



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

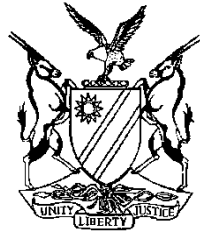
DEVELOPMENT BRIGADE CORPORATION

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2005 TO 2013

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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 Development Brigade Corporation for the financial year ended 31 March 2005 to 2013, 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, November 2015

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
DEVELOPMENT BRIGADE CORPORATION
FOR THE FINANCIAL YEARS ENDED 31 MARCH 2005 TO 2013**

1. INTRODUCTION

The accounts have been audited in terms of section 18 of the Development Brigade Corporation Act, 1992, (Act 32 of 1992) and section 25(1)(b) of the State Finance Act 1991 (Act 31 of 1991). The firm PKF (Namibia) of Windhoek has been appointed in terms of section 26(2) of the State Finance Act (Act 31 of 1991) to audit the accounts on behalf of the Auditor-General and under his supervision.

Figures in the report are rounded off to the nearest Namibia Dollar. Deficits are indicated in (brackets).

1.1 Report on the Financial Statements

The audited financial statements are in agreement with the general ledger and other accounting records.

They are the following and are annexed:

31 March 2012 – 31 March 2013 (consolidated):

Annexure A: Abridged balance sheet, income statement and cash flow statement

31 March 2005 – 31 March 2011:

Annexure B: Consolidated balance sheet

Annexure C: Consolidated income statement

Annexure D: Consolidated cash flow statement

Annexure E: Notes to the consolidated financial statements

The transactions for the period 2005 to 2011 were tallied due to being immaterial in nature and value (small values made on payments).

2. MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Section 12 & 13 of the State Finance Act, Act 31 of 1991, and for such internal control as management determines it necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

3. AUDITOR'S RESPONSIBILITY

My responsibility is to express an opinion on these financial statements based on the audit. I conducted the audit in accordance with International Standards for Supreme Audit Institutions (ISSAIs). These standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Powers and duties

Section 25(1) (c) of the State Finance Act, 1991, provides that the Auditor-General should satisfy himself that:

- (a) all reasonable precautions have been taken to ensure that all monies due to the State are collected, and that the laws relating to the collection of such monies have been complied with;
- (b) all reasonable precautions have been taken to safeguard the receipt, custody and issue of and accounting for, the State's assets, such as stores, equipment, securities and movable goods; and
- (c) the expenditure has taken place under proper authority and is supported by adequate vouchers or other proof.

In addition, Section 26(1) (b)(iv) of the State Finance Act, 1991, empowers the Auditor-General to investigate and report on the economy, efficiency and effectiveness of the use of the State's resources.

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

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is insufficient and inappropriate to provide a basis for the audit opinion.

4. KEY AUDIT FINDINGS

4.1 Consolidated accounts

Consolidated accounts were not prepared as no books of accounts were written up by the Corporation for the two subsidiaries namely Namibia Brick Enterprises (Pty) Ltd and Star Protection Services (Pty) Ltd for the period. The business of the Corporation decreased considerably for the years under review. The results of 2005 to 2011 were added together due to the insignificance and being immaterial in nature. These were combined and audited together.

4.2 Balances brought forward

The balance sheet at 31 March 2013 is not free of material misstatements as the assets and liabilities as at the previous reporting date in 2004 were not brought into the financial records thereafter and are consequently not being dealt with in the 2013 accounts.

4.3 Assets brought forward

The assets and liabilities amounting to N\$ 20 566 667 as at the previous reporting date in 2004 were not brought into the financial records after 2004 and are consequently not being dealt with.

4.4 Financial statements

The Corporation did not comply with the Development Brigade Corporation Act, 1992. The Corporation did not submit certified copies of its audited financial statements and the report of the Auditor-General to the Minister in respect of each financial year.

4.5 Assets and liabilities

The auditors conducted a deeds search at the Deeds Office and established that Development Brigade Corporation is still the proprietor of the following properties:

Erf 742 Omulunga
Erf 743 Omulunga
Erf 745 Omulunga
Erf 746 Omulunga
Portion 12 of the farm Berg Aukas no. 593

None of these assets are recorded in the financial statements presented to the Auditor-General nor could any explanation be given as to its whereabouts and the proceeds of sale, if any.

4.6 Bank account and accounts receivable

The bank account balance of N\$ 79 022 and accounts receivable balance of N\$ 72 569 from the previous audited period were not entered into the accounting records for the period under review and the whereabouts of such is unknown.

4.7 Inventory of a property

The previous financial statements reflected inventory of a property development at N\$ 19 772 094. This was a property development at Grootfontein. The auditors could not establish whether this property has been sold, and its whereabouts.

4.8 Accounts payable

Accounts payable in the amount of N\$ 695 204 as per previous audited financial statements were not accounted for in the current financial statements.

4.9 Subsidiaries

The previous audit report indicated that DBC had five subsidiary companies and their estimated assets amounted to N\$ 14 272 447. No financial statements for the period before 2004 were presented for M & N Developments (Pty) Ltd, Namibia Pioneer Engineering (Pty) Ltd and Patriot Construction Company (Pty) Ltd.

4.10 Financial results

The retained income/(accumulated loss) for the group at year-end amounted to N\$ 4 439 201 (2004: N\$ 69 618 421) and N\$ 5 548 207 (2004: N\$ 72 605 782) for the DBC.

4.11 Accounts payable VAT

Accounts payable at year-end are in respect of VAT payable to the Receiver of Revenue. No provision has been made for any interest or penalties on VAT amounting to N\$ 17 932 144.

4.12 Retrenchment packages

Correspondence from the financial advisor of DBC interim Board to the Permanent Secretary of the Ministry of Trade and Industry which it utilised to settle outstanding debts and pay retrenchment packages on behalf of the DBC and its subsidiaries. It appears that this particular transaction has not been accounted for in the financial records of DBC and consequently these expenses are not reported on in the attached financial statements.

5. BASIS OF DISCLAIMER OF AUDIT OPINION

- Opening entries in respect of assets and liabilities as at 1 April 2004 are not reflected in the financial statements;
- No audited financial statements regarding the subsidiaries of the Corporation;
- Government assistance to settle outstanding debts and retrenchment packages were not accounted for in the financial statements;
- Lack of proper accounting records;
- Penalties and interest on VAT transactions amounting to N\$ 17 932 144 were not accounted for in the annual financial statements; and
- The proceeds of sale of assets were not accounted for.

6. DISCLAIMER OF AUDIT OPINION

The accounts of the Development Brigade Corporation for the years ended 31 March 2005 to 2013 have been audited in terms of section 18 of the Development Brigade Corporation Act, 1992, (Act 32 of 1992) and section 25(1)(b) of the State Finance Act 1991 (Act 31 of 1991).

In accordance with the stipulations of Section 18 of the Development Corporation Act, 1992, I hereby certify that I am unable to express an opinion on the financial statements or group financial statements as to whether these fairly present the financial position of the Corporation and the results of the operations and cash flow information for the period ended 31 March 2005 to 2013.

WINDHOEK, November 2015

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

DEVELOPMENT BRIGADE CORPORATION
ANNUAL FINANCIAL STATEMENTS
31 MARCH

	2013	2012
	N\$	N\$
1. BALANCE SHEET		
Property, plant and equipment	234	234
Cash and cash equivalents	5 175 205	5 048 620
	5 175 439	5 048 854
2. INCOME STATEMENT		
Rent received	-	25 064
Interest received	192 315	213 760
Expenses	(65 730)	(738 177)
- honoraria	-	470 000
- accounting fees	60 375	57 725
- other	5 355	210 452
Surplus/(deficit)	126 585	(499 354)
3. CASH FLOW		
Interest	192 315	213 760
Operating activities	(65 730)	(713 114)
Surplus/ Deficit	126 585	(499 354)
Cash and cash equivalents		
-at the beginning of the year	5 048 620	5 547 974
-at the end of the year	5 175 205	5 048 620
4. SUBSIDIARIES		

The two operating subsidiaries, Namibia Brick Enterprises (Pty) Ltd and Star Protection Services (Pty) Ltd, were deregistered and can consequently not be consolidated with DBC accounts at 31 March 2013

ANNEXURE B

DEVELOPMENT BRIGADE CORPORATION AND ITS SUBSIDIARIES
BALANCE SHEETS AT 31 MARCH

	Notes	Group		Corporation	
		2011	2004	2011	2004
		N\$	N\$	N\$	N\$
EMPLOYMENT OF CAPITAL					
Fixed assets	2	406	4 941 051	234	643 216
Investments in subsidiaries	3	-	-	-	-
Current assets		5 824 778	33 328 766	5 547 973	25 223 261
Inventories	4	-	21 295 144	-	19 772 094
Accounts receivable		1 245	4 967 918	-	72 569
Bank balances and cash on hand	5	5 823 533	7 065 704	5 547 973	5 378 598
TOTAL ASSETS		5 825 184	38 269 817	5 548 207	25 866 477
CAPITAL EMPLOYED					
Retained income		4 439 201	30 137 594	5 548 207	22 150 233
Non-distributable reserve		-	3 021 040	-	3 021 040
Deferred taxation	8	-	32 222	-	-
Current liabilities		1 385 983	5 078 961	-	695 204
Accounts payable		-	3 189 136	-	695 204
Short-term portion of long-term liabilities		-	290 162	-	-
Receiver of Revenue		1 385 983	693 881	-	-
Bank overdrafts		-	905 782	-	-
TOTAL LIABILITIES		5 825 184	38 269 817	5 448 207	25 866 477

DEVELOPMENT BRIGADE CORPORATION AND ITS SUBSIDIARIES
INCOME STATEMENTS
FOR THE FINANCIAL YEARS 31 MARCH

	Notes	Group		Corporation	
		2011 N\$	2004 N\$	2011 N\$	2004 N\$
TURNOVER		11 575 227	-	954 801	-
COST OF SALES		(182 577)	-	(6 282)	-
GROSS PROFIT		11 392 650	-	948 519	-
ADMINISTRATION COSTS		(15 347 314)	(1 636 710)	(2 836 872)	(747 155)
NET OPERATING LOSS		(3 954 664)	(1 636 710)	(1 888 353)	(747 155)
INVESTMENT INCOME & OTHER	10	2 386 237	4 536 936	2 383 455	4 536 936
FINANCE COSTS		-	(403 006)	-	(403 006)
NET PROFIT/(LOSS) FOR THE YEAR		(1 568 427)	2 497 220	495 102	3 386 775
ACCUMULATED LOSS at the beginning of the year (see note)		6 007 628	(67 115 641)	5 053 105	(75 992 557)
ACCUMULATED LOSS at the end of the year	6	4 439 201	(69 618 421)	5 548 207	(72 605 782)

Note

Opening balance of the Corporation

5 053 105

Add: Net assets created as
opening balances in
subsidiaries

954 523

6 007 628

DEVELOPMENT BRIGADE CORPORATION AND ITS SUBSIDIARIES
CASH FLOW STATEMENTS
FOR THE FINANCIAL YEARS 31 MARCH

	Notes	Group		Corporation	
		2011 N\$	2004 N\$	2011 N\$	2004 N\$
OPERATING ACTIVITIES					
Cash generated/(consumed) by operations	12	(1 591 320)	(4 828 383)	(1 887 723)	(4 828 383)
Investment income		2 385 780	4 536 936	2 382 825	4 536 936
Prior year adjustment to bank balance		(67 119)	-	-	-
Finance charges, excluding capitalised to loan		-	(403 006)	-	(403 006)
Net cash generated/(consumed) by operating activities		727 341	(694 453)	495 102	(694 453)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS					
		727 341	(694 453)	495 102	(694 453)
CASH AND CASH EQUIVALENTS at the beginning of the year					
		5 096 192	6 854 374	5 052 871	6 073 050
CASH AND CASH EQUIVALENTS at the end of the year					
	5	5 823 533	6 159 921	5 547 973	5 378 597

**DEVELOPMENT BRIGADE CORPORATION AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS 31 MARCH**

1. ACCOUNTING POLICIES

The financial statements are prepared on the historical cost basis. The following principal accounting policies used by the Group and the Corporation, conform in all material respects with Namibian Generally Accepted Accounting Practice and are consistent with those used in prior years.

1.1 Basis of consolidation

The consolidated financial statements include those of the corporation and its subsidiaries. The available results of all subsidiaries are included from the date of last reporting in 2004.

1.2 Fixed assets: Depreciation

Land and buildings are not depreciated. Fixed assets are included at historical cost or values at which assets were accounted for at the date of donation. Depreciation is provided on movable assets on a straight line basis at rates so as to write off the cost or donated value over the expected useful life of the assets. The rates used are:

Vehicles and tools

Furniture and fittings

1.3 Investments

Investments, other than in associates, are stated at cost and are written down only where there is a permanent impairment in the value of the investment. Dividends are brought into account as at the last day of registration in respect of listed shares, and when declared in respect of unlisted shares.

DEVELOPMENT BRIGADE CORPORATION AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS 31 MARCH (continued)

2. FIXED ASSETS

	Land and buildings	Vehicles and tools	Furniture and fittings	Total
	N\$	N\$	N\$	N\$
Group				
2011				
Cost				
Balance at 1 April 2004	877 095	16 942 719	3 025 257	20 845 071
Balances omitted	(877 095)	(15 771 681)	(2 902 062)	(19 550 838)
Balance at 31 March 2011	-	1 171 038	123 195	1 294 233
Accumulated depreciation				
Balance at 1 April 2004	12 596	13 124 969	2 766 455	15 904 020
Balances omitted	(12 596)	(13 124 969)	(2 766 455)	(15 904 020)
Charge for the period	-	1 170 827	123 000	1 293 827
Balance at 31 March 2011	-	1 170 827	123 000	1 293 827
Net book value				
Balance at 31 March 2011	-	211	195	406
Corporation				
2011				
Cost				
Balance at 1 April 2004	643 208	5 657 874	1 640 176	7 941 258
Balances omitted	(643 208)	(5 374 127)	(1 608 011)	(7 625 346)
Balance at 31 March 2011	-	283 747	32 165	315 912
Accumulated depreciation				
Balance at 1 April 2004	-	5 657 873	1 640 169	7 298 042
Balances omitted	-	(5 374 290)	(1 608 074)	(6 982 364)
Charge for the year	-	-	-	-
Balance at 31 March 2011	-	283 583	32 095	315 678
Net book value				
Balance at 31 March 2011	-	164	70	234

ANNEXURE E

DEVELOPMENT BRIGADE CORPORATION AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS 31 MARCH (continued)

2. FIXED ASSETS (continued)

	Group		Corporation	
	2011	2004	2011	2004
	N\$	N\$	N\$	N\$
Land and buildings comprise:				
Erf 288, Grootfontein, Ext 3 measuring 1,0132 hectares, purchased in 1993, at cost	-	120 000	-	120 000
Undeveloped even 742, 743, 744, 745 and 746, Omulunga, Ext 2, Grootfontein, measuring 3118 square meters, purchased in 1993, at cost	-	14 031	-	14 031
Improvements - 1994	-	160 000	-	160 000
Remaining extent of Portion 12 of the farm Berg Aukas no. 593, situated in the registration division "B", measuring approximately 353,1086 hectares, received by way of a donation on 1 October 1992, at capitalised cost	-	275 255	-	275 255
Improvements - 2000	-	215 887	-	-
Erf 1281, Keetmanshoop, Ext 1, measuring 3 600 square meters, purchased in 1994, at cost	-	50 000	-	50 000
Improvements at cost - 1994	-	41 922	-	41 922
	-	877 095	-	661 208

3. INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries comprise the cost of 100% of the share capital in the following companies:

M & N Development (Pty) Ltd	-	-	-	1 120 316
Namibia Bricks Enterprises (Pty) Ltd	-	-	-	4 622 659
Namibia Pioneer Engineering (Pty) Ltd	-	-	-	4 134 015
Patriot Construction Company (Pty) Ltd	-	-	-	3 130 314
Star Protection Services (Pty) Ltd	-	-	-	2 947 483
Less: Investments in Subsidiaries	-	-	-	(15 954 787)
	-	-	-	-

ANNEXURE E

DEVELOPMENT BRIGADE CORPORATION AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS 31 MARCH (continued)

3. INVESTMENTS IN SUBSIDIARIES (continued)

	Group		Corporation	
	2011	2004	2011	2004
	N\$	N\$	N\$	N\$
Loans to subsidiaries:				
M & N Development (Pty) Ltd	-	-	-	57 390
Namibia Bricks Enterprises (Pty) Ltd	-	-	-	3 296 488
Namibia Pioneer Engineering (Pty) Ltd	-	-	-	2 148 890
Star Protection Services (Pty) Ltd	-	-	-	867 541
Patriot Construction Company (Pty) Ltd	-	-	-	7 941 741
Less: Provision against loan accounts	-	-	-	(14 312 050)
	-	-	-	-

4. INVENTORIES

Inventories comprise the following:

Property development at Grootfontein	-	19 772 094	-	19 772 094
	-		-	
Progress payments	-	41 648 093	-	41 648 093
Less: Cost of houses sold	-	(21 875 999)	-	(21 875 999)
	-	19 772 094	-	19 772 094
Work in progress	-	1 581 004	-	57 954
Less: Work in progress written off	-	(57 954)	-	(57 954)
	-	21 295 144	-	19 772 094

5. CASH AND CASH EQUIVALENTS

Bank and cash on hand	5 823 533	7 065 704	5 547 973	5 378 598
Bank overdrafts	-	(905 782)	-	-
	5 823 533	6 159 922	5 547 973	5 378 598

DEVELOPMENT BRIGADE CORPORATION AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS 31 MARCH (continued)

	Group		Corporation	
	2011 N\$	2004 N\$	2011 N\$	2004 N\$
6. ACCUMULATED DEFICIT				
Donations and grants	-	94 756 015	-	94 756 015
Namibian Government	-	80 829 872	-	80 829 872
Korean Government	-	263 058	-	263 058
Socio-Economic Integration Fund	-	13 663 085	-	13 663 085
Opening balance omitted	(24 129 966)	-	(17 097 127)	-
Profit/(loss) for the year	(1 568 427)	-	495 102	-
	-	-	-	-
Accumulated balance at the beginning of the year	30 137 594	(67 115 641)	22 150 232	(75 992 557)
Accumulated balance at the end of the year	4 439 201	30 137 594	5 548 207	22 150 232
7. NON DISTRIBUTABLE RESERVES				
Non distributable reserves comprise:				
Opening balance	3 021 040	-	3 021 040	-
Opening balance omitted	(3 021 040)	-	(3 021 040)	-
Share of post-acquisition retained profits and reserves of associate	-	161 040	-	161 040
Fixed assets replacement reserve	-	2 860 000	-	2 860 000
	-	3 021 040	-	3 021 040
8. DEFERRED TAXATION				
Balance at the beginning of the year	-	32 222	-	-
Deferred taxation comprises:				
Capital allowances	-	32 222	-	-

ANNEXURE E

DEVELOPMENT BRIGADE CORPORATION AND ITS SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS 31 MARCH (continued)

9. LONG-TERM LIABILITIES

	Group		Corporation	
	2011	2004	2011	2004
	N\$	N\$	N\$	N\$
Secured				
Finance agreements	-	290 162	-	-
	-	290 162	-	-
Less: Short-term portion included under current liabilities	-	(290 162)	-	-
	-	-	-	-

**INVESTMENT INCOME &
10. CURRENCY GAINS**

Interest received	2 385 780	424 927	2 382 825	424 927
Exchange gain	-	4 112 009	-	4 112 009
	2 385 780	4 536 936	2 382 825	4 536 936

11. FINANCE CHARGES

Interest on overdraft	-	403 006	-	403 006
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**NOTES TO THE CASH FLOW
12. STATEMENT**

Cash generated by operations

Operating (loss)/profit	(1 568 427)	(1 636 710)	495 102	(747 155)
Adjusted for:				
Depreciation	978 149	889 555	-	-
Interest received	(2 385 780)		(2 382 825)	
Foreign exchange gain		(4 112 009)		(4 112 009)
Tax paid	(5 909)	-	-	-
Working capital changes				
• Decrease/(increase) in accounts receivable	(1 245)	30 781	-	30 781
• Decrease/(increase) in inventories	-	-	-	-
• (Decrease)/increase in accounts payable	1 391 892	-	-	-
	(1 591 320)	(4 828 383)	(1 887 723)	(4 828 383)