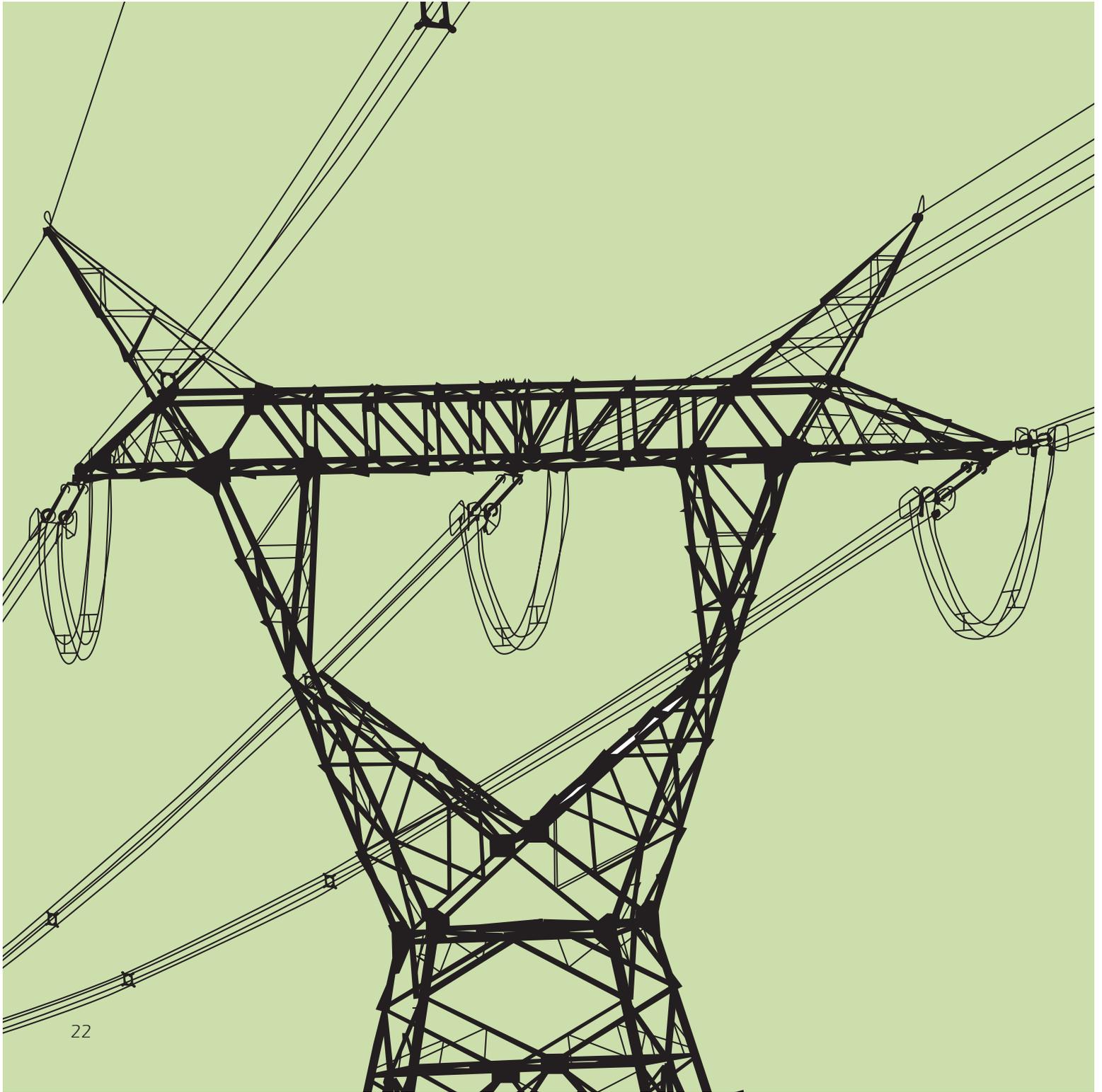
Namibia has historically imported up to 70% of its electricity needs from South Africa. Since the surplus generation capacity in South Africa is rapidly running out Namibia is particularly severely affected. To prevent possible negative economic and social impacts of the electricity supply shortage, Namibia needs to act fast and firm.

Consequently the MME, NamPower, ECB & Namcor prepared a submission to the Namibian Cabinet titled "Energy Sector Strategic Role in the Growth of the Namibian Economy", which includes an outline of possible own generation projects and funding requirements. The submission also included demand side management (DSM) as an immediate action. Feedback from the Namibian Cabinet is expected in 2008-2009.

Apart from issuing five special conditional generation licenses (see licensing section), the ECB also prepared a strategy paper titled "Strategic Options For Responding To The Electricity Crisis And The Long-term Electricity Sector Development", which was submitted to the Ministry of Mines and Energy for their consideration.

Other measures to attract investment in Namibia's generation sector include the updating of the Guidelines For Generation License Applications, preparation of a Memorandum of Understanding on the IPP licensing process between ECB and NamPower, starting the development of detailed licensing procedures and processes for IPPs, above inflation tariff increases to make IPPs financially viable and implementation of the IPP and Investment Market Framework.





The ECB started the process to develop a National Integrated Resource Plan (NIRP) to fulfill our mandate to oversee security of electricity provision. This will ensure that new power stations are introduced at a schedule that is consistent with national energy planning, resources are utilized optimally and the generation mix in Namibia is diversified to mitigate the risk of over-reliance on imports.

Demand Side Management (DSM)

The ECB has embarked upon numerous awareness programmes to influence the quantity and patterns of electricity use through out Namibia. All programmes target peak demand reduction during periods when energy-supply systems are constrained, as well as overall efficient use of electricity. The main aim is to equip all electricity users with knowledge that will enable them to make informed electricity wise choices daily.

Radio and television programmes (focusing on both adults and children) together with the printed media were used to educate and inform electricity users nation wide. The response was exceptionally good, and the benefits are being realised by each electricity user who implement electricity wise methods.

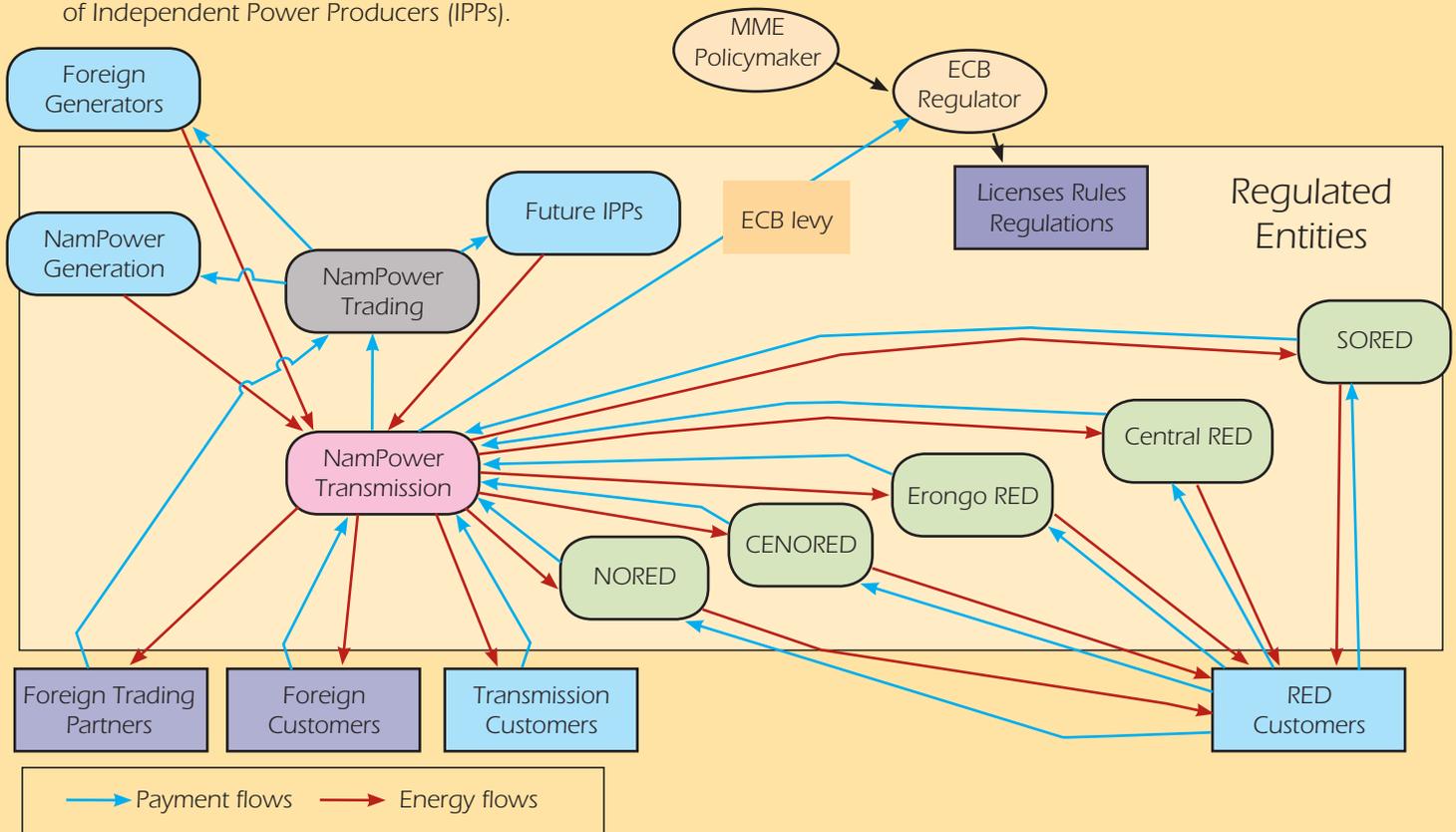
Following is a summary of all awareness projects conducted by the ECB for 2007/08:

- Compact Fluorescent Light (CFL) Coloring competition for children (three – five year- olds).
- National CFL Competition in collaboration with the Namibian Broadcasting Corporation (NBC).
- National Geysers Blanket Competition in collaboration with Kosmos Radio and the NBC.
- Public awareness and education with regards to the functions of the ECB in coloboration with Radio 99.
- Electricity Savings Billboards on the NBC Television.
- Electricity Savings Campaign embedded in the 'Holiday Special Television Programme' of the NBC for younger children.
- Electricity Savings Hints distribution with the Wika Street Procession, 2008.
- The distribution of free Compact Fluorescent Lights was completed in November 2008 and a total number 575800 of bulbs were distributed during this campaign throughout Namibia. The total load reduced (MW) during evening peak hours was calculated at 10.06 MW in February 2008, assuming that all these bulbs were installed.

It is important that DSM be continued to alleviate the current power supply crisis and to ensure the economically efficient utilization of scarce resources for long-term sustainability.

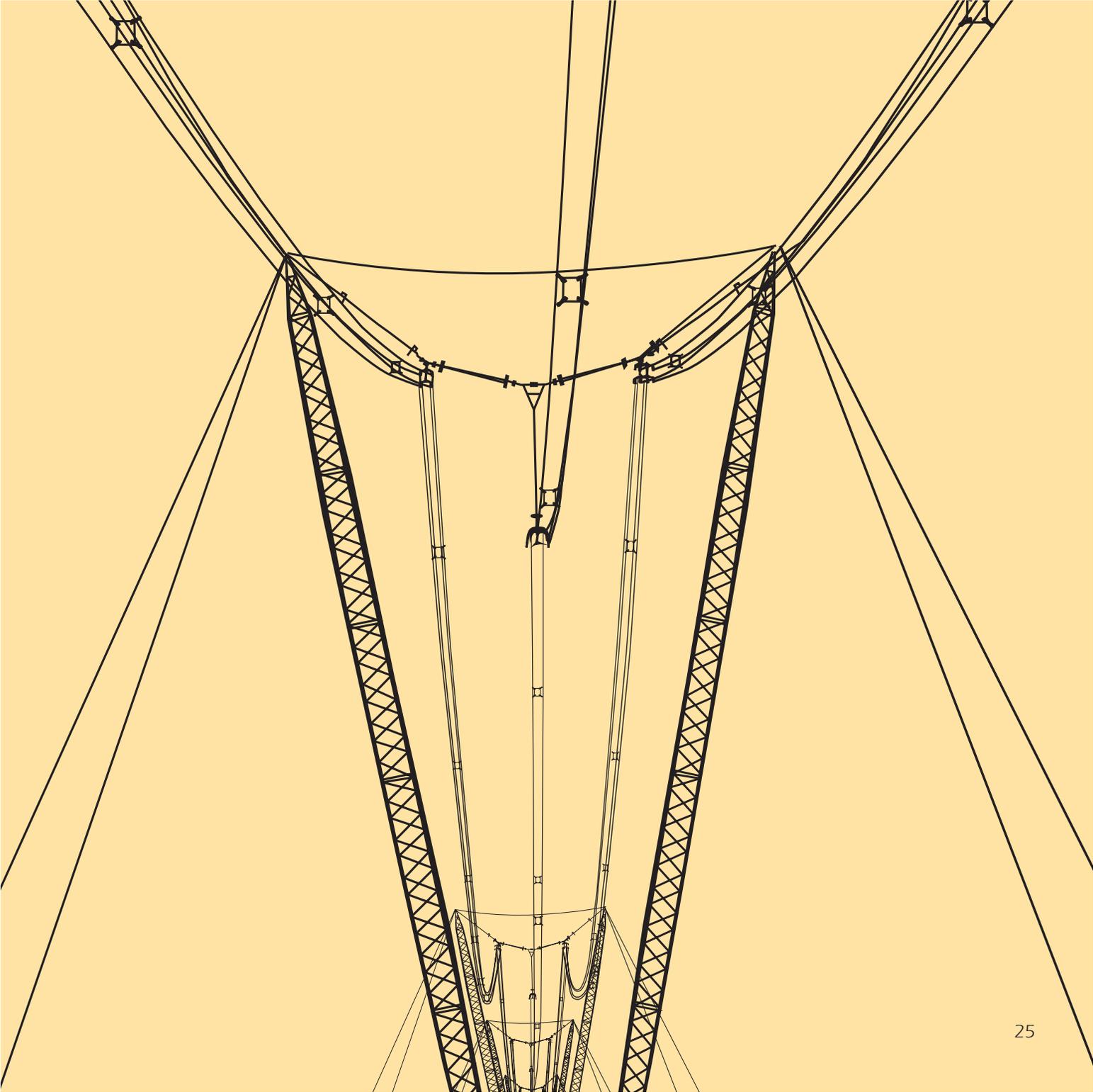
Development of Single Buyer Market and Independent Power Producer (IPP) Framework

Namibia continues with a de facto Single Buyer market model as depicted in the figure below. Formal Single Buyer Market Rules have not been finalized yet because the generation capacity shortage has taken center-stage and the focus is now on building new power stations and the creation of an enabling environment to attract investment in the form of Independent Power Producers (IPPs).



The ECB facilitated the acquisition of a grant from the United States Trade Development Agency (USTDA) to the amount of US\$275,700 (convert to Nam Dol) in August 2005 for an IPP and Investment Market Framework for Namibia. The study was completed in 2006 and made overall recommendations for IPPs in the context of market structure, regulation, institutional framework, business structure, human capital, regional issues and development impacts. The final report is available on the ECB website.

During the financial year under review, the ECB secured additional technical assistance from USTDA for the implementation of the framework to an amount of US\$423,790 (convert into Nam Dol). This project started in November 2007 and will be completed in early 2009.



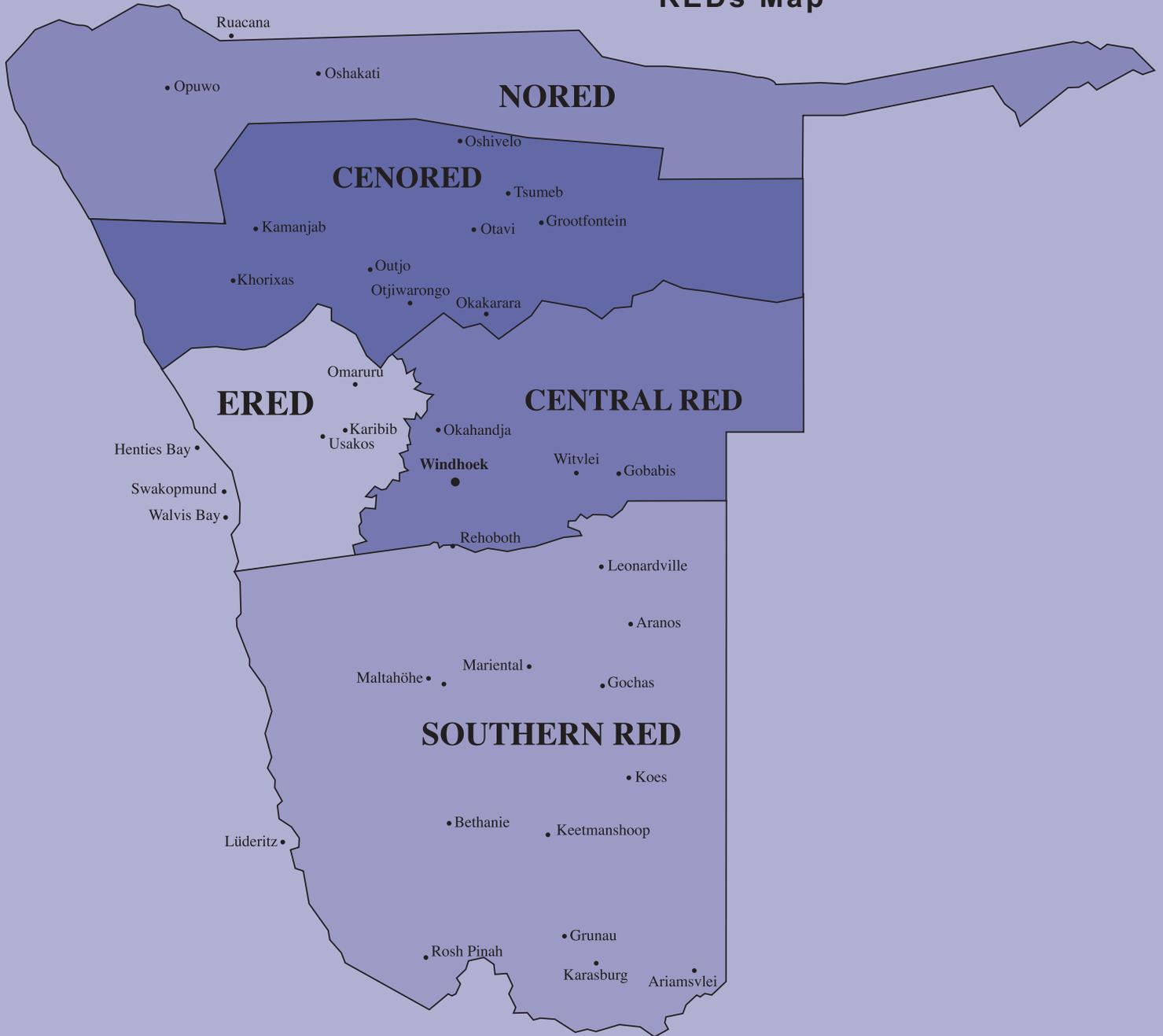
Following are the main components of the technical assistance:

- Advisory Support for ECB Review and Due Diligence of Current and Potential IPP Projects (Licensees & License valuations);
- Development of IPP Framework Implementation Instruments and Capacity Building of the ECB for IPP Implementation;
- Technical Assistance in the Development of an Integrated Resource Plan (IRP) and the Distribution Grid Code;
- Development of a Methodology for Economic and Financial Analysis of IPP Projects;
- Development of Guidelines for Environmental Analysis of IPP Projects; and
- An Analysis of IPP Developmental Impacts (required by USTDA).

Electricity Distribution Industry (EDI) Restructuring

The distribution industry of Namibia consists of a wide variety of stakeholders: local and regional authorities, NamPower and private sector participants. The industry is being restructured into REDs (see Figure below) to rationalise the industry and curtail a proliferation of different tariff structures and levels, improve customer service and the adherence to adequate technical standards, increase efficiency, address resource constraints, exploit economies of scale in distribution and increase access to electricity.

REDs Map



NORED, CENORED and Erongo RED have been established and are operational with notable improvements in revenue collections and quality of service and supply. As a matter of interests, what are the “notable improvements in revenue collections” of the REDS? However, progress in the establishment and operationalisation of the Southern and Central REDs has not been satisfactorily. In addition, some Local Authorities within operational REDs are also resisting the continued establishment and operating of REDs.

This is mainly driven by the current increases in electricity tariffs to reach cost-reflectivity in order to attract new investments in generation in accordance with a decision by the Namibian Cabinet. These increases are filtering through to the consumers and Local Authorities (LAs) and consumers are wrongly blaming the REDs for it. The ECB conducted a seven week media campaign to inform stakeholders and consumers about the root drivers for electricity price increases and other RED-related issues.

In addition Local Authority surcharges are being kept constant in order to soften the effect of price increases on consumers and because LAs in operational REDs are no longer involved in distributing electricity. This is affecting the ability of LAs to provide other services negatively. A national dialogue has been started to address concerns about the LA Surcharges in particular and total LA Revenues in general.

The resistance impacted upon the new Electricity Act of 2007 by way of all clauses regarding REDs being disallowed. Despite the resistance, Government is adhering to the policy of establishing REDs for long-term economic sustainability. A national EDI summit will be held in the next financial year to address the problems being experienced with REDs and develop strategies to overcome them.

Cooperation with Stakeholders

Local

Ministry of Mines and Energy & Government

The ECB participated regularly in the ESI Steering Committee meetings chaired by the MME. The mandate of the Steering Committee is to implement the resolutions of the ESI Strategic Summit of 2003. In addition, the ECB regularly briefs and consults with the Minister of Mines & Energy and his staff on ESI developments and policy implementations. The ECB always attends workshops organized by the MME on ESI matters as well as inviting the MME to ECB workshops.

The ECB is represented on the National Energy Council as well as the Namibian Renewable Energy Program (NAMREP) and the newly established Renewable Energy and Energy Efficiency Institute (REEEI) and has attended all meetings held in 2007-2008.

The ECB briefed the Namibian Cabinet on several occasions on the new Electricity Bill prior to its promulgation in November 2007. Various consultations have also taken place with the Ministry of Justice (w.r.t.) the promulgation of the new Electricity Bill.

The ECB also contributed to and participated in deliberations by a Namibian Cabinet committee to investigate the feasibility of no increases in electricity and water tariffs.

The ECB also regularly consulted with the Ministry of Regional & Local Government, Housing & Rural Development on issues affecting local & regional authorities especially (perhaps you should spell this out: wrt?)w.r.t. the implementation of REDs. In addition, the ECB regularly liaises with the Ministry of Environment & Tourism regarding establishing a Designated National Authority (DNA) for Namibia to take advantage of carbon credits through the Clean Development Mechanism (CDM) of the Kyoto Protocol.

NamPower

Co-operation with NamPower, as a key stakeholder of the Namibian ESI, has been formalised through regular, monthly technical meetings with the ECB for some years now. These technical meetings continued during the year under review although not as regularly as previous.

Special committees between ECB, NamPower and sometimes MME are also formed to address strategic issues as the need arises e.g. Kudu gas to power project, Tariffs, etc. NamPower also regularly briefs the Board of Directors of the ECB on strategic ESI issues at the request of the ECB.

REDs and other distributors

Co-operation with REDs still to be established mainly took place through attendance of the Technical and Shareholders Committees that guide the establishment and operationalisation of REDs. The ECB co-operates with operational REDs through the ESI Steering Committee meetings, field visits and workshops.

Consumers

During 2007-8 the ECB published four issues (opinion is that four publication per year for a company of the magnitude of the ECB is too few to act as a meaningful mouthpiece) of our newsletter, Spark, educating mainly consumers and licensees, but also all other stakeholders on current ESI developments. The newsletter has been widely distributed and will continue to be the ECB's quarterly mouthpiece to consumers, licensees and all other ESI stakeholders.

In addition various queries and complaints from consumers and licensees have been attended to.

The ECB intends to step up consumer awareness and information campaigns in the next financial year through the addition of a new staff member, the public relations officer (PRO). In view of the current power supply crisis, the ECB conducted a national survey whereby consumers voted for higher electricity tariffs or load shedding, a first for the region.

General issues of Cooperation with Stakeholders

Looming generation shortages being on the horizon, the ECB held numerous information meetings with potential local and international investors. The Standing Advisory Committee (SAC) on Quality of Supply and Service Standards (QSSS), consisting of representatives from all ESI stakeholders, continued meeting regularly regarding QSSS implementation. Regional and International

The ECB continues to host the Regional Electricity Regulators Association (RERA) and participated actively in all RERA activities including the Annual Conference and Meeting, portfolio committee meetings and chairing one of the sub-portfolio committee meetings. The ECB also held various information sharing meetings with energy regulators of the region and currently has co-operation agreements with the regulators of Zambia and Burundi. The ECB also participated in the Annual Conference and Meeting of the African Forum for Utility Regulators (AFUR).

The ECB attended various World Energy Council (WEC) meetings and assisted the MME in hosting a WEC Generators Performance workshop in Namibia. The ECB was also on the organising committee of the international Institute of Electrical and Electronic Engineers (IEEE) Conference in Namibia.

Technical Regulatory Tools Development and Application

Quality of Supply and Service Standards

The above standards are essential for evaluation of quality of supply and service when granting licences, monitoring the performances of licensees on an ongoing basis and dealing with customer complaints.

There are two types of quality standards in the Namibian ESI, technical (supply standards) and commercial (service) standards. The service standards can further be divided into overall and guaranteed standards. Guaranteed standards have to be met for each and every occurrence, whereas overall standards do Not have to be met for every occurrence but on a statistical level. The following is a summary of the guaranteed standard for service provision in the Namibian ESI: quotation times, time to provide supplies, meter readings, bill completion and bill delivery, number of planned and forced interruptions, service activities, meter readings, restoration times and after forced interruptions.

It is pleasing to note that during the period under review and in compliance with the above ,the ECB received reports on the QoS as well as Quality of Service from the licensee. An analysis is being done on the reports and a benchmarking exercise is in progress. A consultant has since been appointed to work on the submission.

The outsourcing exercise for the Quality of Supply progressed very well with the contractor submitting monthly reports on the activities of the industry. It is envisaged that the contract will be renewed.

Quality of Service Future Outlook and Reporting Requirements

Licensees are encouraged to implement systems capable of reporting as per NRS 047 Part 2 (South African Quality of Supply standards Document) for their own quality management processes. The ECB will decide at a later stage (once initial implementation has been completed) whether additional reporting is required. The intention in the long run is to introduce penalties so as to improve performance by licensees and this is in line with the Electricity Act 2007. Once this has been implemented, licensees shall submit a report annually to the ECB regarding penalty claims made and penalty claims and refunds paid to customers in the following recommended format: [I do not recommend to include this detail in the annual report!]

Safety Code

Safety of Personnel and equipment is of paramount importance, not only in the Namibian ESI but to all the other sectors of the Namibian economy. To that end, the ECB embarked on the development and implementation of the Namibian Electricity Safety Code. The draft code has been developed and is now ready for promulgation after comprehensive and final consultations.

A presentation was made to the Minister of Mines and Energy on the draft Code during the period under review. He approved the Code. Final consultations with the stakeholders are in progress before the Code is sent to the legal drafters for scrutiny and promulgation. Since safety issues fall under the Ministry of Labour and Social Welfare through the Labour Act, the Ministry was instrumental in the Code development and close liaison is being maintained between them and the ECB. An MoU will be signed between the two parties to formalize the interactions.

Diagram below shows the interaction between the various parties and documents involved with the Safety Code.

The Namibian Electricity Safety Code (NESC)

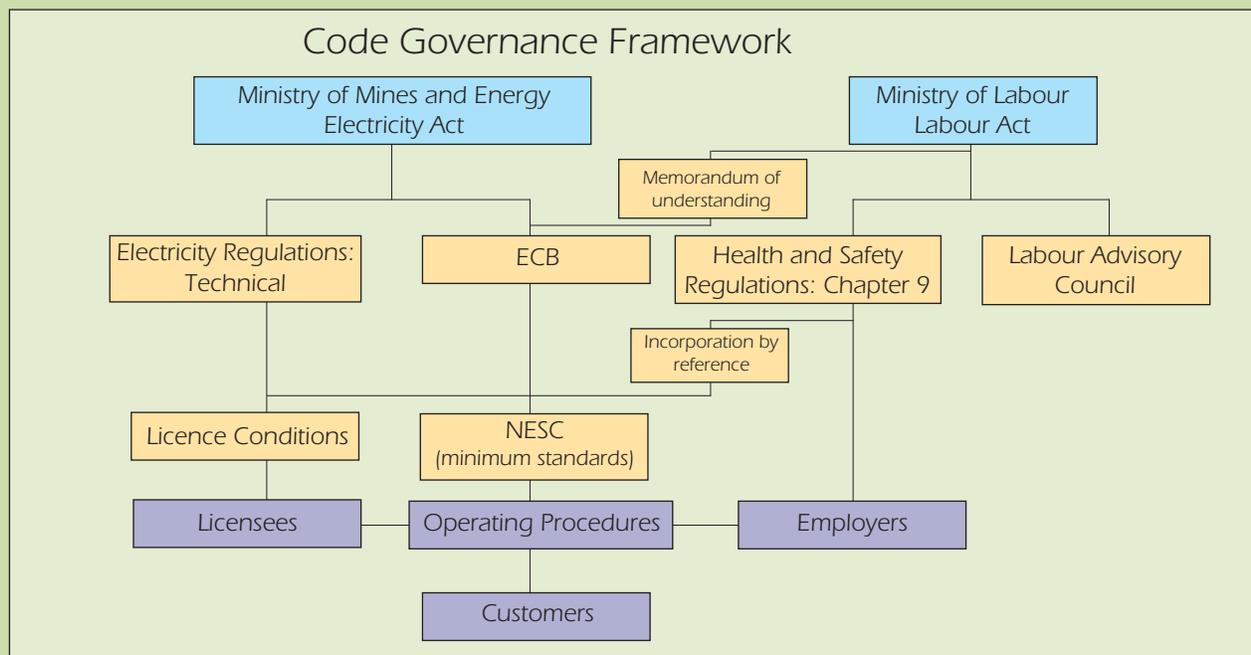


Fig 1: Safety Code Governance Framework

The Namibian Electricity Safety Code (NESC)

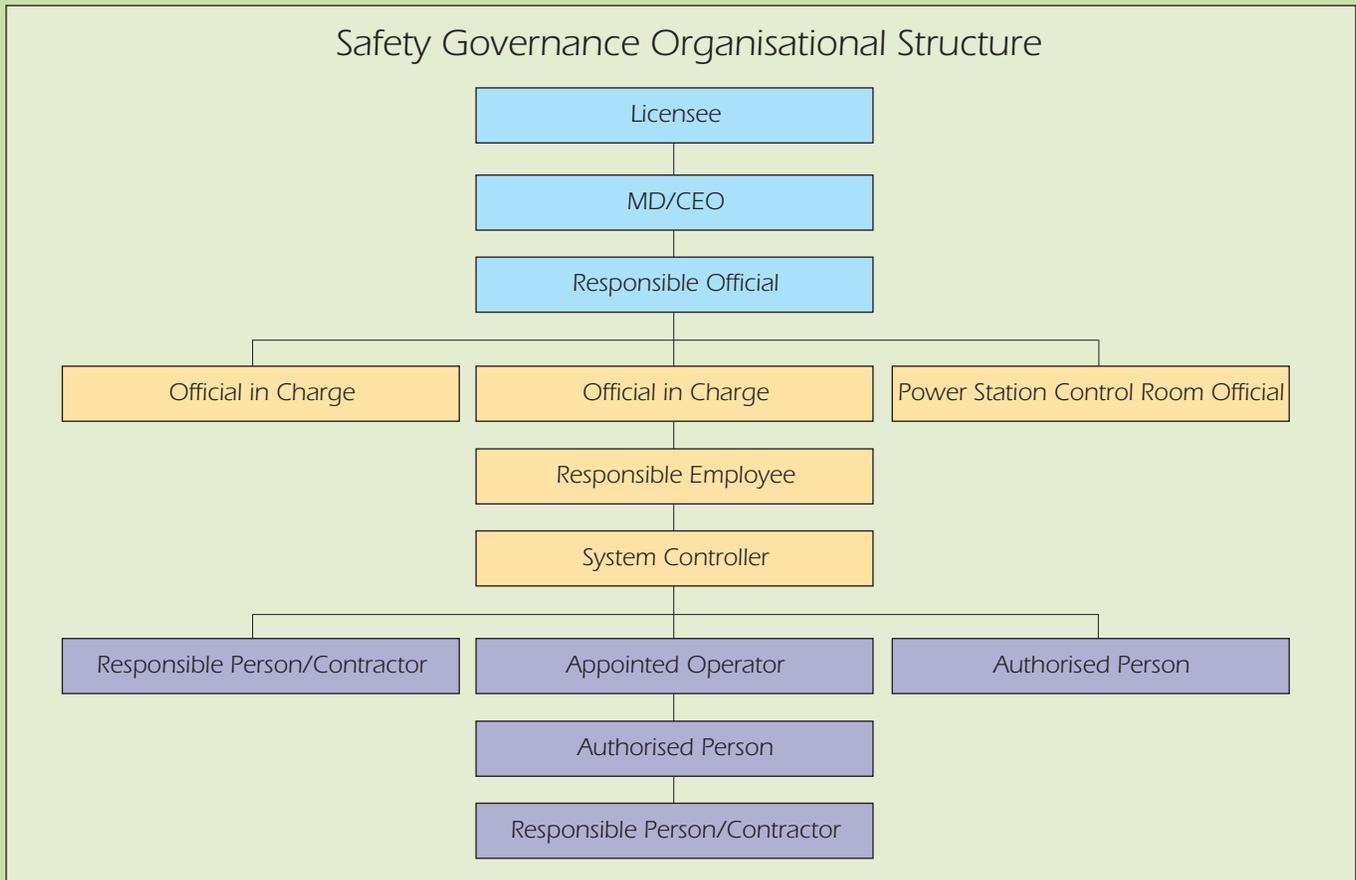


Fig 2: Safety Code Governance Organizational Structure

A brief background to the Code development is given herewith. Recently there has been an increase in the number of accidents in the ESI. Some have been attributed to poor adherence to safety rules and others to poor and unsafe installations. It has to be noted that accidents in the ESI directly impact on Quality of Supply and Service delivery, hence the need for a Safety Code to assist in minimizing these accidents. Various safety documents exist for some licensees (sometimes referred to as operational rules/codes) and others do not have them at all or, if they have them, they are often not complied with. It is intended to establish uniform safety rules in the industry through the development of a Safety Code.

The Safety Code will also supplement the Namibian Grid Code in terms of the System Operations. Development of the Grid code has recently been concluded and is now awaiting promulgation and implementation.

Distribution Infrastructure Technical Standards

It was discovered that the various distribution licensees apply different technical standards for their electricity infrastructure. This necessitated the ECB to embark on a process to develop National Electricity Technical standards. Terms of reference for this project have since been developed and the project will be embarked upon during the course of the next review period.

The Namibian ESI is undergoing a restructuring process to create a rationalised distribution industry through the creation of five REDs. The REDs are inheriting infrastructure and systems from municipalities, regional and village councils as well as NamPower. In addition, they are embarking on infrastructure expansion programs necessitating installation of new equipment, construction of sub-stations and power lines as well as providing supply to both small and large consumers. Different technical standards are currently employed by each licensee pertaining to infrastructure installations. Some licensees carry out electrical installation without adhering to any standards. It is therefore imperative that uniform standards are developed for adoption by all the relevant players in the Namibian ESI. To that end, the ECB intends to embark on a project to harmonise the existing distribution electricity infrastructure standards and develop common electrical infrastructure standards for the Namibian ESI.

Grid Code Developments

A Grid Code is a document (or set of documents) that legally establishes technical requirements for the connection to and use of an electrical system by parties other than the owning electric utility in a manner that will ensure reliable, efficient, economic and safe operation.

Due to the envisaged increase in the number of users of the Namibian Transmission System (NTS) as a result of new power stations, the ECB developed a Transmission Grid Code in 2005. To make provision for small IPPs that sell directly to a RED, Local/Regional Authority or large customer a draft Distribution Grid Code has been developed. It will be completed during the 2008-9 financial year.

The new Electricity Act of 2007 commenced on 15 November 2007, and paved the way for the implementation of both the Transmission and Distribution Grid Codes in 2008-2009.

Compliance Monitoring

Licensees are required to comply with the provisions of the Electricity Act 2007. To this end, the ECB carries out compliance monitoring exercises. The ECB is in the process of developing comprehensive audit manuals for technical compliance monitoring. These will be used by the technical staff as checklist.

Complaints Handling

It is the duty of the ECB to protect the interests of both the customer and the supplier. In line with that, it developed a complaints handling procedure for the industry to follow and minimise conflicts between licensees and customers.

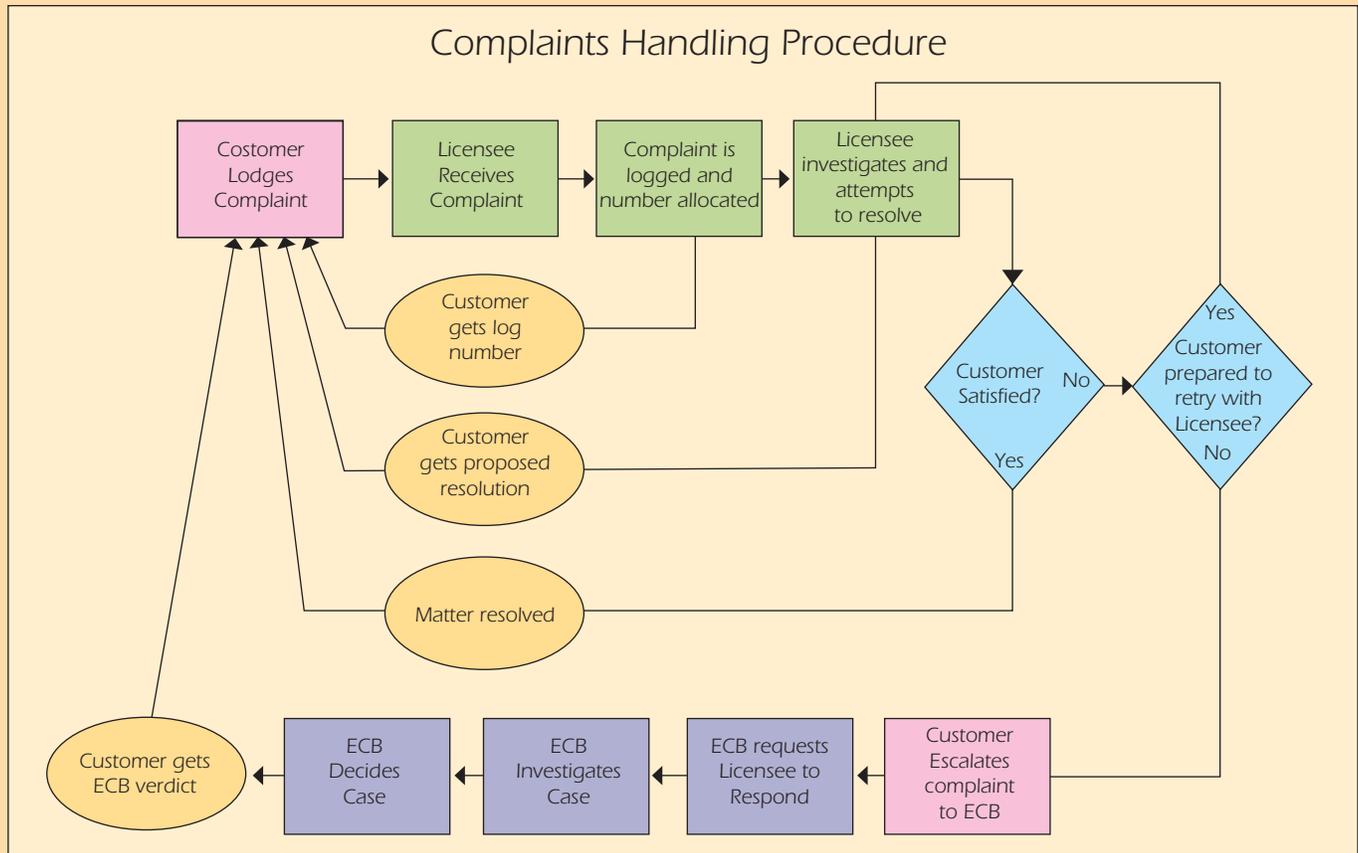


Fig 3: Complaints Handling Procedure

The ECB received complaints from various categories of customers during the course the period under review.

The following are highlights:

Katima Mulilo

The outage problems persisted during the first half of the period under review. However there was improvement after the commissioning of the Zambezi Sub-station and the supplies for the town were changed over from the old 66kV system to the new Zambezi substation.

Rundu Town Accident

An electrical fault on the NORED system resulting in customer equipment being damaged. A report has since been received from NORED. The matter was handled amicably with the affected customers.

INDUSTRY PERFORMANCE

General

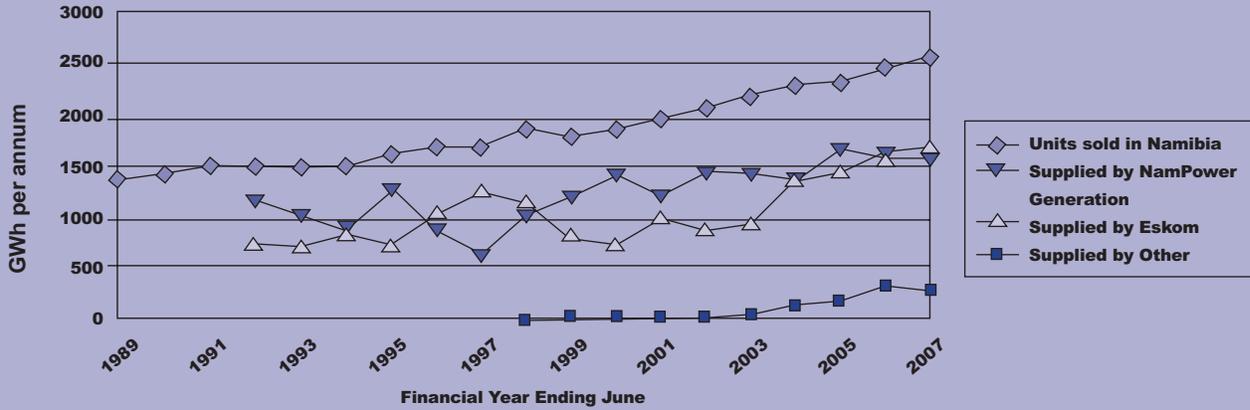
The Namibian Electricity Supply Industry is mainly driven by NamPower (Pty) Ltd, a wholly state-owned, vertically integrated monopoly which has been financially separated in Generation, Transmission, Energy Trading and distribution. The accounting separation was necessitated by industry reforms, which included the creation of an independent regulator and ongoing rationalisation of distribution sector into five RED companies.

For the period under review, The ECB in fulfilling its regulatory mandate and ensuring sustainable efficient supply in the industry has, completed the project on Licensees' Performance Framework. The final report of the performance guideline identified regional & international performance indicators, which the ECB would utilize in benchmarking the industry performance in future.

Generation

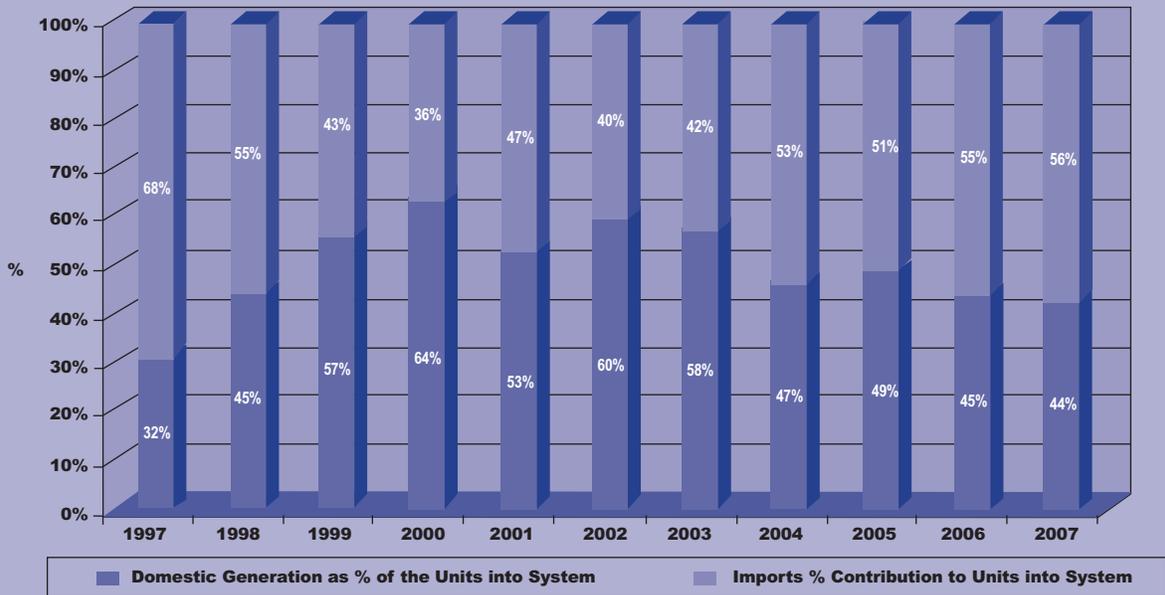
For the year under review, total units generated into the Namibian electricity system increased from 3,554 million units (2006) to 3,621 million units (2007), which is an overall two per cent increase. This increase in generated system units was driven by a 5% increase in total imports (which represents 57% of total generated units) whereby Eskom contributed 48%, and the remaining 0.7%, 2.9%, 1.9% and 3.2% was imported from Zambia, Zimbabwe, EDM and Short Term Energy Market – STEM, respectively. NamPower Generation Business Unit generated 44% of the total system units.

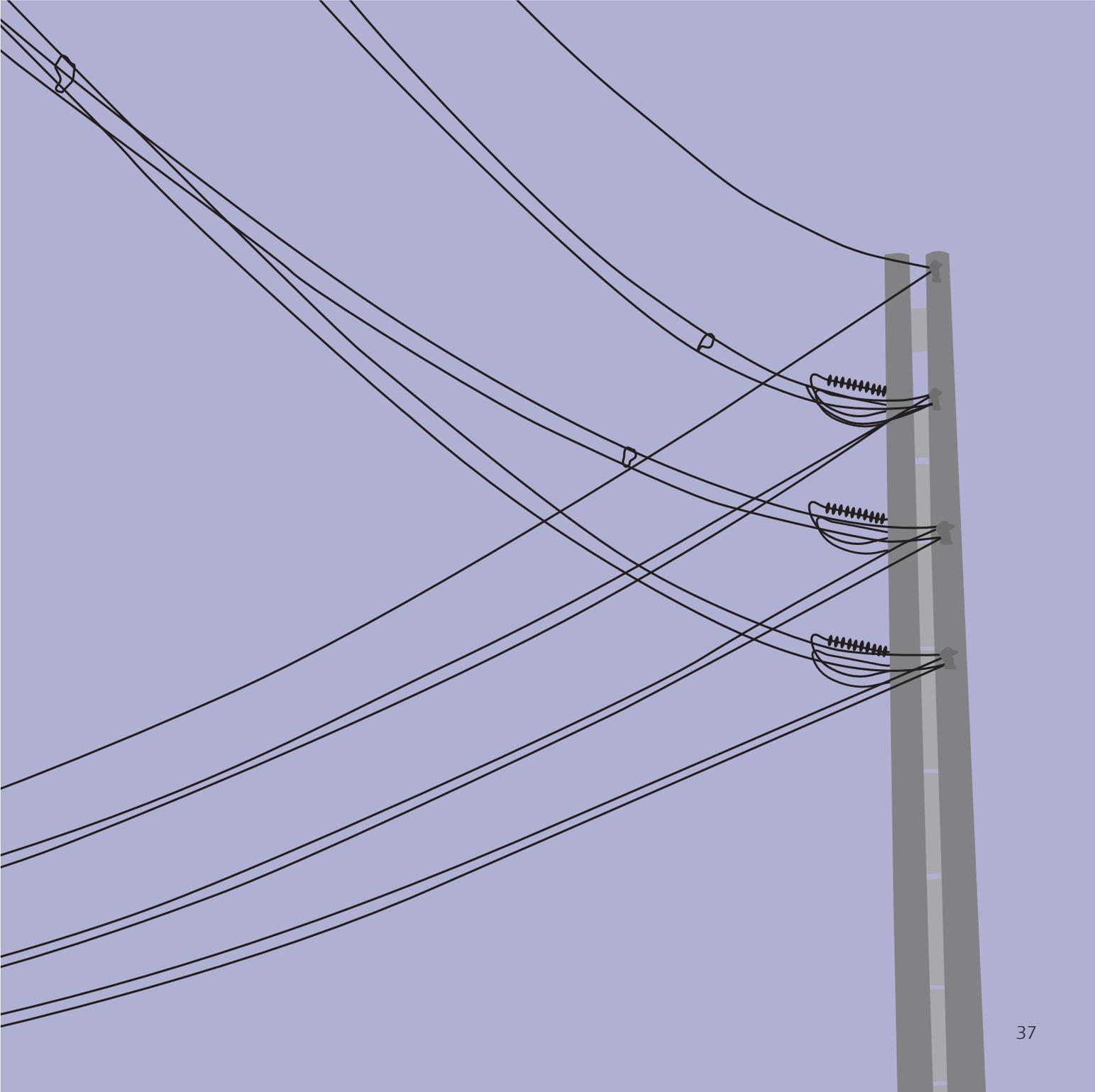
Namibia grid Demand for Electricity (excluding Skorpion Zinc Project)

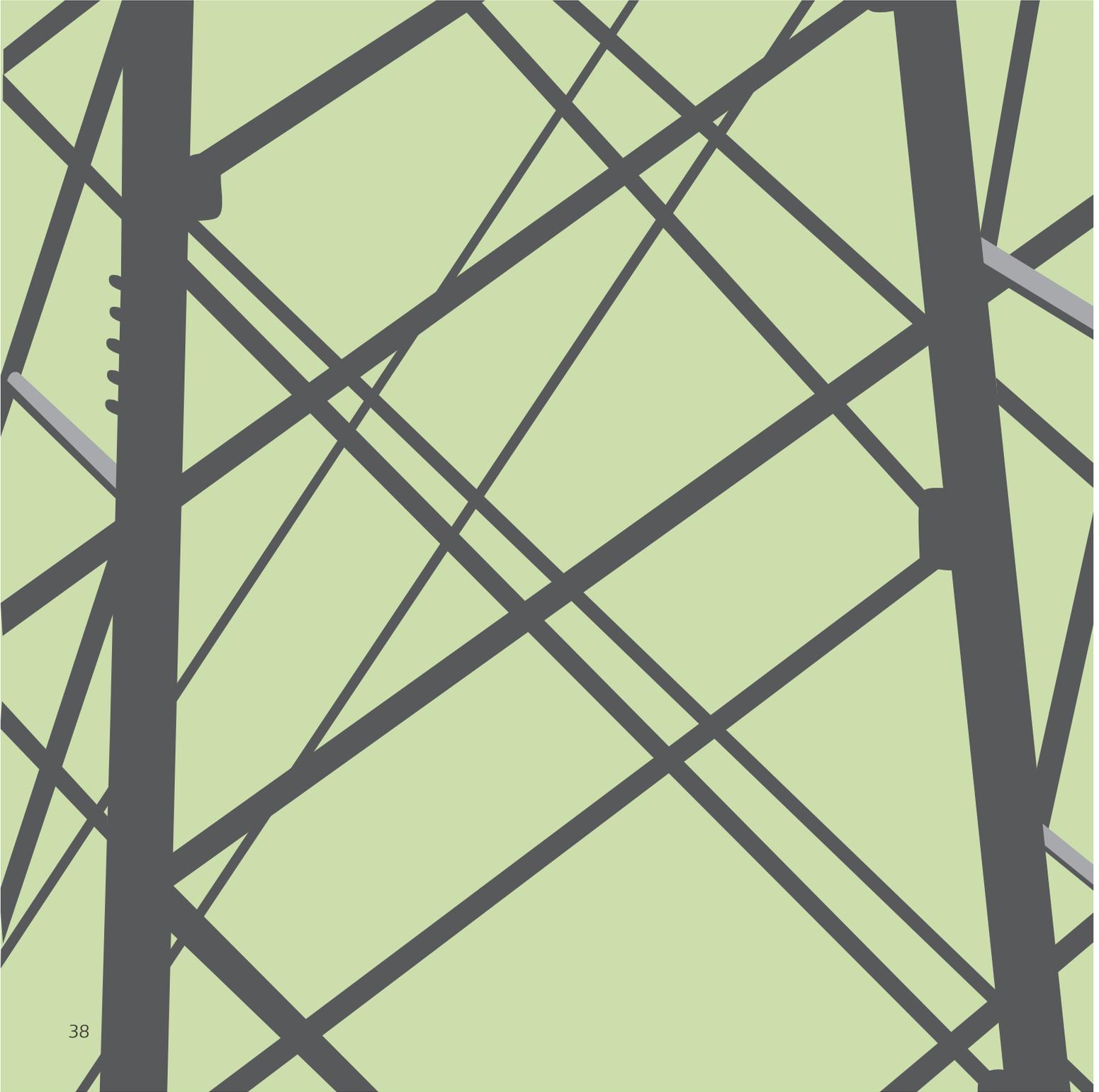


In addition to the above graph; the following graph further confirms Namibia's continued reliance on regional imports, especially Eskom imports which are currently obtained at emergency prices.

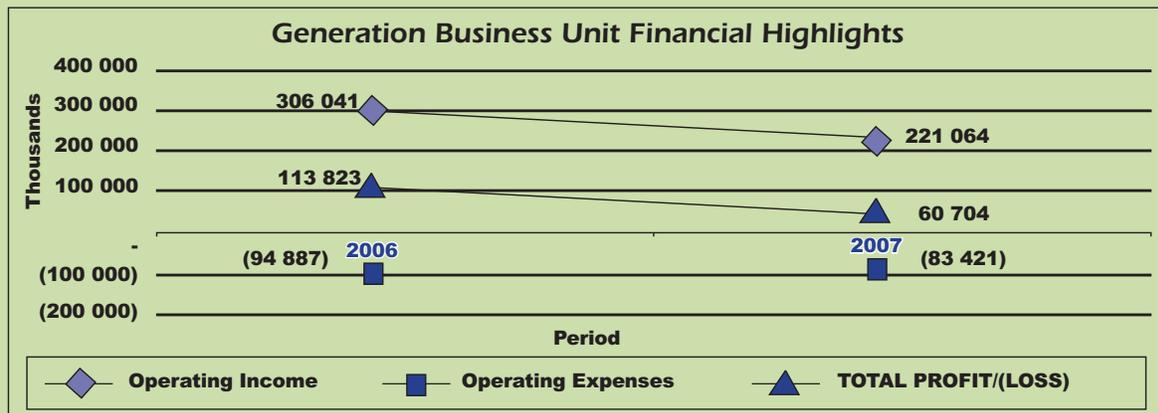
Imports vs. Domestic Generation



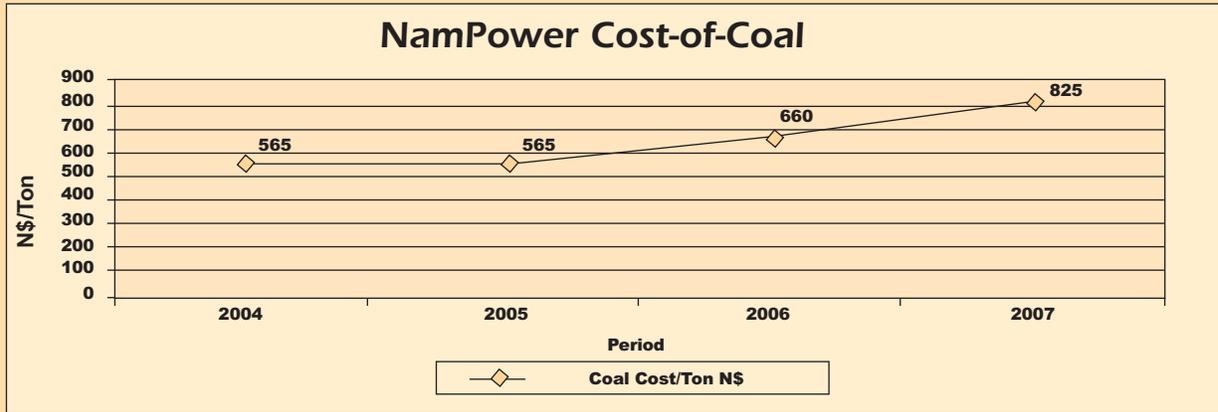




The following Graph depicts NamPower Generation Business Unit highlights for the period ended June 2007:

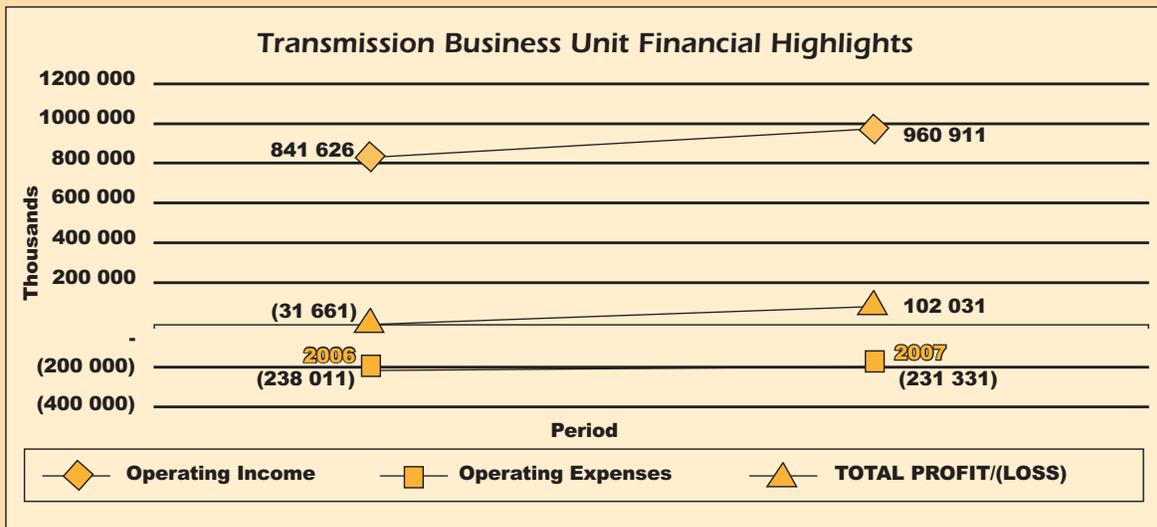


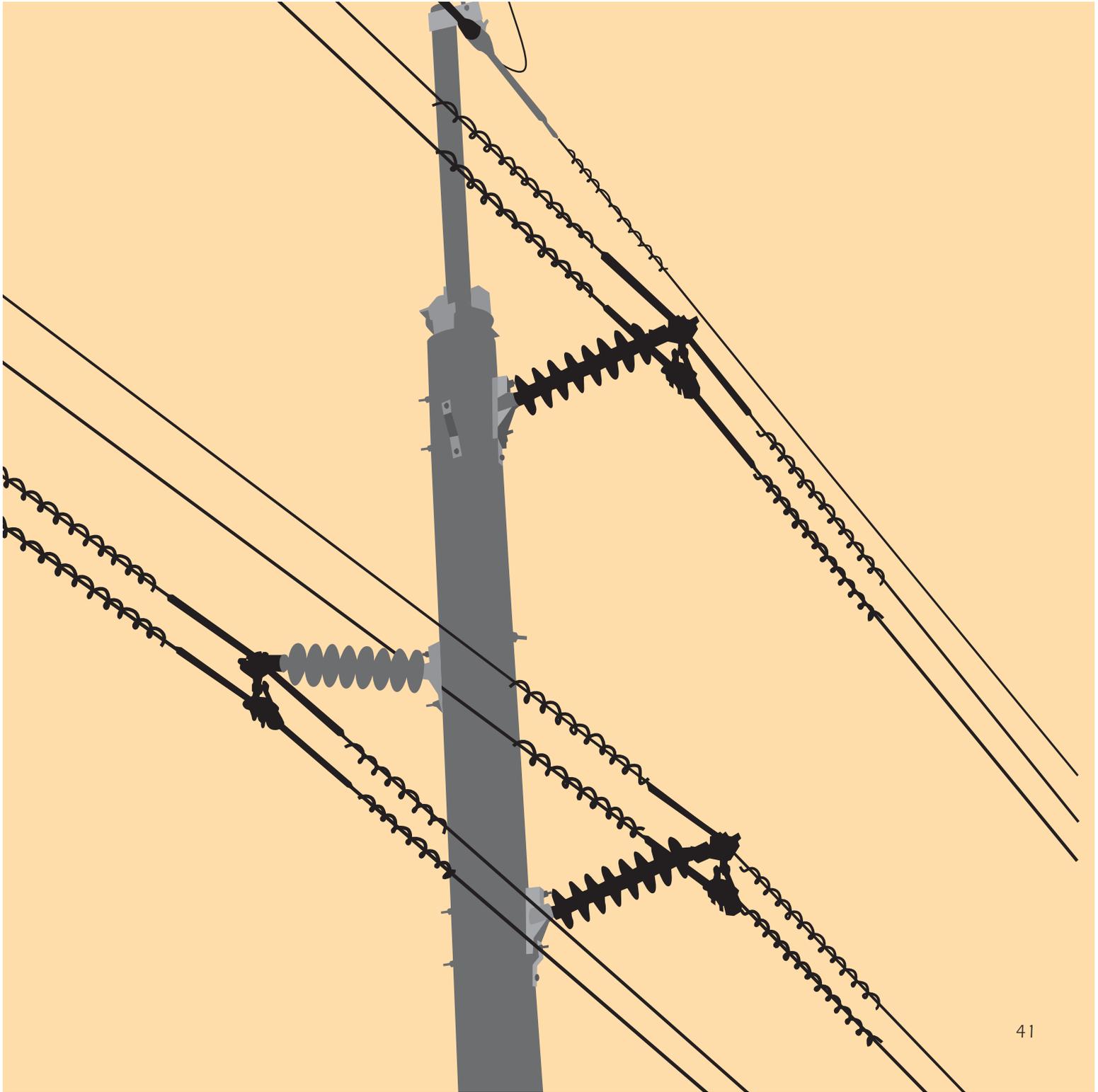
NamPower Generation business unit was heavily affected by the prevailing energy crises as reflected in its' 28% decrease in operating income as well as 47% decrease in profits. In line with the above declining trend, the business unit's operating expenses decreased by 12% for the period under review. The above unfavorable situation would be expected to continue until regional supply exceeds demand, especially cheaper electricity comparing to Namibian emergency power - Thermal power stations. Another contributing factor to the declining trend in generation was the cost of coal which increased by 25% for the period under review as depicted in the graph on the following page.



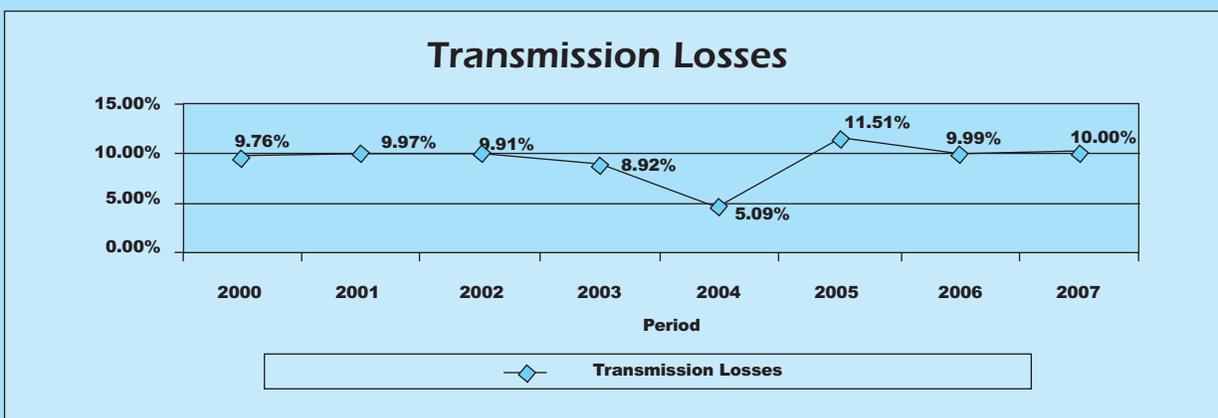
Transmission

NamPower (Pty) Ltd, a government-owned utility company, owns and operate the transmission business in Namibia. The transmission system hourly maximum demand (including Skorpion) increased by 10% from 490MW in 2006 to 539MW in 2007, whereas the total units sold (including Skorpion & exports) increased by two per cent as well from 3,199 million units to 3,259 million units. The following Graph depicts NamPower Transmission Business Unit financial highlights for the period ended June 2007:





NamPower transmission business unit produced an excellent performance that turned operating losses of N\$32 million for 2006 to N\$ 102 million operating profits for the period under review. The above excellent performance was supported by a three per cent decrease in operating expenses. The following Graph depicts the transmission losses over the last eight years, for the period under review the losses remained within regional and international accepted parameters.



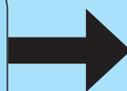
Distribution

The Namibian Electricity Distribution Industry (EDI) restructuring didn't make any significant progress for the period under review in creation of remaining two REDs – SORED and Central RED.

Before Restructuring

≈ 52 licensed Distributors

- NP
- LAVRC
- Farmer Co-ops



After Restructuring

Only five licensed RED Co's

- (NORED, CENORED, E-RED, CE-RED & SORED)

For the period under review; NORED, Erongo RED and Central North RED continued with operations within their respective licensed areas. The following table depicts how the operational REDs performed compared to international key performance indicators (as identified in the Licensees' Performance Framework) for the period ended 2006.

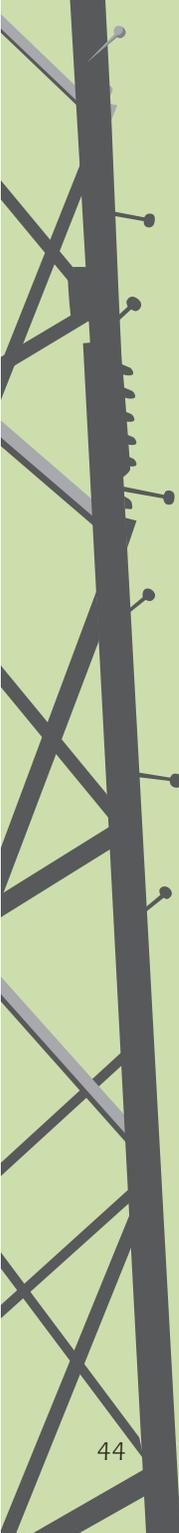
Table 1

Red Performance against Identified Benchmarks for the year ended June 2006

Key Performance Indicators	Nored	Results	Ceno	Results Red	Erongo	Result Red
Financial Indicators		Achieved Yes/No		Achieved Yes/No		Achieved Yes/No
ROA	1%		-16%		-11%	
ROA - Benchmark	≥4%	NO	≥4%	NO	≥4%	NO
Operating Margin	4%		-8%		-18%	
Operating Margin - Benchmark	≥17%	NO	≥17%	NO	≥17%	NO
Current Ratio	4.62		0.87		0.90	
Quik Ratio	4.08		0.86		0.73	
Liquidity - Benchmark	≥1	YES	≥1	NO	≥1	NO
Technical Indicator						
Energy Conversion Efficiency - Benchmarks	≥90%		≥90%		≥90%	
Energy Conversion Efficiency	83%	NO	77%	NO	89%	NO
Commercial Indicators						
Debtors Days	32		71		65	
Debtors days - Benchmark	≥51	YES	≥51	NO	≥51	NO
Operating Cost/Sales	44%		50%		62%	
Operating cost/Sales - Benchmark (%)	≥30%	NO	≥30%	NO	≥30%	NO
Bad debts (%)	2%		4%		3%	
Bad debts - Benchmark	<0.3	NO	<0.3	NO	<0.3	NO
Efficiency Indicators						
Customers/E#employee	317		206		200	
Customers/Employee - Benchmark	>300	YES	>300	NO	>300	NO
Energy Sold/Employee	1,445		1.069		2,370	
Energy Sold/Employee - Benchmark	≥6,000	NO	≥6,000	NO	≥6,000	NO

Source: NORED, CENORED and ERONGO RED Annual Financial Statements ended 2006

Apart from other period reviews, the above results clearly revealed inefficiencies inherent in the Namibian electricity distribution industry. NORED, the first RED company in Africa, in the above benchmarking results has underperformed on most indicators apart from maintaining their debtors' days to 32 and good liquidity ratios. CENORED and Erongo RED have both a challenge to improve on their current performance to meet the identified performance indicators.



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 45

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.

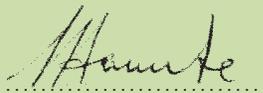
The annual financial statements are prepared on a going concern basis. Nothing has come to the attention of the Board members to indicate that the institution will not remain a going concern for the foreseeable future.

BOARD MEMBERS' APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The annual financial statements set out on pages 45 to 68 were approved by the board members on 14 July 2008 and are signed on their behalf by:



Board member



Board member

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF ELECTRICITY CONTROL BOARD

We have audited the annual financial statements of the Electricity Control Board, which comprise the report of the board members, the balance sheet as at 31 March 2008, the income statement, the statement of changes in reserves and the cash flow statement for the year ended 31 March 2008, a summary of significant accounting policies and other explanatory notes, as set out on pages 54 to 68 .

Board Members Responsibility for the Financial Statements

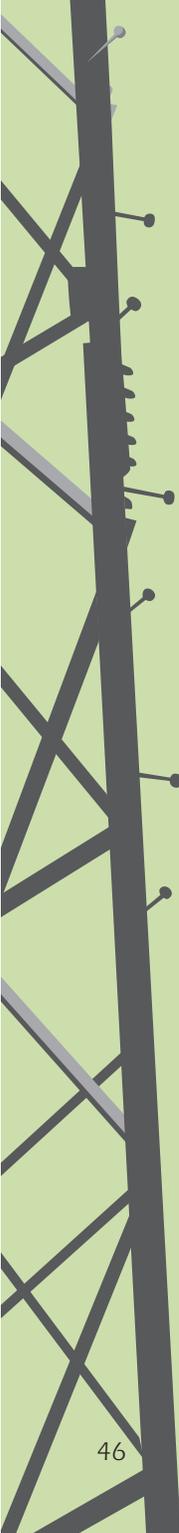
The Board members are responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and presentation of fair 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 principles used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall financial statement presentation.

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



Audit opinion

In our opinion, the financial statements fairly present, in all material respects, the financial position of the Electricity Control Board at 31 March 2008 and the results of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter- Detailed Income Statement

Without qualifying our opinion, we draw attention to the fact that the detailed income statement set out on page 18 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

14 July 2008

REPORT OF THE BOARD MEMBERS for the year ended 31 March 2008

The Board members have pleasure in presenting their report on the activities of the Board for the year ended 31 March 2008.

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.

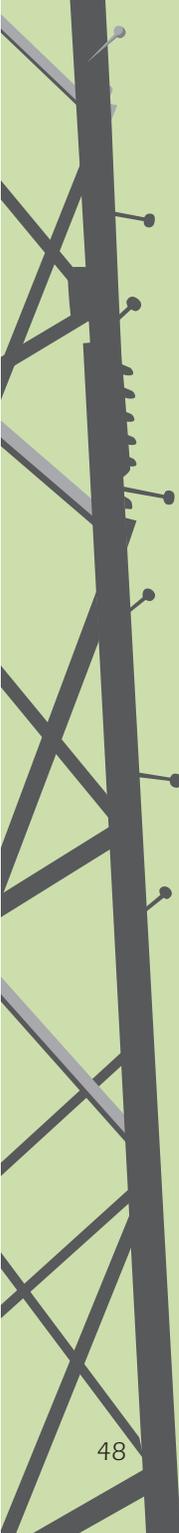
Dividends

No dividends have been paid or declared during the year (2007: 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 Gerson Katjimune	
Ms Uilkka Kamboua	
Ms PN Shimutwikeneni	(appointed - 14/12/2007)
Mr Fritz Jeske	
Ms Anna Matebele	(resigned - 31/08/2007)



Board Secretary

Ms Damoline Muruko
Ms Jacqueline Scholz

(appointed - 01/10/2007)
(resigned - 30/06/2007)

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.

Going Concern

The Board incurred a surplus of N\$7 280 641 (2007: N\$ 650 136- deficit) and a surplus of N\$20 570 is forecasted for the 2008/9 financial year. The Board has also accumulated sufficient surplus to absorb any future deficits and together with future revision to the levies, these will ensure the operational existence of the Board and this confirms the appropriateness of the going concern basis in the preparation of the annual financial statements.

INCOME STATEMENT
for the year ended 31 March 2008

	Notes	2008 N\$	2007 N\$
REVENUE	1	19 650 692	12 286 695
Other income		8 756	7 221
Operating costs		(13 254 206)	(13 326 797)
SURPLUS/(DEFICIT) BEFORE INTEREST		<u>6 405 242</u>	<u>(1 032 881)</u>
Interest received		<u>875 399</u>	<u>382 745</u>
SURPLUS/(DEFICIT) BEFORE TAXATION	2	7 280 641	(650 136)
Taxation	3	-	-
SURPLUS/(DEFICIT) FOR THE YEAR		<u><u>7 280 641</u></u>	<u><u>(650 136)</u></u>

BALANCE SHEET
at 31 March 2008

	Notes	2008 N\$	2007 N\$
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	3 692 267	4 072 917
CURRENT ASSETS			
Accounts receivable	5	2 095 549	973 683
Bank balances and cash		14 250 334	6 726 920
TOTAL ASSETS		20 038 150	11 773 520
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Accumulated funds		16 892 455	9 611 814
CURRENT LIABILITIES			
Accounts payable	6	2 552 334	1 623 261
Trust funds - MME projects	7	593 361	538 445
TOTAL EQUITY AND LIABILITIES		20 038 150	11 773 520

**STATEMENT OF CHANGES IN RESERVES
FOR THE YEAR ENDED 31 March 2008**

	Accumulated Funds N\$	Total N\$
Balance at 01 April 2006	10 261 950	10 261 950
Deficit for the year	(650 136)	(650 136)
Balance at 31 March 2007	9 611 814	9 611 814
Surplus for the year	7 280 641	7 280 641
Balance at 31 March 2008	<u>16 892 455</u>	<u>16 892 455</u>

CASH FLOW STATEMENT
for the year ended 31 March 2008

	Note	2008 N\$	2007 N\$
CASH FLOWS FROM OPERATING ACTIVITIES		7 545 960	247 442
Cash received from government and customers		18 522 285	12 199 493
Cash paid to suppliers and employees		(11 851 724)	(12 334 796)
Cash generated from/ (utilised by) operations	A	6 670 561	(135 303)
Interest received		875 399	382 745
CASH FLOW FROM INVESTING ACTIVITIES		(77 462)	(111 876)
Insurance proceed on property, plant and equipment		8 756	-
Acquisition of property, plant and equipment		(86 218)	(111 876)
CASH FLOW FROM FINANCING ACTIVITIES		54 916	202 599
Increase in Trust Funds -MME Projects		54 916	202 59
Net increase in cash and cash equivalents		7 523 414	338 165
Cash and cash equivalents at the beginning of the year		6 726 920	6 388 755
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		<u>14 250 334</u>	<u>6 726 920</u>

CASH FLOW STATEMENT
for the year ended 31 March 2008 - CONTINUED

	Note	2008 N\$	2007 N\$
NOTE:			
A. Reconciliation of surplus/ (deficit) before taxation to cash generated from /(utilised by) operations			
Surplus/(deficit) before taxation		7 280 641	(650 136)
Adjusted for:			
Depreciation		461 078	321 705
Loss on disposal of fixed assets		5 791	-
Insurance proceeds		(8 756)	-
Interest received		(875 399)	(382 745)
		6 863 355	(711 176)
Working capital changes		(192 794)	575 873
Increase in accounts receivable		(1 121 866)	(94 423)
Increase in accounts payable		929 072	670 296
		6 670 561	(135 303)
CASH GENERATED FROM/ (UTILISED BY) OPERATIONS		6 670 561	(135 303)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2008

1. PRINCIPAL ACCOUNTING POLICIES

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").

1.1 Recent amendments

Changes in International Accounting Standards ("IAS")

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:

New and revised statements/IAS	Effective date
IFRS 1: First-time Adoption of International Financial Reporting Standards - Amendment relating to cost of an investment on first-time adoption	Annual periods beginning on or after 1 January 2009
IFRS 2: Share-based Payment-Amendment relating to vesting conditions and cancellation	Annual periods beginning on or after 1 January 2009
IFRS 3: Business Combinations-Comprehensive revision on applying the acquisition method	Annual periods beginning on or after 1 July 2009
IFRS 5: Non-current Assets Held for Sale and Discontinued Operations-Amendments resulting from May 2008 Annual Improvements to IFRSs	Annual periods beginning on or after 1 July 2009
IFRS 8: Operating Segments	Annual periods beginning on or after 1 January 2009
IAS 1: Presentation of Financial Statements - Comprehensive revision including requiring a statement of comprehensive income	Annual periods beginning on or after 1 January 2009
IAS 1: Presentation of Financial Statements - Amendments relating to disclosure of puttable instruments and obligations arising on liquidation	Annual periods beginning on or after 1 January 2009

NOTES TO THE ANNUAL FINANCIAL STATEMENTS - CONTINUED
for the year ended 31 March 2008

1.1 Recent amendments - CONTINUED

New and revised statements/IAS	Effective date
IAS 1: Presentation of Financial Statements - Amendments resulting from May 2008 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2009
IAS 16: Property, Plant and Equipment - Amendments resulting from May 2008 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2009
IAS 19: Employee Benefits- Amendments resulting from May 2008 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2009
IAS 20: Government Grants and Disclosure of Government Assistance- Amendments resulting from May 2008 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2009
IAS 23: Borrowing Costs- Comprehensive revision to Prohibit immediate expensing.	Borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009
IAS 23: Borrowing Costs- Amendments resulting from May 2008 Annual Improvements to IFRS	Annual periods beginning on or after 1 January 2009
IAS 27: Consolidated and Separate Financial Statements- Consequential amendments arising from amendments to IFRS 3	Annual periods beginning on or after 1 July 2009
IAS 27: Consolidated and Separate Financial Statements- Amendment relating to cost of an investment on First-time adoption	Annual periods beginning on or after 1 January 2009
IAS 27: Consolidated and Separate Financial Statements- Amendments resulting from May 2008 Annual Improvements to IFRS	Annual periods beginning on or after 1 January 2009
IAS 28: Investments in Associates - Consequential amendments to IFRS 3	Annual periods beginning on or after 1 July 2009
IAS 28: Investments in Associates - Amendments resulting from May 2008 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2009

NOTES TO THE ANNUAL FINANCIAL STATEMENTS - CONTINUED
for the year ended 31 March 2008

1.1 Recent amendments - CONTINUED

New and revised statements/IAS	Effective date
IAS 29: Financial Reporting in Hyperinflationary Economies- Amendments resulting from May 2008 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2009
IAS 31: Interests in Joint Ventures - Consequential amendments arising from amendment to IFRS 3	Annual periods beginning on or after 1 July 2009
IAS 31: Interests in Joint Ventures - Amendments resulting from May 2008 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2009
IAS 32: Financial Instruments: Presentation-Amendments relating to puttable instruments and obligations arising on liquidation	Annual periods beginning on or after 1 January 2009
IAS 36: Impairment of Assets - Amendments resulting from May 2008 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2009
IAS 38: Intangible Assets - Amendments resulting from May 2008 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2009
IAS 39: Financial Instruments: Recognition and Measurement- Amendments resulting from May 2008 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2009
IAS 40: Investment Property - Amendments resulting from May 2008 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2009
IAS 41: Agriculture- Amendments resulting from May 2008 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2009
IFRIC12: Service Concession Arrangements	Annual periods beginning on or after 1 January 2008
IFRIC14: IAS 19: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	Annual periods beginning on or after 1 January 2008

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2008

1. PRINCIPAL ACCOUNTING POLICIES (continued)

1.2. Revenue

Revenue comprises levies; licence 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.

1.3 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.)
- Office 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.

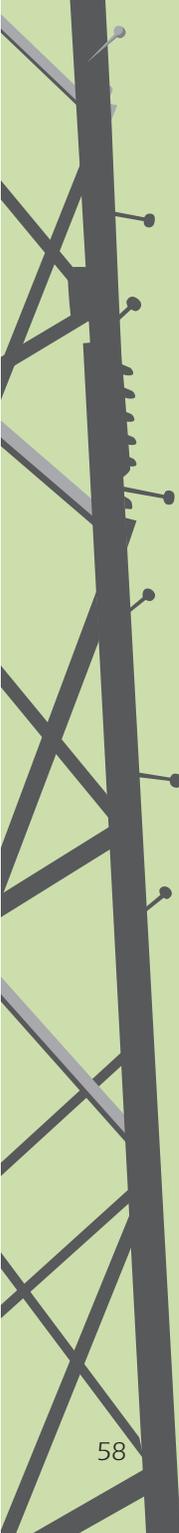
Useful lives and residual values are reviewed annually.

1.4 Retirement benefits

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

1.5 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.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2008

PRINCIPAL ACCOUNTING POLICIES (continued)

1.6 Impairment of assets

At each balance sheet 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.

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 profit or loss.

1.7 Financial instruments

Initial measurement

Financial assets and financial liabilities are recognised on the balance sheet when the Board has become a party to the contractual provisions of the instrument. Financial instruments carried on the balance sheet include bank and cash balances, accounts receivable and accounts payable.

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 2008

PRINCIPAL ACCOUNTING POLICIES (continued)

1.8 Trade 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 profit and loss or loss 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.

1.9 Trade payables

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

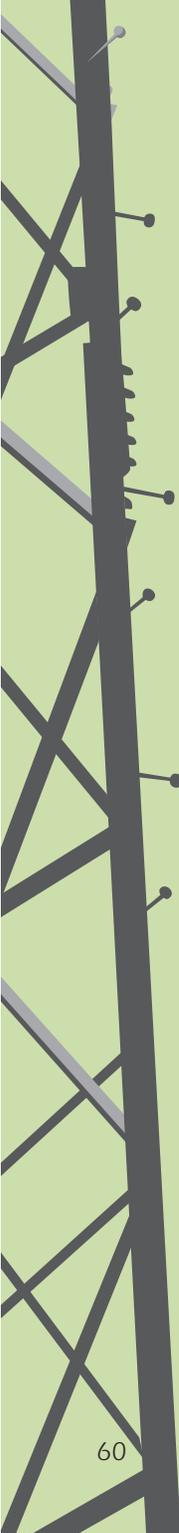
1.10 Leasing

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 balance sheet 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 income statement 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.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2008

PRINCIPAL ACCOUNTING POLICIES (continued)

1.11 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.

1.12 Key sources of estimation uncertainty

There are no key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet 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.

1.13 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 2008

PRINCIPAL ACCOUNTING POLICIES (continued)

	2008	2007
	N\$	N\$
2. SURPLUS /(DEFICIT) BEFORE TAXATION		
Surplus /(deficit) before taxation is arrived at after taking the following items into account:		
<u>Income:</u>		
Interest received	875 399	382 745
Insurance proceeds	8 756	-
	<hr/> <hr/>	<hr/> <hr/>
Expenditure:		
<u>Auditor's remuneration:</u>		
- audit fees		
- current year	71 830	-
- prior year	65 300	51 750
	<hr/> <hr/>	<hr/> <hr/>
Depreciation		
- land and buildings	97 082	4 617
- motor vehicle	155 343	137 528
- computer equipment	49 716	69 360
- furniture and equipment	158 937	110 200
	<hr/> <hr/>	<hr/> <hr/>
	461 078	321 705
Members' emoluments		
- services as members	65 000	69 000
- other services	2 822	10 117
	<hr/> <hr/>	<hr/> <hr/>
	67 822	79 117
Staff costs		
	<hr/> <hr/>	<hr/> <hr/>
	7 121 327	7 187 925
Operating leases		
- office equipment	<hr/> <hr/>	<hr/> <hr/>
	244 328	250 037

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2008

3. TAXATION

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

4. PROPERTY, PLANT AND EQUIPMENT

2008	Land & buildings N\$	Motor Vehicles N\$	Computer equipment N\$	Furniture & equipment N\$	Total N\$
Cost					
At 01 April 2007	3 727 940	550 118	652 201	880 006	5 810 265
Disposals	-	-	(51 335)	-	(51 335)
Additions during the year	-	-	47 624	38 594	86 218
At 31 March 2008	3 727 940	550 118	648 490	918 600	5 845 148
Accumulated depreciation					
At 01 April 2007	250 779	314 547	557 362	614 660	1 737 348
Disposals	-	-	(45 545)	-	(45 545)
Depreciation during the year	97 082	155 343	49 716	158 937	461 078
At 31 March 2008	347 861	469 890	561 533	773 597	2 152 881
Net book value at 01 April 2007	3 477 161	235 571	94 839	265 346	4 072 917
Net book value at 31 March 2008	3 380 079	80 228	86 957	145 003	3 692 267

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2008

2007	Land & buildings	Motor Vehicles	Computer equipment	Furniture & equipment	Total
Cost	N\$	N\$	N\$	N\$	N\$
At 01 April 2006	3 727 940	550 118	553 265	867 066	5 698 389
Disposals	-	-	-	-	-
Additions during the year	-	-	98 936	12 940	111 876
At 31 March 2007	<u>3 727 940</u>	<u>550 118</u>	<u>652 201</u>	<u>880 006</u>	<u>5 810 265</u>
Accumulated depreciation					
At 01 April 2006	246 162	177 019	488 002	504 460	1 415 643
Disposals	-	-	-	-	-
Depreciation during the year	4 617	137 528	69 360	110 200	321 705
At 31 March 2007	<u>250 779</u>	<u>314 547</u>	<u>557 362</u>	<u>614 660</u>	<u>1 737 348</u>
Net book value at 01 April 2006	<u>3 481 778</u>	<u>373 099</u>	<u>65 263</u>	<u>362 606</u>	<u>4 282 746</u>
Net book value at 31 March 2007	<u>3 477 161</u>	<u>235 571</u>	<u>94 839</u>	<u>265 346</u>	<u>4 072 917</u>

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2008

	2008	2007
	N\$	N\$
5. ACCOUNTS RECEIVABLE		
Trade receivables	2 288 097	1 045 874
Sundry debtors	-	43 304
Staff loans and advances	14 005	14 505
	<u>2 302 102</u>	<u>1 103 683</u>
Provision for doubtful debtors	(206 553)	(130 000)
	<u>2 095 549</u>	<u>973 683</u>
6. ACCOUNTS PAYABLE		
Sundry creditors	826 737	206 912
Accruals	1 725 597	1 416 349
	<u>2 552 334</u>	<u>1 623 261</u>
7. TRUST FUNDS - MME PROJECTS		
Balance at beginning of year	538 445	335 846
Funds received	400 388	1 796 632
Disbursements	(345 472)	(1 594 033)
Balance at end of year	<u>593 361</u>	<u>538 445</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 2008**

8. RETIREMENT BENEFITS FOR EMPLOYEES

Retirement benefits are provided for employees through an independent retirement fund known as Ondunda Pension Scheme by Metropolitan Namibia Limited. 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\$ 743 361 (2007: N\$ 798 761).

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Interest rate risk management

As part of the process of managing the 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.

Credit risk management

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

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2008

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

2008	Carrying N\$	On Demand N\$	Term to maturity		
			1-12 months amount N\$	1-5 years N\$	Over 5 years N\$
Financial Assets					
Accounts receivables	2 095 549		2 095 549		
Bank balances and cash	14 250 334	14 250 334	-	-	-
	<u>16 345 883</u>	<u>14 250 334</u>	<u>2 095 549</u>	<u>-</u>	<u>-</u>
Financial Liabilities					
Trade and other payables	2 552 334	-	2 552 334	-	-
Trust funds- MME projects	593 361	593 361	-	-	-
	<u>3 145 695</u>	<u>593 361</u>	<u>2 552 334</u>	<u>-</u>	<u>-</u>
Net liquidity gap		13 656 973	(456 785)	-	-
2007	Carrying amount	On Demand	1-12 months	1-5 years	Over 5 years
	N\$	N\$	N\$	N\$	N\$
Financial Assets					
Accounts receivables	973 683		973 683		
Bank balances and cash	6 726 920	6 726 920	-	-	-
	<u>7 700 603</u>	<u>6 726 920</u>	<u>973 683</u>	<u>-</u>	<u>-</u>
Financial Liabilities					
Trade and other payables	1 623 261	-	1 623 261	-	-
Trust funds- MME projects	538 445	538 445	-	-	-
	<u>2 161 706</u>	<u>538 445</u>	<u>1 623 261</u>	<u>-</u>	<u>-</u>
Net liquidity gap		6 188 475	(649 578)	-	-
Fair value					

The directors are of the opinion that the book value of financial instruments approximates fair value.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2008

	2008 N\$	2007 N\$
10. COMMITMENTS		
Capital commitments		
- authorised but not contracted	-	298 818
	-	298 818
<p>At the balance sheet date, the Board had outstanding lease commitments under non-cancellable operating lease for its office equipment, which fall due as follows;</p>		
Within one year	52 981	19 906
In the second to five years	20 861	38 217
	<u>73 842</u>	<u>58 123</u>
12. RELATED PARTIES		
<p>The Board regards RERA, Government and other parastatals as related parties. The following were the transactions entered into during the year:</p>		
Regional Electricity Regulator of Southern Africa (RERA)		
Subscription fees (membership)	300 000	300 000
	<u>300 000</u>	<u>300 000</u>
<p>Compensation of key management personnel</p>		
Short-term benefits	952 595	2 045 048
Post-employment	491 904	515 711
	<u>1 444 499</u>	<u>2 560 759</u>

**DETAILED INCOME STATEMENT
for the year ended 31 March 2008**

	2008 N\$	2007 N\$
INCOME		
Levies received	19 517 192	12 160 195
Licence fees	80 250	83 000
Registration fees	53 250	43 500
Interest received	875 399	382 745
Other income	8 756	7 221
TOTAL INCOME	<u>20 534 847</u>	<u>12 676 661</u>
EXPENDITURE		
Advertising	287 024	525 179
Audit fees - current year	71 830	-
- prior year	65 300	51 750
Bad debts provision	141 112	-
Bank charges	18 800	13 899
Bursaries	87 897	77 772
Computer expenses	61 648	35 551
Computer software expenses	2 885	-
Conference and seminar expenses	175 232	29 813
Depreciation	461 078	321 705
Members' fees	67 822	79 117
Donations	51 493	5 000
Entertainment	71 322	43 760
Insurance	80 077	92 812
Legal and professional fees	2 126 707	2 053 005
Licences and permits	17 477	29 330
Light, heat and water	146 364	121 312
Maintenance	61 903	35 476
Loss on disposal of fixed assets	5 791	-
Office expenses	42 861	181 274
Postage and couriers	2 756	9 224
Printing and stationary	187 589	97 577
Recruitment and staff training	445 975	698 991
Rent – equipment	244 328	250 037
Salaries and other staff costs	7 121 327	7 187 925
Security services	63 352	48 864
Sponsorships	12 600	49 500
Subscriptions	325 109	404 467
Subsistence and travelling - staff members	596 121	367 574
- board members	38 138	240 940
Telephone and fax	105 803	216 955
Vehicle expenses	66 485	57 987
TOTAL EXPENDITURE	<u>13 254 206</u>	<u>13 326 797</u>
SURPLUS/(DEFICIT) FOR THE YEAR	<u>7 280 641</u>	<u>(650 136)</u>

The background is a solid yellow color. It features several sets of parallel black lines that run diagonally from the top-left towards the bottom-right. Two square shapes, each formed by four small black circles at the corners connected by thin lines, are positioned on these diagonal lines. One square is located in the upper right quadrant, and the other is in the lower left quadrant.

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