



**REPUBLIC OF NAMIBIA**



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE  
MUNICIPALITY OF OMARURU**

**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012**

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**REPUBLIC OF NAMIBIA**



**TO THE HONOURABLE SPEAKER OF THE NATIONAL ASSEMBLY**

I have the honour to submit herewith my report on the accounts of the Municipality of Omaruru for the financial year ended 30 June 2012, in terms of Article 127(2) of the Namibian Constitution. The report is transmitted to the Honourable Minister of Finance in terms of Section 27(1) of the State Finance Act, 1991, (Act 31 of 1991) to be laid upon the Table of the National Assembly in terms of Section 27(4) of the Act.

**WINDHOEK, February 2015**

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR GENERAL ON THE ACCOUNTS OF THE  
MUNICIPALITY OF OMARURU FOR THE FINANCIAL YEAR ENDED  
30 JUNE 2012**

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**1. INTRODUCTION**

The accounts of the Municipality of Omaruru for the year ended 30 June 2012 are being reported on in accordance with the provisions set out in the State Finance Act, (Act 31 of 1991) and the Local Authorities Act, 1992 (Act 23 of 1992).

The firm EDB & Associates of Windhoek has been appointed in terms of Section 26(2) of the State Finance Act, 1991, to audit the accounts of the Municipality on behalf of the Auditor-General and under his supervision.

Figures in the report are rounded off to the nearest Namibia Dollar.

**2. FINANCIAL STATEMENTS**

The Municipality's financial statements were submitted to the Auditor-General by the Accounting Officer in compliance with Section 87(1) of the Local Authorities Act, 1992. The audited financial statements are in agreement with the general ledger and are filed in the Office of the Auditor-General. The abridged balance sheet, Annexure A, is a true reflection of the original, signed by the Accounting Officer.

The financial statements also include:

- Annexure B: Income statement
- Annexure C: Cash flow statement
- Annexure D: Notes to the financial statements

**3. SCOPE OF THE AUDIT**

***Management's responsibility for the financial statements***

The Accounting Officer of the Municipality is responsible for the preparation and fair presentation of the financial statements and for ensuring the regularity of the financial transactions. The responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

***Auditor's responsibility***

It is the responsibility of the Auditor-General to form an independent opinion, based on the audit, on those statements and on the regularity of the financial transactions included in them and to report his opinion to the National Assembly. The said firm conducted the audit in accordance with International Standards on Auditing. Those standards require that the firm complies with ethical requirements and plans and performs the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or

error. In making those risk assessments, the auditor considers internal controls 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 or expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

#### **4. AUDIT OBSERVATIONS AND COMMENTS**

During the audit the following observations were made:

##### **4.1 Unrecorded liabilities**

Unrecorded liabilities to the amount of N\$ 609 759 were detected.

As a result of the above Council's liabilities and expenditure at year end has been understated.

##### **4.2 Build Together debtors**

The debtors list for loans advanced through the Build Together Fund could not be availed at the time of the audit; no bookkeeping was done for the year under review.

##### **4.3 Investment – Erongo RED**

The Municipal's financial statements do not reflect its 2.5% shareholding in Erongo RED as well as capital contributions e.g. cash and electrical assets, etc.

##### **4.4 Contribution NATIS**

The auditors calculations revealed that the claims from Natis expenditure were understated by N\$ 13 562.

It has also been noted that the Council did not raise receivables of monies still owed by NATIS.

The Council fails not to process invoices of Road Authority on the system and only cash receipts are allocated to the general ledger upon receipt.

VAT was also not allocated in the appropriate periods because of the allocation of receipts directly to income.

##### **4.5 Royalties surcharges**

A material difference of N\$ 190 989 of which N\$ 112 0000 being VAT incorrectly accounted for and N\$ 78 442 income of July 2011 had not been recorded on the system.

##### **4.6 Road Fund Administration (RFA) subsidies**

RFA subsidies posted to the ledger were VAT inclusive, VAT not accounted for amounted to N\$ 87 014.22.

##### **4.7 Gazetted rates**

The gazetted rates of water were only updated five (5) months into the financial year; whilst assessment rates were not updated at all and remained on the old tariffs.

##### **4.8 Recoverability of Debtors**

Debt at +120 days represents 71% of total debt. This cast significant doubt about the collectability of the debt outstanding, however a significant provision has been made.

#### **4.9 Debtors with credit balances**

A sample tested of N\$ 455 195 on debtors with credit balances revealed that N\$ 437 359 reflected incorrect balances mainly due to unallocated deposits. Which represented an error rate of 96%.

#### **4.10 Payroll**

The reconciliation of the payroll expense as per the financial statements against the Finstel earnings reports found a material difference of N\$ 166 730.

No annual reconciliation was done by the Council to ensure that all transactions have been accounted for and differences investigated and corrected.

#### **4.11 Assets**

##### Asset additions

Additions on the fixed asset register amounted to N\$ 9 806 535 while the finstel system only reflected an amount of N\$ 8 834 310. The difference of N\$ 972 225 could not be explained by the Council.

##### Opening balances

The opening balance of the fixed assets on the fixed asset register differed with N\$ 255 036 when compared to the closing balance of the prior year annual financial statements.

#### **4.12 Budget recommendations and overspending**

It's with grave concern that the auditors noted that Council did not comply with the directives of the Ministry and the provisions of section 27(1)(c)(ii)(bb) of the Local Authorities Act (Act 23 of 1992) as amended by implementing salary increments without the Minister's approval for the 2011/2012 and 2010/2011 financial years. No Council correspondence to validate its deviation from these recommendations could be provided to the auditors.

The Councils Personnel costs have exceeded the maximum of 30% by 23%.

The auditors also found that numerous expense votes were over-spend compared to the approved budget and no Council virementation and Ministry approval was obtained.

#### **4.13 Capital projects**

The Municipality budgeted N\$ 23 980 000 for capital projects of which a mere N\$ 9 806 535 was actually spend or implemented. This is a serious concern, since capital projects are revenue generating and essential to the development of Omaruru as a Town.

#### **4.14 Council minutes**

The minutes availed to auditors seemed to be incomplete; and were also not properly authorized.

#### **4.14 Appointment of the Chief Executive Officer and Human Resource Officer**

Council appointed two applicants to the positions Human Resource Officer and Chief Executive Officer, which scored lower percentage points on the interview panel's scoring sheet than other applicants.

Furthermore, Council did not adhere to the direct instructions from the line Minsiter with regard to the said appointment of the CEO.

## 5. ACKNOWLEDGEMENT

The assistance and co-operation given by the management and staff of Council during the audit is appreciated.

## 6. FINANCIAL RESULTS

The results of the various operations of, and transactions on the Revenue Account for the year were as follows:

2012	Revenue	Expenditure	(Deficit)/ Surplus	Balance
	N\$	N\$	N\$	N\$
Accumulated deficit: 01/07/2011				(4 526 387)
General accounts				
Rates and general	5 827 210	9 814 022	(3 986 812)	
Self-supporting	3 700 697	2 772 109	928 588	
Trade accounts				
Water	5 349 348	1 219 519	4 129 828	
Electricity	1 063 113	537 144	525 969	
Subtotal	15 940 368	14 342 794	1 597 573	
Deficit for the year				1 597 573
				(2 928 814)
Adjustments and utilization detailed in Note 10 to the financial statements				(1 644 665)
Accumulated deficit 30/06/2012*				<b>(4 574 628)</b>

\* Differs with N\$ 75.44 to the Annual Financial Statements

## 7. CURRENT BANK ACCOUNT

	2012	2011
	N\$	N\$
Cash book balance	537 960	24 295
Outstanding cheques	167 737	382 335
Bank statement balance	705 697	406 630

## 8. INVESTMENTS AND INTEREST PROCEEDS

On 30 June 2012 N\$ 29 118 312 (2011: N\$ 15 704 655) was invested at a commercial bank on a call account. The Build Together Funds were invested in a separate call account, which had a balance of N\$ 3 434 498 at year-end (2011: N\$ 3 624 898). Council's investment policy requires that N\$ 10 million and more should not be invested at one financial institution which was not complied with.

The investments and interest earned were allocated as follows:

Allocation	2012		2011	
	Investment	Interest	Investment	Interest
	N\$	N\$	N\$	N\$
Build Together Fund	3 434 798	181 378	3 624 898	180 372
Revenue	-	1 377 752	-	391 008
Capital Development	10 197 882	-	7 232 727	-
Capital	16 985 364	-	6 536 863	-
Housing Fund	1 935 066	-	1 935 066	-
	<b>32 553 110</b>	<b>1 559 130</b>	<b>19 329 553</b>	<b>971 379</b>

## 9. FUND ACCOUNTS

The Municipality had the following funds and reserves at the end of the year:

	2012	2011
	N\$	N\$
Build Together Fund	5 013 685	4 758 503
Capital Development Fund	25 014 516	23 119 532
Housing Fund	2 418 396	2 418 396
Revenue Account	(4 573 479)	(4 526 387)
Contribution from Revenue	25 052 704	1 852 575
General Capital	10 721 083	15 100 742
Loans Redeemed	3 632 814	3 095 273
	<b>67 279 719</b>	<b>45 818 634</b>

## 10. TRADE ACCOUNTS

### 10.1 The results of operations were as follows:

	Electricity		Water	
	2012	2011	2012	2011
	N\$	N\$	N\$	N\$
Surcharges/sales	1 063 113	3 956 551	5 349 348	1 108 091
Cost of bulk purchases	-	-	-	-
Gross profit	1 063 113	3 956 551	5 349 348	1 108 091
Other expenses (net)	(537 144)	(856 357)	(1 219 519)	(582 377)
<b>NET SURPLUS</b>	<b>525 969</b>	<b>3 100 194</b>	<b>4 129 828</b>	<b>525 714</b>
Gross profit % on sales	-	-	-	-
Net profit % on sales	49.50%	78.36%	77.20%	47.44%

### 10.2 Distribution losses were:

	Water	
	2012	2011
	m3	m3
Units bought/pumped*		
Units sold	4 788 028	3 068 788
<b>Profit / (Loss)</b>	<b>4 788 028</b>	<b>3 068 788</b>
Percentage	100%	100%

\* The units pumped could not be determined during the time of the audit.

**11. SELF-SUPPORTING SERVICES**

The net results were as follows:

	<b>2012</b>	<b>2011</b>
	N\$	N\$
Commonage	(80 943)	112 636
Waste management	1 418	131 930
Sewerage	877 194	657 516
Natis Agency	130 919	173 378
<b>Net surplus</b>	<b>928 588</b>	<b>1 075 460</b>

**12. FRUITLESS/UNAUTHORISED OR AVOIDABLE EXPENDITURE**

No fruitless or unauthorized expenditure was revealed during the year.

**13. IRREGULARITIES AND LOSSES**

No irregularities or losses were detected during the audit.

**14. CAPITAL PROJECTS**

The following expenditure was incurred during the year under review for capital projects or acquisitions:

<b>Nature of project/ acquisitions</b>	<b>Financed by</b>	<b>Total expenditure 2012</b>	<b>Financed by</b>	<b>Total expenditure 2011</b>
	<b>Revenue</b>		<b>Internal loans</b>	
	N\$	N\$	N\$	N\$
Infrastructure	4 657 954	4 657 954	3 840 235	3 840 235
Buildings	886 809	886 809	-	-
Vehicles	134 783	134 783	449 091	449 091
Plant and equipment	-	-	225 124	225 124
Town planning	4 126 990	4 126 990	-	-
	<b>9 806 536</b>	<b>9 806 536</b>	<b>4 514 450</b>	<b>4 514 450</b>

**16. BURSARIES**

No bursaries were granted during the year.

**17. CONTRIBUTIONS, GRANTS AND FINANCIAL AID**

No contributions, grants or financial aid were made during the year.

**18. COMPENSATION PAYMENTS**

No compensation payments were made during the year.



## 19. VISITS TO FOREIGN COUNTRIES

Country visited	Employees	Councillors	Total	Reason
	N\$	N\$	N\$	
Finland	15 813	1 897	17 710	Twin Partnership with Finland
South Africa	7 498	8 021	15 519	Habitat housing development
Finland	5 147	1 897	7 044	Twin Partnership with Finland
<b>TOTAL</b>	<b>23 311</b>	<b>9 918</b>	<b>33 229</b>	

## 20. CLAIMS AGAINST THE LOCAL AUTHORITY

No claims for losses were received during the year.

## 21. TRANSFER OF PROPERTY

No Government property was transferred to or from the Municipality during the year. However, the property and equity swap with the Ministry should still be done.

## 22. DEBTORS/CREDITORS

### 22.1 Debtors at 30 June were:

	2012	2011
	N\$	N\$
Consumers, combined billing	4 135 380	4 018 849
- Build Together debtors	1 578 887	1 133 606
- VAT	698 727	11 113
- Salary advances	9 555	-
	6 422 549	5 163 568
Current portion of housing loan: Installments	-	-
Less: Provision for doubtful debts	(2 748 902)	(2 156 454)
	<b>3 673 647</b>	<b>3 007 114</b>

### 22.2 Creditors at 30 June were:

	2012	2011
	N\$	N\$
Trade creditors	1 126 203	181 824
Provisions	504 796	325 438
Consumer deposits	275 180	233 926
Current portion of long-term liabilities	101 736	92 412
	<b>2 007 915</b>	<b>833 600</b>

## 23. ASSESSMENT RATES

Net proceeds from assessment rates were N\$ 2 362 645 (2011: N\$ 2 100 073).

The Council provided for the Regional Council levy of N\$ 104 526 (2011: N\$ 95 458), which is payable to the Regional Council in terms of Section 77(1) of the Act.

## **24. LOANS**

### **24.1 External capital loans**

These balances at 30 June 2012 were N\$ 2 234 505 (2011: N\$ 2 335 731). The balances correspond with the balances as per amortization tables and the general ledger.

Loan assets were correctly capitalized and no loan assets had been disposed of before the loan was completely redeemed. Loan monies were used for the purpose they were obtained for and there were no unspent loan monies of a long-term nature.

### **24.2 Internal loans**

These balances at 30 June 2012 were N\$ 10 135 099 (2011: N\$ 10 580 705). All loans advanced during the year were provided for in the Council's Capital budget.

### **24.3 The Housing Fund loans were as follows at 30 June:**

	<b>2012</b>	<b>2011</b>
	N\$	N\$
Owing by the Municipality to the Government on 35 loans	270 314	270 314

It has been noted with concern that the Housing Fund activities are not reflecting any movement during the past five years.

## **25. SALE OF ERVEN**

The Council could not provide auditors with a list of erven sold during the year but receipts recorded from erven transactions amounted to N\$ 665 376 (2011: N\$ 259 700). The revenue was allocated to the Capital Development Fund.

No proper recordkeeping was instigated by Council and the accuracy of this balance is doubtful.

## **26. PROPERTY SOLD ON AN INSTALLMENT BASIS**

The balance at 30 June 2012 remaining of erven sold on an installment basis could not be availed to the auditors (2011: N\$ 742 075).

## **27. TARIFF ADJUSTMENTS**

Water tariffs were only adjusted five (5) months into the financial year, Assessment rates were not adjusted according to the gazetted rates and remained at the old rates throughout the year. Sewerage and refuse rates were adjusted in accordance with the relevant Government notice.

## **28. APPROVALS**

### **28.1 Revenue written off**

No debts were written off during the year.

### **28.2 Excess on approved budget**

There was no approval for overspending during the year.

### 28.3 Internal loans

No internal loans were made during the year.

## 29. INVENTORY AND EQUIPMENT

### 29. Inventory

Inventories as disclosed in the financial statements of the Council amount to N\$ 135 192 (2011: N\$ 374 867).

### 29.2 Motor Vehicles

	Sedans, LDV's, combi's and trailers		Heavy vehicles (Lorries and busses)	
	Number	Value	Number	Value
On hand 01/07/2011*	8	N\$ 645 619	10	N\$ 623 767
Additions	1	134 783	-	-
	9	780 402	10	623 767
Less: Depreciation	-	(47 379)	-	(3 944)
On hand 30/06/2012	<b>9</b>	<b>733 023</b>	<b>10</b>	<b>619 823</b>

\* The opening balances of Sedans and heavy vehicles differed by N\$ 2 260 and N\$ 4 607 respectively against the fixed asset register.

## 30. SPECIAL INVESTIGATIONS

No special investigations were carried out during the year under review.

## 31. FORMAL AND INFORMAL QUERIES

31.1 Formal queries are embodied in this report.

31.2 The following informal queries were addressed in the report to management of the Municipality:

- External loans written off without Council approval and fulfilling Government conditions.
- Poor filing of Build Together Debtors.
- Asset descriptions on the Fixed Asset Register.
- Inadequate controls over inventory.
- Poor debt repayments.
- Human resource employment concerns
- Investment Risk basket

## 32. GENERAL

The accounting and internal controls are satisfactory except for those cases specifically pointed out in the management letter to the Council. Proper segregation of duties is not possible due to the small number of staff employed. While increased management involvement does reduce risks partly, it causes the risk that management and Council override existing controls, a potentially dangerous practice, which the Council should vigilantly guard against.

### **33. QUALIFIED AUDIT OPINION**

The accounts of the Municipality of Omaruru for the financial year ended 30 June 2012, summarized in Annexures A to D, were audited by me in terms of the provisions of Section 85 of the Local Authorities Act, 1992, read with Section 25(1)(b) of the State Finance Act, 1991.

The audit opinion has been qualified due to the following reasons:

- Unrecorded liabilities amounting to N\$ 609 759;
- NATIS contribution understatement by N\$ 88 442;
- Non-disclosure of the Erongo-RED investment;
- Royalties understated by N\$ 190 989;
- Payroll difference of N\$ 166 730;
- Vat not accounted for on natis claims amount to N\$ 87 014;
- Opening balance difference of N\$ 255 036.00 between the Fixed Asset Register and the annual financial statements; and
- No bookkeeping was kept for the built together Debtors.

Except for the effect of any adjustments which might have been necessary as referred to above, in my opinion, these financial statements fairly present the financial position of the Municipality at 30 June 2012, and the results of operations and cash-flows for the year then ended in accordance with generally accepted accounting practice.

**WINDHOEK, February 2015**

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**

## MUNICIPALITY OF OMARURU

## ANNEXURE A

## BALANCE SHEET AT 30 JUNE

	Notes	2012 N\$	2011 N\$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	67 175 340	45 579 813
Investments	5	34 622 230	26 250 260
		32 553 110	19 329 553
<b>Current assets</b>			
Inventories	6	4 346 799	3 406 276
Accounts receivable	7	135 192	374 867
Cash and cash equivalence		3 673 647	3 007 114
		537 960	24 295
<b>Total assets</b>		<b>71 522 139</b>	<b>48 986 089</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Funds and reserves	2	67 279 719	45 818 634
<b>Non-current liabilities</b>			
Long-term liabilities	3	2 234 505	2 333 855
<b>Current liabilities</b>			
Accounts payable	8	2 007 915	833 600
<b>Total equity and liabilities</b>		<b>71 522 139</b>	<b>48 986 089</b>

## INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE

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	Notes	<u>2012</u> N\$	<u>2011</u> N\$
INCOME		15 940 368	13 414 859
EXPENDITURE		<u>(14 342 794)</u>	<u>(12 553 328)</u>
NET OPERATING PROFIT		1 597 573	861 532
Investment interest on revenue account		<u>-</u>	<u>-</u>
NET PROFIT for the year		1 597 573	861 532
Adjustments to appropriation account	10	<u>(1 644 665)</u>	<u>(2 781 943)</u>
Accumulated (deficit) for the year		(47 092)	(1 920 411)
ACCUMULATED (DEFICIT)			
– At the beginning of the year		<u>(4 526 387)</u>	<u>(2 605 976)</u>
– At the end of the year	2	<u><b>(4 573 479)</b></u>	<u><b>(4 526 387)</b></u>

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE

	<u>Notes</u>	<u>2012</u>	<u>2011</u>
		N\$	N\$
<b>Cash generated (utilised) by operating activities</b>			
Cash receipts from customers		15 940 368	13 414 859
Cash paid to suppliers		(15 240 003)	(14 955 144)
Cash generated/(utilized) by operating activities	11	700 365	(1 540 285)
Cash available for investment		700 365	(1 540 285)
<b>Cash effects on investing activities</b>		(21 595 527)	(9 765 348)
Net capital expenditure		(8 371 970)	(4 769 486)
(Increase) in investments		(13 223 557)	(4 995 862)
<b>Cash effects on financing activities</b>		21 408 827	12 725 995
Increase in capital funds		19 358 011	11 248 694
Net proceeds from statutory funds	9	2 150 166	1 571 589
Loans repaid		(99 350)	(94 288)
Net change in cash and cash equivalents		513 665	1 420 362
Cash and cash equivalents at the beginning of the year		24 295	(1 396 067)
Cash and cash equivalents at the end of the year		<b>537 960</b>	<b>24 295</b>

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE

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**1. ACCOUNTING POLICIES**

The financial statements set out in Annexure A to C were prepared on the historical cost basis and incorporate the following principal accounting policies, which are consistent with those applied in the previous year:

**1.1 Property, plant and equipment**

Property, plant and equipment are stated at cost or at valuation where assets have been acquired by grant or donation, less depreciation written off over the expected useful lives as determined by Council from time to time. Property, plant and equipment acquired with loan funds are not depreciated until the loan is repaid unless the expected lifetime of the asset is less than the repayment period of the loan in which case depreciation is calculated on the shortfall.

**1.2 Inventory**

Inventory is valued using the average cost basis. Obsolete stock is written off.

**1.3 Fund accounts****1.3.1 Revenue Account**

All monies received by and accrued to and expenses paid, except for allocations to other Funds, are reflected in this account, and are kept in compliance with Section 86(1)(b) of the Act.

**1.3.2 Housing Fund**

Housing loans have been paid from this Fund. Sections 30(1)(i) and 57 to 62 of the Act, 1992, refer.

**1.3.3 Reserve Funds**

The Municipality also maintains the following Funds in terms of the authorisation in Section 80(4) of the Act:

- **Capital Reserve Fund**

The purpose is to stabilize the financial position. Income is obtained from the Revenue Account.

- **Fixed Property Fund**

Proceeds on the sale of developed property accumulate in this Fund, which is used to develop properties.



## NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE (continued)

**1.3.4 Build Together Fund**

The purpose is to provide loans for low cost housing.

	<b>2012</b>	<b>2011</b>
	N\$	N\$
<b>2. FUNDS AND RESERVES</b>		
Build Together Fund	5 013 685	4 758 503
Capital Development Fund	25 014 516	23 119 532
Housing Fund	2 418 396	2 418 396
Revenue Account	(4 573 479)	(4 526 387)
<b>Total</b>	<b>27 873 118</b>	<b>25 770 044</b>
<b>CAPITAL OUTLAY</b>		
Contribution from revenue	25 052 704	1 852 575
General capital	10 721 083	15 100 742
Loans redeemed	3 632 814	3 095 273
	<b>39 406 601</b>	<b>20 048 590</b>
<b>TOTAL FUNDS AND RESERVES</b>	<b>67 279 719</b>	<b>45 818 634</b>
<b>3. LONG TERM LIABILITIES</b>		
Loans from the Government of Namibia at interest rates of:		
- Lower than 5%	270 314	270 314
- 5% to 9%	1 011 558	1 096 177
- 12%	1 054 369	1 059 776
	2 336 241	2 426 267
Deposits held	-	-
Less: Current portion of liabilities included under current liabilities	(101 736)	(92 412)
	<b>2 234 505</b>	<b>2 333 855</b>
<b>4. PROPERTY, PLANT AND EQUIPMENT</b>		
At net book value:		
Infrastructure	21 787 704	18 496 783
Buildings	4 955 055	4 658 507
Vehicles	1 359 713	1 270 162
Plant and equipment	6 519 755	1 824 808
	<b>34 622 227</b>	<b>26 250 260</b>

## NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE (continued)

	<u>2012</u>	<u>2011</u>
	N\$	N\$
<b>5. INVESTMENTS</b>		
Moneys on call at a commercial bank	<u>32 553 110</u>	<u>19 329 553</u>
<b>6. INVENTORIES</b>		
Consumable goods in store	<u>135 192</u>	<u>374 867</u>
<b>7. ACCOUNTS RECEIVABLE</b>		
Build together debtors	1 578 887	1 133 605
Vat	698 727	11 113
Salary advances	9 555	-
Consumers	<u>4 135 380</u>	<u>4 018 849</u>
	6 422 549	5 163 568
Less: Provision for doubtful debts	<u>(2 748 902)</u>	<u>(2 156 454)</u>
	<u><b>3 673 647</b></u>	<u><b>3 007 114</b></u>
<b>8. ACCOUNTS PAYABLE</b>		
Creditors	1 126 203	181 824
Provisions	504 796	325 438
Current portion of long-term liabilities	101 736	92 412
Consumer deposits	275 180	233 926
	<u>2 007 915</u>	<u>833 600</u>
<b>9. TRANSFER TO FUNDS</b>		
The following amounts were transferred to/(from) Funds:		
Build Together Fund	255 182	178 317
Capital Development Fund	1 894 984	1 392 670
Housing Fund	-	601
	<u>2 150 166</u>	<u>1 571 588</u>

## NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE (continued)

	<u>2012</u>	<u>2011</u>
	N\$	N\$
<b>10. ADJUSTMENTS AND UTILISATIONS – REVENUE ACCOUNT</b>		
Correction of VAT control account	-	(1 987 414)
Various expenditures	15 491	25 890
Accrued leave adjustment	-	14 434
Provision for bad debts	(592 447)	-
Prior year expenses	(1 068 857)	-
Unknown adjustments	-	(834 854)
Difference in internal loans adjusted	1 148	-
	<u><b>(1 644 665)</b></u>	<u><b>(2 781 943)</b></u>
<b>11. CASH (UTILIZED)/GENERATED BY OPERATIONS</b>		
Operating profit before interest and adjustments	1 597 573	861 532
- Adjustments and utilizations	(1 644 665)	(2 781 943)
<b>Working capital changes</b>		
Decrease /(increase) in inventories	239 675	(294 060)
(Increase)/decrease in accounts receivable	(666 533)	912 591
Increase/(decrease) in accounts payable	1 174 315	(238 405)
	<u><b>700 365</b></u>	<u><b>(1 540 285)</b></u>