REPUBLIC OF NAMIBIA

REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

NAMIBIA DEVELOPMENT CORPORATION

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2008

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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 Namibia Development Corporation for the financial year ended 31 March 2008, 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.

	JUNIAS ETUNA KANDJEKE
WINDHOEK, April 2011	**AUDITOR-GENERAL**

REPORT OF THE AUDITOR GENERAL ON THE ACCOUNTS OF THE

NAMIBIA DEVELOPMENT CORPORATION FOR THE FINANCIAL YEAR

ENDED 31 MARCH 2008

1. INTRODUCTION

The accounts of the Namibia Development Corporation, hereinafter referred to as the Board, for the year ended 31 March 2008 are being reported on in accordance with the provisions set out in hereinafter referred to as the Act. The main objectives of the Board are stated in Section 3 of the Act.

The firm EDB & Associates of Windhoek has been appointed in terms of Section 26(2), of the State Finance Act, to audit the accounts of the Namibia Development Corporation 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 Board's financial statements were submitted to the Auditor-General by the Board of Directors in compliance with Section 22 (2), of the Act. 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.

The following Annexures are also attached to this report:

Annexure A: Abridged Balance Sheet
Annexure B: Income Statement
Annexure C: Statement of Changes in Equity
Annexure D: Cash flow statement
Annexure E: Notes to the financial statements

The Board of the Namibia Development Corporation is responsible for the preparation of the financial statements and for ensuring the regularity of the financial transactions. 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 audit as carried out by the said firm, included:

a) examination on a test basis of the evidence relevant to the amounts, disclosure and regularity of financial transactions included in the financial statements,

b) assessment of the significant estimates and judgments made by the Board of Directors of the Board in preparation of the financial statements and whether the accounting policies are appropriate to the Board's circumstances, consistently applied and adequately disclosed; and

c) evaluation of the overall adequacy of the presentation of information in the financial statements.

The audit was planned and performed so as to obtain all the information and explanations considered necessary to provide sufficient evidence to give reasonable assurance that:

- the financial statements are free from material misstatement, whether caused by error, fraud or other irregularities;
- in all material respects, the expenditure and income have been applied to the purposes intended; and
- the financial transactions conform to the authorities which govern them.

GENERAL REVIEW

Objectives of the Namibia Development Corporation

The Corporation was established in terms of the Namibia Development Corporation Act, Act 18 of 1993, to promote, develop and support all sectors of the Namibian economic empowerment of its people in conformity with the development strategies and policies of the Government of the Republic of Namibia through inter alia:

a) promoting employment in both the formal and informal sectors;
b) promoting and encouraging sustainable local and foreign investment;
c) promoting trade, both nationally and internationally;
d) promoting and encouraging training and productivity;
e) promoting ecologically sound development
f) promoting import substitution where economically viable;
g) promoting economic activities which add value to local and imported resources;
h) promoting forward and backward linkages between all sectors of the economy;
i) promoting Namibia entrepreneurship through stimulation of small and informal economic activities;
j) developing, with the participation of the private sector, commercially viable enterprises or projects;
k) acting as agent for the Government and its institutions in the promotion of enterprises or the implementation of development schemes;
l) co-ordinating with other development agencies and institutions in order to facilitate co-operation and encouragement of an interdisciplinary and multidisciplinary approach.

In order to realise its objectives, the Corporation has adopted the following mission statement:

"Our mission is to be the leading, innovative and competitive development agency by offering financial and other advisory services on an economically viable and sustainable basis, excellent professional and effective services to our clients and earning reasonable profit in order to efficiently meet our commitment towards the socio-economic upliftment of our people".

NATURE OF BUSINESS

In order to meet its objectives, the principal activities of the Corporation include the provision of finance, business advice and premises to prospective and existing enterprises. The Corporation also provides management services to other subsidiaries and divisions within the Group.

COUNTRY OF REGISTRATION OR DOMICILE:	Namibia
REGISTERED ADDRESS	Development Centre 11 Goethe Street Windhoek Namibia
POSTAL ADDRESS	Private Bag 13252
ULTIMATE SHAREHOLDER	Government of the Republic of Namibia
MAIN BANKERS	Bank Windhoek Limited
COMPANY SECRETARY	E van der Berg

DIRECTORS	J. Nekwaya	Chairman	
	PF de Wet	Acting Managing Director	(Appointed; February 13, 2008)
	W. !Nanuseb	Acting Managing Director	(Resigned; February 13, 2008)
	M.S. Semi		
	M.S. Haipinge		

R. Namoya-Jacobs

S. Bezuidenhout (Resigned; July 03, 2007)

Ex officio directors;

Dr. M Lindeque	Permanent Secretary: Trade and Industry
C. Schlettwein	Permanent Secretary: Finance
A. Ndishishi	Permanent Secretary: Agriculture, Water and Rural Development
J. Iita	Permanent Secretary: Mines and Energy
M. Shivute	Permanent Secretary: National Planning

NAMIBIA DEV ELOPMENT CORPORATION

FINANCIAL STATEMENT

FOR THE YEAR ENDED 31 MARCH 2008

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Approval and statement of responsibility

The Directors are required by the Namibia Development Corporation Act to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statement fairly present the state of affairs of the Corporation as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with the Namibia Development Corporation Act. The Auditor-General is engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with the requirements of the Namibia Development Corporation Act, 1993 (Act 18 of 1993) and are based upon appropriate accounting policies consistently applied and supported by reasonable prudent judgements and estimates.

The Directors acknowledge that they are ultimately responsible for the system of internal financial controls established by the Corporation and place considerable importance on maintaining a strong control environment. To enable the Directors to meet these responsibilities, the Board of Directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner.

The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Corporation and all employees are required to maintain the highest ethical standards in ensuring the corporation's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Corporation is on identifying, managing and monitoring all known forms of risk across the Corporation. While operating risk cannot be fully eliminated, the Corporation endeavors to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the Corporation's cash flow forecast for the year to 31 March 2008 and, in the light of this review and the current financial position, they are satisfied that the Corporation has or has access to adequate resources to continue in operational existence for the foreseeable future.

The Auditor-General is responsible for independently reviewing and reporting on the Corporation's financial statements. The financial statements have been examined by the Auditors-General and his report is presented on pages 9 - 24.

The financial statements set out on pages 29 to 34, which have been prepared on the going concern basis, were approved and authorised for issue by the board of directors and are signed on their behalf by:

J. Nekwaya	**P de Wet**
Chairperson	**Acting Managing Director**

REPORT OF THE AUDITOR -GENERAL

ON THE ACCOUNTS OF THE

NAMIBIA DEVELOPMENT CORPORATION

The annual financial statements have been audited in terms of Section 22 of the Namibia Development Corporation Act, 1993 (Act 18 of 1993) and Section 25(1)(b) of the State Finance Act, 1991 (Act 31 of 1991). This report on the annual financial statements of the Namibia Development Corporation set out on pages 29 - 34 for the year ended 31 March 2008 is submitted in terms of Section 27(1) of the State Finance Act, 1991. The firm EDB & Associates Chartered Accountants (Namibia) in Windhoek has been appointed in terms of Section 26(2) of the State Finance Act to audit the annual financial statements on behalf of the Auditor-General and under his supervision. These financial statements are the responsibility of the Corporation's Directors.

1. SCOPE

The Corporation's directors are responsible for the preparation of the financial statements and for ensuring the regularity of the financial transactions. 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 audit, as carried out by the said firm, was conducted in accordance with International Standards on Auditing. Those standards required that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

2. AUDIT OBSERVATIONS

2.1 General comment

While the prior year's management letter indicated poor management and internal controls, and while staff shortages are to blame to a large extent, one still would reasonably have expected that the prior year management letter's recommendations would have been attempted to be implemented. This not being the case, the internal control environment has in fact deteriorated.

Furthermore, the auditors noted with concern that the preparation, review and clearing of a number of control account reconciliations have not been performed consistently and timeously throughout the year. This is of concern, as management control is dependent upon accurate and timely reconciliation of all control accounts. The auditors wish to highlight the importance of the preparation and effective review of reconciliations as well as follow up of reconciling items as a control so as to ensure:

- The early detection of errors and, in some cases, fraud; and
- The accuracy of management information.

2.2 Prior year's management report

The auditors review of the prior year report indicates that there are still a number of items that have not been adequately addressed yet. Those items which have been re-reported have been indicated by means of an asterisk (*).

2.3 Operating results and going concern

The continued operating losses for the past years raise significant doubt on the corporation ability to continue as a going concern.

Financial year	Operating loss
31 March 2006	N$ 15,4 million
31 March 2007	N$ 3.0 million
31 March 2008	N$ 10,7 million

The above losses, equate to an average monthly loss of just over N$ 800 000 per month, which is not sustainable.

The accumulated loss as at year-end of 2008, reflect an amount of N$ 277 million, indicating that the above displayed losses is accumulating over a long and protracted period.

These operating losses have eroded the equity base in totality was it not for the revaluation surpluses.

Furthermore, it is worth noting that given the state of the corporation's balance sheet, future commercial insolvency and financial distress are possible. The huge live stock inventory levels are the only significant item to prevent such a daunting declaration. As to be indicated later under audit issues, even the livestock are under threat of poor controls leading to theft.

2.4 Reconciliations (*)

Notice is drawn to the absence of proper monthly reconciliations of control accounts and the need for the follow up on reconciled items when reconciliations have been performed.

The most important control for ensuring the accuracy of the general ledger is the monthly reconciliation process. In general, the audit revealed that monthly general ledger reconciliations are neither performed nor reviewed or are performed too late to constitute an effective control. The reconciliations that are performed are often not reviewed by persons in senior positions.
Also of concern are the significant numbers of reconciling items that are not cleared. This internal control measure will only be effective if reconciling items are identified and cleared.

The fact that a significant number of reconciling items relate to transactions that have not been recorded in the general ledger, but were recorded in the subsidiary ledgers, indicates that the general ledger contains inaccurate information.
The following reconciliations were affected:

- Fixed assets
- Accounts payable
- Accounts receivables
- Related party balances
- Special funds

Due to the significance of this matter, the Auditor-General cannot express an opinion on the ability of the Corporation to properly reconcile balances.

2.5 Special funds (*)

Special funds administered by the Corporation on behalf of the relevant Ministry or other bodies are significant.

Each fund has its own peculiar specifications with respect to the way in which the funds are to be managed and utilized stipulated by an agreement signed between an NDC representative and the relevant Ministry. It was further noted that not all these special funds had agreements in place or could be provided. As a result, the auditors could not verify the completeness, existence and accuracy of the transactions in the special funds, nor could they verify the completeness of the balance of special funds.

Although it was reported to the auditors that no transactions were being transacted between parties, small amounts were still being processed against these accounts increasing the risk of manipulation.

Furthermore, when funds are managed on behalf of other parties, it is normally supported by cash deposits on the balance sheet; however in this case, it appears as if the NDC owes over N$42 million to third parties.

Due to the significance of this matter, the Auditor-General has to qualify his opinion on special funds.

2.6 Share Capital (*)

A confirmation of the contributions made from the Ministry of Trade and Industry could not be obtained, resulting in the auditors being unable to verify the completeness, accuracy, existence, rights and valuation of the issued share capital.

Due to the significance of this matter, the Auditor-General cannot express an opinion on the Corporation's share capital.

2.7 Improper segregation of duties (*)

It was observed that a number of key senior and other accounting positions were vacant during the year. The reason for this was that as a result of a Cabinet's decision to close the operations of the NDC, no vacancies could have been filled. This decision was later rescinded.

The timely filling of key positions is essential as it has a serious detrimental impact on the segregation of duties and can result in a breakdown of important internal controls, which are necessary to properly safeguard the assets of the Corporation.

Duties in the Finance department are not properly segregated amongst the staff. Incompatible functions of initiation, recording, checking and approval are being performed by same individuals. There is no clear cut of duties for some staff members though they have job descriptions, which still need to be revised. It was noted that the same person who processes the payroll can also make amendments to personnel master files. This is a lack of segregation of duties, which could result in financial losses to the enterprise.

2.8 Budgetary and monitoring procedures

An annual budget is prepared and the budget is compared against monthly management accounts.

Given the many and magnitude of weaknesses identified, the integrity of monthly management accounts, on which management decisions are made, is challenged as being fatally distorted.

2.9 Compliance with Namibia Development Corporations Act

According to the Namibia Development Corporation Act, Act no.18 of 1993, the following non compliances are notified:

1) Section 2(2), "The registrar shall enter the name of the Corporation in the registers kept by the Registrar in terms of the Companies Act, 1973 (Act 61 of 1973)".
2) Section 8,"Subject to the provisions of section 10, a director appointed under paragraph (b) of subsection (2) of section 5 shall hold for such period, being not more than three years, as may be specified by the Minister at the time of his or her appointment, and shall be eligible for re-appointment".
3) Section 22(1), "The Corporation shall keep such accounts books as are necessary to represent the state of affairs and business of the Corporation and to explain the transactions and financial position of the business of the Corporation".
4) Section 23(1), "The Board shall within six months after the end of each financial year of the Corporation, submit to the Minister a report on the activities of the Corporation in respect of the financial year".
5) Section 15(4), "The Board shall not appoint any person to hold the Office of Managing Director or terminate the services of any person holding that office without the prior approval of the Minister".

Although a letter dated 9 February 2004, authorised the extension of the tenure of Directors until to date of announcement of the dissolution of the NDC, a Cabinet's decision taken on 2 October 2007, rescinded that resolution. Since then, no documentary proof could be provided that Directors' terms were extended or that they were in-fact re-appointed.

As indicated before, since the former auditors had disclaimed their audit opinions continuously for the three past years, it is obvious that not enough emphasis is placed on the preparation of financial information.

No supporting evidence could be provided to confirm that the appointment of the acting Managing Director to the office of the managing director, was approved by the Minister.

Due to the significance of this matter, the Auditor- General has to qualify his opinion.

2.10 Compliance with the State-owned Enterprise Governance Act

According to the State-owned Enterprise Act (Act no.2 of 2006), Part 1, a state-owned company means a company incorporated under the Companies Act 1973, (Act no. 61 of 1973) in which the State is the sole or majority shareholder, as listed in Schedule 1 of the Act.

Despite the aforementioned and although wholly owned, the NDC is not identified as a state-owned enterprise, meaning all directives associated with the Act, are not applicable to the NDC.

Due to the significance of this matter, the Auditor-General has to qualify his opinion.

2.11 Opening Balance Differences found (*)

The auditors were unable to verify the Corporation's opening balances stated as at 31 March 2007. There are numerous differences between the audited financial statements of 31 March 2007 and the opening balances in the current year's financial statements. This is an indication of inadequate financial statements closing-down procedures at year-end and can result in misstatement of figures in the financial statements of the Corporation.

Due to the significance of this matter, the Auditor-General cannot express an opinion on the corporation's opening balances.

2.12 Loan from the Government of the Republic of Namibia (*)

The Corporation received a loan of N$ 4,845 million (RMBY 6,400 million) in 1998 from the Government of the Republic of Namibia for acquiring a stake in Southern Africa Tractor Manufacturing (Pty) Ltd (SATM). To date, no repayments have been made to the Government of the Republic of Namibia.

The terms and conditions of agreements have an effect on current and future obligations, rights and responsibilities of the contracting parties and it is thus vital to not only have the relevant documentation in place for reference purposes, but also disclose any non-payment appropriately. In addition, the Corporation neglected to add any interest to the balance of the loan.

Furthermore, the auditors could not obtain any confirmation on this balance, and as a result were unable to verify the completeness, existence and valuation of the liability.

Due to the significance of this matter, the Auditor-General cannot express an opinion on the Corporation's government loan.

2.13 Creditors reconciliation

The auditors found that monthly creditor's reconciliations were not performed for the year under review. In the absence of such reconciliations, duplicated payments of invoices could not easily be detected.

2.14 Unrecorded liabilities

Due to the fact that bank and creditors reconciliations were not done properly, unrecorded liabilities to the amount of N$ 437 960 was not recorded.

2.15 Related party loan accounts (*)

Related party loan account balances (Government Agencies) could not be agreed to the audited financial statements of the various agencies, as at the time of the audit of the Corporation the financial statements of the Agencies were not completed.

The state of general ledger accounts concerning these balances appeared to be not in order because every fund having an initial balance, an inter-company account balance, a debtors and creditors balance, spread all over the general ledger.

Some of these accounts appear to be dormant raising the risk of recoverability in cases where NDC is owed, as follows:

* Orange River Irrigation Project	N$ 12 million
* Omega Irrigation Project	N$ 4 million

It also appears, as if the NDC owes N$ 29 million to a certain Industrial Park project, which although significant, could not be verified by the auditors.

Due to the significance of this matter, the Auditor-General cannot express an opinion on related party loans.

2.16 Fixed assets (*)

The fixed asset portfolio of the Corporation is significant both in value and in quantity of items included in the fixed asset register. Due to the inability of the Corporation to appropriately tag or identify assets, the auditors selection of fixed assets could not be physically verified.

In one instance, it was found that a motor vehicle although already disposed, was still appearing on the fixed asset register.

Further, other differences existed between the asset register and the general ledger to the net amount of N$21 440 in respect of cost, depreciation and accumulated depreciation.

2.17 Revaluations of fixed assets

According to the accounting policy, land and buildings should be revalued by external independent valuers on a cyclical basis of every fourth year. In comparing recently obtained valuation certificates with the value of the assets on the fixed asset register, numerous differences were found.

Due to the significance of this matter, the Auditor-General cannot express an opinion on the revaluation of fixed assets.

2.18 Depreciation of assets (*)

It appears as if depreciation is understated in the Corporation's financial statements, based on the work performed by the auditors.

2.19 Inventory

Due to the late appointment of the auditors, it was not possible to attend the physical inventory counts and as such had to perform additional audit tests to confirm existence and validity of inventory. The auditors found that although fertilizer were listed as inventory on the general ledger, no physical quantities existed at year-end. The Auditor also found that fuel stock was also not updated with physical quantities, meaning that fuel shortages were not taken into account.

Due to the significance of this matter, the Auditor-General cannot express an opinion on the inventories.

2.20 Live stock (*)

The stock sheet of livestock indicated a value of N$ 32 million, while the general ledger indicated N$ 36 million. The value on the general ledger agrees to the 2007 values as per the annual financial statements, meaning no adjustments had been done.

Furthermore, an internal report dated 23 October 2008, indicated that when a full cattle count was conducted on 11 July 2007, with the assistance of an external independent auditing firm, a shortage of 1226 cattle were found. Calculated at an average of N$ 4 100 per animal, this loss amounts to over N$ 5 million.
This situation continued until year-end when it was noted that two cattle were found slaughtered by a nearby informal settlement.

Due to the significance of this matter, the Auditor-General cannot express an opinion on the live stock inventories.

2.21 Loans advances - trade debtors (*)

As mentioned in the previous report the magnitude of provisions in previous years in respect of loans advanced, highlighted serious concerns on the internal control over the assets of the Corporation. It appears as if all projects have been closed down as no or few business was transacted between the parties for the year under review. Despite this, it was noted that no serious attempts to recover the debts were undertaken and in the process established better control over the assets of the Corporation.

2.22 Leases

The role and function of the Risk Management Department charged with the responsibility of ensuring the adequacy and authenticity of securities and the following up of overdue advances raises doubt whether control over the advances book can be exerted.
As mentioned in the previous reports, the following areas remain a matter of concern:

- Reconciliations between the general ledger and the Rent administration system are not performed on a regular basis, and as a result, a reconciling difference of N$ 16 933 is encountered.
- The auditors could not obtain three rental agreements from a selection of 10 cases;
- One rental agreement of the same selection have already expired and were not renewed;
- One rental agreement was escalated with the wrong escalation percentage;
- Although 90% of rental dues were handed over to lawyers for collections, 90% of debtors remained outstanding 90 days and more, indicating that even those debtors not handed over as yet, are becoming doubtful.
- The rent administrator sub ledger is not updated on a regular basis with expired or cancelled rental agreements, which can result in invalid rental income accounted for in the general ledger, and the overstatement of rental income in the financial statements for the Corporation.

Due to the significance of this matter, the Auditor-General cannot express an opinion on leases.

2.23 Suspense sundry - receipts

Accounted for under accounts suspend sundry receipts is an amount of N$ 1,274 million (2007: N$ 1,537 million) in credit, related to un-allocated receipts of debtors. These receipts relate mainly to prior years and can lead to a payment revolt by debtors, if statements do not properly reflect their payments.

2.24 Sundry debtors

It was noted that amounts totaling N$ 4 868 273 included in sundry debtors have been outstanding for over 3 years. Some of the relevant debtors are:

Debtor	Debt
Eloolo Vleis	N$ 2 185 165
Erundu Slaghuis	N$ 1 035 598
Ngwezi Slaghuis	N$ 545 279
Rundu Vleis	N$ 270 707
Komeho Slaghuis	N$ 186 878
J13/110 Kavango FSP	N$ 176 653
J13/112 Caprivi FSP	N$ 62 777
City of Windhoek	N$ 97 750

Due to the nature of the debts, the debtor description (doubtful; whether these entities still exist) and the long period outstanding, the recoverability of these items, are questionable.

Furthermore, although the debt outstanding is only N$ 4 868 273, the provision for doubtful debt is N$ 4 879 694, an overstatement of N$ 11 421.

2.25 Provision for bad and doubtful debts

The auditors noted a debit balance of N$ 5 981 695 under the heading provision for doubtful debts which may indicate that this balance may constitute a receivable instead of a payable.

The provision for loan debtors of N$ 16 274 337, include the following:

Debtor	Debt
Aussenkehr Farms	N$ 3 689 847
Universal Woods Industries	N$ 2 165 194
MKU Enterprises	N$ 4 487 056
Rehoboth Properties	N$ 1 485 322
Swartmodder Melkplaas	N$ 810 783
Voightkub Boerdery	N$ 161 515

It was noted that although, all these loans have been handed over to lawyers for collection, to date no fruitful recoveries have been made. It is therefore recommended to consider to make use of services of debt collectors.

Nonetheless, it must be noted, however that the loan debtors have been appropriately provided for.

2.26 Payroll

An unexplained difference of N$37 579 existed between the balance as per the payroll schedule and the general ledger.

The audit tests on payroll, included the validation of whether CV's, copies of academic qualifications and applications were appropriately filed on the personnel files, but no copies of such could be obtained.

An exercise should be performed where staff files should be compared to the information on the system and all missing documentation on files be located and filed.

2.27 Employees not taking leave – (Excessive leave days)

Admittedly, as a result of staff shortages, employees were unable to take leave during the annual leave cycles, but the practice of taking leave should be encouraged in line with the spirit the Labour Act (Act no. 11 of 2007, Section 23(5). The following employees' current levels of accrued leave are excessive;

Employee no.	11077	118 days leave accrued
Employee no.	19606	100 days leave accrued
Employee no.	16051	75 days leave accrued
Employee no.	6030	60 days leave accrued

It is a fact that fraud risk increases significantly under circumstances when employees are not encouraged to take leave appropriately or are unwilling to take leave.

2.28 Offshore development Corporation (Pty) Ltd (*)

No provision is made for accrued interest on the capital balance held by ODC.

Management has provided for the full capital amount of N$ 55,373 million held at ODC in 2005, as a result of the uncertainty surrounding the recoverability of this amount.

The auditors could not obtain a confirmation of the balance from ODC at the time of the audit.

2.29 Internal controls over expenses

During our detailed tests on expenses, we noted the following internal control discrepancies:

- Supporting documents missing
- Physical bank returned cheques missing
- Payments done on quotes
- Payments not appropriately approved

2.30 Value added tax

Although registered for VAT, management did not complete and submit VAT returns on the cut-off dates. It is also found that a provision for VAT of N$ 219 746 was not raised as a liability at year-end.

2.31 Internal controls over expenses

During our detailed tests on expenses, we noted the following internal control discrepancies:

- Supporting documents missing
- Physical bank returned cheques missing
- Payments done on quotes
- Payments not appropriately approved

2.32 Value added tax

Although registered for VAT, management did not complete and submit VAT returns on the cut-off dates. It is also found that a provision for VAT of N$ 219 746 was not raised as a liability at year-end.

2.33 NDC - Letterhead

On the management representation letter dated 25 March 2009, the name of the former director Mr. S Bezuidenhout was still appearing although he resigned on 03 July 2007. Due care should be exercised when dealing with statutory matters as directors appearing on letterheads still carry responsibilities and accountabilities, and therefore Mr. S Bezuidenhout's name should be removed from the letterhead as a matter of urgency

3. ACKNOWLEDGEMENT

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

4. DISCLAIMED AUDIT OPINION

The financial statements of the Namibia Development Corporation for the year ended 31 March 2008, including all fund accounts operated by the Corporation, have been audited in accordance with the stipulation of Section 22 of the Namibia Development Corporation's Act 18 of 1993.

REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

NAMIBIA DEVELOPMENT CORPORATION (continue)

Because of the significance of matters discussed under paragraphs:

- 2.3 Operating results and going concern
- 2.4 Special funds (*)
- 2.5 Special funds (*)
- 2.6 Shave Capital (*)
- 2.9 Compliance with Namibia Development Corporation Act
- 2.10 Compliance with the State-owned Enterprise Governance Act
- 2.11 Opening Balance Differences found (*)
- 2.12 Loan from the Government of the Republic of Namibia (*)
- 2.15 Related party loan accounts (*)
- 2.16 Fixed assets (*)
- 2.17 Revaluations of fixed assets
- 2.18 Depreciation of assets (*)
- 2.19 Inventory
- 2.20 Live stock (*)
- 2.22 Leases
- 2.33 NDC - Letterhead

I cannot express an opinion on the annual financial statements of the National Development Corporation for the year ended 31 March 2008.

5. EMPHASIS OF MATTER

Without further qualifying my opinion above, I draw attention to the note on going concern in the directors' report, wherein the Directors state that the corporation has an accumulated loss of N$ 276,949 million (2007: N$ 266,168 million) and that the ability of the corporation to continue as a going concern is dependent on continued financial support from the Government of the Republic of Namibia.

Windhoek, April 2011

JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL

NAMIBIA DEVELOPMENT CORPORATION

REPORT OF THE DIRECTORS

for the year ended 31 March 2008

The directors present their report for the year ended 31 March 2008. This report forms part of the audited financial statements.

1. Business and operations

The Corporation's business and operations and the results thereof are clearly reflected in the attached financial statements. No material fact or circumstance has occurred between the accounting date and the date of this report, other than as disclosed in this report.

There was no major change in the nature of the business.

2. Financial results

The results of the Corporation and the state of its affairs are set out in the attached financial statements and do not, in our opinion, require further comments.

3. Going concern

The Directors draw attention to the fact that at 31 March 2008, the corporation had an accumulated loss of N$ 276,949 million (2007: N$ 266,168 million).

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the corporation to continue as a going concern is dependent on continued financial support by the Government of the Republic of Namibia.

4. Subsidiaries and associated companies

Name and nature of business	Issued Capital	% Held 2008	% Held 2007	Shares 2008	Shares 2007	Year End
Direct Subsidiaries						
Dittmarschen Development (Pty) Ltd	100	100	100	100	100	
Nauasport Poultry (Pty) Ltd	2 200	100	100	2 200	2 200	
Amalgamated Commercial Holdings (Pty) Ltd	20 000 000	100	100	20 000 000	20 000 000	
Okakarara Filling Station (Pty) Ltd	100	51	51	51	51	
Okatana Filling Station (Pty) Ltd	100	51	51	51	51	
Owambo Koeldrank Fabriek (Pty) Ltd	100	100	100	100	100	
				20 002 502	**20 002 502**	
Joint ventures and associates						
Pupkewitz Motors (North) (Pty) Ltd	7 500 000	40	40	3 000 000	3 000 000	28/02/2008
Namibia Pipe Manufactures (Pty) Ltd	24 400 000	30	30	7 320 000	7 320 000	
SA Tractors Manufactures (Pty) Ltd	100	40	40	40	40	
Namibia Beverages Partnership	-	29	29	-	-	31/12/2007
				10 320 040	**10 320 040**	

All other joint ventures have a 31 March year end.

As a result of the re-integration process of Amalgamated Commercial Holdings (Pty) Ltd and the Corporation in the 2002 financial year, the following subsidiaries, Okatana Filling Station (Pty) Ltd, Okakarara Filling Station (Pty) Ltd, and Owambo Koeldrank Fabriek (Pty) Ltd, were transferred and incorporated as investments in the books of the Namibia Development Corporation.

The investment of the Corporation in subsidiaries, represent insignificant amount, and therefore it was not considered necessary to prepare consolidated annual financial statements.

5. Share Capital

There was no change in issued share capital during the year.

6. Property, plant and equipment

There have been changes in the values of property, plant and equipment during the year which can be classified as follows:

	2008	2007
	N$'000	N$'000
Additions to property, plant and equipment	48	106
Revaluation of property, plant and equipment	70	50 841
Disposal of property, plant and equipment	(168)	(14 452)

There were no changes in the policy relating to their use.

7. Review of cash flow forecast

In response to the going concern observation, the directors have reviewed the Corporation's cash flow forecast to 31 October 2008 and, in the light of this review and the current financial position, they are satisfied that the Corporation has or has access to adequate resources to continue in operational existence for the foreseeable future.

8. Events subsequent to the year end

There have been no facts or circumstances of a material nature that have occurred between the accounting date and the date of this report, other than as disclosed in this report.

9. Secretary

The Secretary of the Corporation is A van der Berg, whose business and postal addresses are:

NDC Building
11 Goethe Street
Windhoek
Namibia

Private Bag 13252
Windhoek
Namibia

ANNEXURE A

NAMIBIA DEVELOPMENT CORPORATION

BALANCE SHEET

at 31 March 2008

	Notes	2008 N$'000	2007 N$'000
ASSETS			
Non-current assets		**189 820**	194 570
Property, plant and equipment	2	**130 436**	131 280
Investment in subsidiaries	3	**2 435**	4 996
Investment in associates joint ventures	4	**55 948**	55 947
Productive livestock	5	**1 276**	1 276
Loans advanced	6	**(275)**	1 071
Current assets		**43 159**	47 508
Inventories	7	**35 817**	35 715
Trade and other receivables	8	**1 612**	2 276
Funds on deposit	9	**5 730**	9 517
Total assets		**232 979**	242 078

EQUITY AND LIABILITIES

Capital and reserves		**109 845**	120 696
Issued capital	11	**232 435**	232 435
Non distributable reserve	12	**154 359**	154 429
Accumulated loss		**(276 949)**	(266 168)
Non-current liabilities		**76 461**	80 151
Special funds	13	**42 966**	42 906
Interest bearing borrowings	14	**- -**	3 750
Employee benefits	15	**33 495**	33 495
Current liabilities		**46 673**	41 232
Trade and other payables	16	**2 674**	4 109
Current portion of interest bearing borrowings	14	**11 730**	9 230
Related party loans	17	**20 645**	20 752
Bank overdraft	10	**11 624**	7 141
Total equity and liabilities		**232 979**	**242 078**

ANNEXURE B

NAMIBIA DEVELOPMENT CORPORATION

INCOME STATEMENT

for the year ended 31 March 2008

	Notes	2008 N$'000	2007 N$'000
Revenue	1.1	**21 869**	19 991
Cost of sales		**(8 822)**	(7 120)
Gross profit		**13 047**	12 871
Operating costs		**(22 934)**	(31 866)
Operating (loss) for the year		**(9 887)**	(18 995)
Net finance costs	22	**(1 723)**	(1 369)
Other income		**829**	17 305
Net (loss) before taxation		**(10 781)**	(3 059)
Net (loss) for the year		**(10 781)**	**(3 059)**

ANNEXURE C

NAMIBIA DEVELOPMENT CORPORATION

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2008

	Share capital	Non - distributable reserves	Accumulated Loss	Total
	N$'000	**N$'000**	**N$'000**	**N$'000**
Balance as at 01 April 2006	232 435	113 059	(263 109)	**82 385**
Net loss for the year	-	-	(3 059)	**(3 059)**
Transfer of reserves for asset transferred to subsidiary	-	(6 335)	-	**(6 335)**
Revaluation of property, plant and equipment	-	50 841	-	**50 841**
Realised on disposal of property, plant and equipment	-	(3 136)	-	**(3 136)**
Balance as at 1 April 2007	232 435	154 429	(266 168)	**120 696**
Net loss for the year	-	-	(10 781)	**(10 781)**
Revaluation of property, plant and equipment	-	(70)	-	**(70)**
Balance as at 31 March 2008	**232 435**	**154 359**	**(276 949)**	**109 845**

ANNEXURE D

NAMIBIA DEVELOPMENT CORPORATION

CASH FLOW STATEMENT

for the year ended 31 March 2008

	Notes	2008 N$'000	2007 N$'000
Cash flow from operating activities			
Cash receipts from customers		**22 698**	37 296
Cash paid to suppliers and employees		**(31 974)**	(45 553)
Cash utilised by operations	24.1	**(9 276)**	(8 257)
Investment income		**52**	90
Financing costs		**(1 775)**	(1 459)
Net cash flows by operating activities		**(10 999)**	(9 627)
Cash flows from investing activities			
Property, plant and equipment acquired		**(48)**	(106)
Productive livestock sold		**-**	4 172
Proceeds on disposal of assets		**327**	9 832
Profit on sale of property, plant and equipment		**(159)**	-
Movement in advances		**1 346**	(693)
Movement in investments		**2 560**	(1 884)
Movement in related parties		**(107)**	2 203
Net cash in flows from investing activities		**3 919**	13 524

Cash flows from financing activities

Long-term loans (repaid)	**(1 250)**	(3 522)
Movement in special funds	**60**	1 383
Net cash out flow in financing activities	**(1 190)**	(2 139)
Net change in cash and cash equivalents	**(8 270)**	1 759
Balance at the beginning of the year	**2 376**	617
Balance at the end of the year	**(5 894)**	2 376

1. Basis of preparation

The financial statements are prepared in accordance with the requirements of the Namibia Development Corporation Act. The following principal accounting policies used by the Corporation have been consistently applied:

1.1 Revenue recognition

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership are transferred to the buyer.

Revenue from agency commission and royalties are recognised when the sale which gives rise to this revenue takes place.

Grants received comprise amounts received from the Government of the Republic of Namibia.

Interest is recognised on a time proportion basis which takes into account the effective yield on the asset over the period it is expected to be held.

Dividends are recognised when the last date to register for the dividend has passed in respect of listed and un-listed shares.

Management fees are recognised when they become due to the Corporation.

Revenue from rental income is recognised when the rental becomes due.

1.2 Associates

Under the equity method of accounting the Corporation's share of the associate's profit or loss for the year is recognised in the income statement. The Corporation's interest in the associate is carried in the balance sheet at an amount that reflects its share of the associate and includes goodwill on acquisition.

1.3 Joint ventures

A joint venture is a contractual agreement between two or more parties to undertake an economic activity which is under joint control.

Interest in joint venture are stated at fair value, except where there is a permanent decline in value in which case they are written down.

1.4 Investments

Non-current investments are shown at cost and adjustments are made only where in the opinion of the directors, the investment is impaired. Where an investment has been impaired, it is recognised as an expense in the period in which the impairment is identified. Investments include wholly-owned subsidiaries over which no effective management control is in place. Dividends are accounted for when declared in respect of listed and unlisted shares.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the income statement

1.5 Property, plant and equipment

All property, plant and equipment are initially recoded recorded at cost. Buildings and leasehold property are depreciated. For certain buildings the depreciable value is considered to be nil on the basis that it is the Corporation's practice to maintain these buildings in continual state of sound repair and to extend and improve selected buildings from time to time, resulting in the residual value of these assets exceeding the current carrying values

Land and buildings are subsequently shown at revaluation, based on valuation done by external independent valuers every fourth year, less subsequent depreciation for property , plant and equipment, which is stated at historical cost less depreciation.

Increases in the carrying amount arising on revaluation are credited to revaluation and other reserves in shareholders' equity. Decreases that offset previous increases of the same assets are charged against the revaluation reserve. All other decreases are charged against to the income statement.
Impairment losses and reversal of impairment losses are recognised in the income statement.

Depreciation is calculated on the straight-line method to write off the cost of each asset, or revalued amounts, to their residual values over their estimated useful lives. The depreciation rates applicable to each category of property plant and equipment are as follows:

Leasehold buildings	2%
Plant and machinery	10%
Motor vehicles	25%
Establishment costs	10%
Buildings	1.50%
Office equipment and furniture	10%

Land is not depreciated asset is deemed to have an indefinite life

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. On disposal of revalued assets, amount in revaluation and other reserves relating to that asset are transferred to retained earnings.

1.6 Special funds

The Corporation administers certain funds of the Government of the Republic of Namibia which have been earmarked for special purposes. A contract is drawn up whenever a special fund is accepted. The Corporation ensures that funds are credited to a special liability account and duly applied in accordance with the agreement.

The following types of special funds were in existence for the year under review:

High Risk Fund

A revolving fund provided by the Government to the former First National Development Corporation to be used for granting special high risk loans which cannot be met out of the funds of the Corporation in the ordinary course of business.

Repayable to the Government

The Corporation accepts goods from the Government for resale. A special fund is created, equal to the cost of the goods. After the sale of the said goods and recovery of the outstanding debt, the special fund is settled by refunding the Government an amount equal to the cost of the goods.

Other Special Funds

All other funds are credited to a special liability account and disbursed in line with the specific agreement between the Namibia Development Corporation and the Government.

Agency projects

The Corporation administers agency projects on behalf of the Government of the Republic of Namibia. In doing this, the Corporation uses its own resources and all expenditure is recovered from the Government.

1.7 Inventories

Inventories are stated at lower of cost and net realisable value. Cost is determined on a first in, first out basis and includes transport and handling costs. Where necessary, provision is made for obsolete, slow moving and defective inventories.

1.8 Livestock

Productive livestock

Productive livestock is stated at market value at the commencement of their productive life cycle, and revalued annually. Market values are obtained from a livestock marketing agency.

Trading livestock

Trading livestock is valued at the net realisable value on balance sheet date. Net realisable value is obtained from a livestock marketing agency.

1.9 Employee Benefits

Defined Contribution Plans

The Corporation provides for retirement benefits of it's staff by way of a pension fund. The contributions by staff members and the Corporation to this fund are in accordance with the fixed scales determined in consultation with the actuaries. The contributions of the Corporation are dealt with as a charge against income in the year of payment.

This fund is appraised every 3 years by an independent actuary.

Defined benefit plans: Medical post-retirement obligations

The Corporation provides post-retirement medical aid benefits to its retirees. The entitlement to post-retirement medical aid is based on the employee remaining in service up to retirement age and the completion of a minimum service period. Provision is made in respect of the accrued liability for medical aid contributions of current and future pensioners. The expected costs of these benefits are accrued over the period of employment , using an accounting methodology, as prescribed by IAS 19 (post-retirement benefits). Contributions in the future medical aid benefits for pensioners are based on the valuation of the fund and the review of the provision on an annual basis.

Existing employees

Past service costs, experience adjustments, the effects of changes in actuarial assumptions and the effects of plans amendments in respect of existing employees in a defined benefit plan are recognised as an expense or as income systematically over the expected remaining working lives of those employees.

Plan terminations, curtailments and settlements

When it is probable that a defined benefit plan will be terminated or that there will be a curtailment or settlement of the retirement benefits payable under that plan;

(a) resulting increase in the Corporation's retirement benefit cost is recognised as an expense immediately, and

(b) any resulting Gain is recognised as income in the period in which the termination, curtailment or settlement occurs.

Retirement employees

The effects of plan amendments in respect of retired employees in a defined benefit plan are measured as the present value of the effect of the amended benefits, and are recognised as an expense or as income in the period in which the plan amendment is made.

The cost of providing retirement benefits under a defined benefit plan is determined using a projected credit unit valuation method.

1.10 Bad and doubtful debts

Specific provision for bad and doubtful debts is made against identified doubtful advances, including amounts in respect of interest which is not serviced, and this provision is deducted from advances.

1.11 Translation of foreign currencies

Transactions

Foreign currency transactions are recorded, on initial recognition in Namibian Dollar, by applying to the foreign currency amount the exchange rate between the Namibian Dollar and the Foreign currency at the date of the transaction.

At each balance sheet date:

(a) Foreign currency monetary items are reported using the closing rate, and

(b) non-monetary items which are carried at fair value denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

Exchange differences arising on the settlement of monetary items or on reporting on the Corporation's monetary items at rates different from those at which they were initially recorded during the period, or reported in previous financial statements, are recognised as income or expenses in the period in which they arise.

1.12 Leased assets

Leases of property, plant and equipment where the company assumes substantially all the benefits and risks of ownership are classified as finance leases. Finance leases are capitalized at the estimated present value of the underlying lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in interest bearing borrowings. The interest element of the finance charges is charged to the income statement over the lease period. The property, plant and equipment acquired under finance leasing contracts are depreciated over the estimated useful lives of the assets.

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by ways of penalty is recognised as an expense in the period in which termination takes place.

1.13 Deferred tax

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income tax.

The principal temporary differences arise from depreciation on plant and equipment and tax losses carried forward. Deferred tax assets relating to the carry forward of unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

1.14 Trade receivables

Trade receivables are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified.

1.15 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and deposits held at call with banks, net of bank overdrafts. In the balance sheet, bank overdrafts are included in current liabilities.

1.16 Provisions

Provisions are recognized when the company has a present legal constructive obligation and as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made.

1.17 Financial instruments

Financial assets and liabilities are recognised in the Organization's statement of financial position when the organization becomes a party to the contractual provisions of an instrument. All financial instruments are initially measured at fair value. Transaction costs are normally also included in the initial measurement of financial instruments. However, transactions costs incurred on financial assets and liabilities at fair value through profit or loss are not included in the initial measurement, but are expensed. The transactions costs referred to are those incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability. For this purpose, transactions costs excludes financing costs and internal administrative costs.

The Organization derecognition principles for financial liabilities hinge on the legal release (extinguishment) of the obligation. Consequently, an financial liability or part thereof would be removed from its statement of financial position only when it is extinguished. The Organization derecognition principles for financial assets are normally triggered when it receives consideration in return for the transfer or sale of all or part of a financial asset.

Impairment losses are recognised on loans and receivables when there is objective evidence of impairment. An impairment loss is recognised in profit or loss when the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is calculated as the present value of the estimated future cash flows discounted at the original effective interest rate of the instrument.

1.18 Offsetting

The net amount on offsets of financial assets and financial liabilities were reported in the organization statement of financial position, where applicable. However this was only done when the organization had legal enforceable right to set off the recognised amounts and intends to settle on a net basis.

NAMIBIA DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2008

2. Property, plant and equipment

	2008			2007		
	Cost / valuation	Accumulated depreciation	Carrying value N$'000	Cost / valuation N$'000	Accumulated depreciation N$'000	Carrying value N$'000
	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000
2.1 Owned assets						
Land and buildings	68 391	3 338	**65 053**	50 280	-	50 280
Plant and equipment	11 090	8 527	**2 563**	11 132	8 267	2 865
Buildings on leasehold	64 459	2 210	**62 249**	79 509	1 958	77 551
Establishment cost	4 267	3 696	**571**	4 267	3 683	584
Closing carrying amount	148 207	17 771	**130 436**	145 188	13 908	131 280

2008	Carrying value at beginning of year N$'000	Additions N$'000	Revaluations N$'000	Disposal N$'000	Depreciation N$'000	Carrying value at end of year N$'000
Land and buildings	50 280	-	-	-	(208)	**50 072**
Plant and equipment	2 865	48	-	-	(350)	**2 563**
Buildings on leasehold	77 551	-	70	(168)	(223)	**77 230**
Establishment cost	584	-	-	-	(13)	**571**
Closing carrying amount	131 280	48	70	(168)	(794)	**130 436**

Certain properties, plant and equipment is encumbered in note 10.
Details of the freehold land and building are recorded in a register which may be inspected by the members or its duly authorized agent at the Corporation's registered Office

	2008	2007
3. Investments in subsidiaries	**N$'000**	**N$'000**
Unlisted shares at cost	**12 207**	12 206
Loans to subsidiaries	**598**	3 161
Dittmarschen Poultry (Pty) Ltd	**121**	121
Nauasport (Pty) Ltd	**263**	263
Owambo Koeldrankfabriek (Pty) Ltd	**214**	2 777
	12 805	15 367
Less : Provisions	(10 370)	(10 371)
	2 435	**4 996**

	2008	2007
	N$'000	N$'000

4. Investment in associates and joint ventures

Carrying amount of investments	**68 728**	68 728
Loans	**4 565**	4 565
Provisions	**(17 346)**	(17 346)
	55 948	55 947
Less: Associate	**(3 785)**	(3 785)
Closing balance	**52 163**	52 162

The investment with Namibia Beverages (Coca-cola), has not been affected with any fair value adjustments, considering the latest valuation done in October 2006. The investment has been pledged as security for the Development Bank of Southern Africa loan on note 14.

Associate

At cost less amounts written off

Pupkewitz North Toyota (Pty) Ltd

40% interest in unlisted shares of Pupkewitz North Toyota (Pty) Ltd

	2008	2007
	N$'000	N$'000
Carrying value of investment		
Shares at cost	**3 000**	3 000
Retained earnings since acquisition	**785**	785
	55 948	55 947

Summary financial information of Pupkewitz North Toyota (Pty) Ltd

	2008	2007
Assets		
Non current	**9 150**	6 952
Current	**10 369**	11 403
	19 519	18 355
Equity and liabilities		
Equity and reserves	**12 512**	10 802
Non current liabilities	**579**	2 025
Current liabilities	**6 428**	5 528
	19 519	18 355
Turnover	**106 486**	**84 944**
Net profit after tax	**1 710**	**1 339**

The above information was obtained from the audited annual financial statements of 29 February 2008.

					2008	2007
					N$'000	N$'000

5. Livestock on hand

	Units	Units	Market Value per Unit	Market Value per Unit	**Total Market Value**	Total Market Value
	2 008	2 007	2 008	2 007	2 008	2 007
Productive livestock						
Cows	201	175	4 264	4 898	**857**	857
Bulls	56	58	7 482	7 223	**419**	419
Total productive livestock					**1 276**	1 276
Trading livestock						
Oxen	418	164	1 730	4 410	**723**	723
Cows	5 318	6 627	4 667	3 745	**24 818**	24 818
Bulls	2 191	3 017	4 357	3 164	**9 546**	9 547
Total trading livestock					**35 087**	35 088
					36 363	36 364

6 Loan advanced

	2008 N$'000	2007 N$'000
Business loans		
Loans outstanding	**16 274**	17 565
Less: provision for doubtful debts	**(16 566)**	(16 518)
	(292)	1 047
Staff loans	**17**	24
	(275)	1 071

7. Inventories

The amount attributable to the different categories are as follows:

	2008	2007
Consumable stores	**730**	687
Livestock	**35 087**	35 088
	35 817	35 775
Provision for obsolete stock	**-**	(60)
	35 817	35 715

8. Trade and other receivables

	2008	2007
Trade debtors	**10 193**	9 246
Sundry debtors	**3 973**	5 583
Less: Provision for doubtful debts	**(12 553)**	(12 553)
	1 612	2 276

9. Funds on deposit

	2008	2007
ODC investment	**55 373**	55 373
Short term deposit with banks	**5 730**	9 517
	61 103	64 890
Provision for ODC investment	**(55 373)**	(55 373)
	5 730	9 517

Provision was made on the full amount of capital held by ODC, as there is uncertainty surrounding the recoverability of the capital.

	2008	2007
	N$'000	N$'000

10. Bank balances

	2008	2007
Own cash balances	**1 355**	1 009
Bank overdraft	**(12 979)**	(8 150)
	(11 624)	(7 141)

The Corporation has an overdraft facility of N$ 12,000,000 (2007: N$ 12,000,000) with Bank Windhoek Limited and is secured by a mortgage bond over the remainder of Erf 79, Windhoek.

11. Issued capital

Issued

	2008	2007
- 232,435,000 (2007: 232,435,000) Ordinary shares of N$ 1.00 each	**232 435**	232 435

The share capital of the Corporation may be increased or decreased by the Government of the Republic of Namibia on recommendation of the Board of Directors. Such capital is divided into ordinary shares of N$ 1 each.

Shares issues are financed with funds granted for the purpose by the Government of the Republic of Namibia.

12. Non-distributable reserve	2008	2007
	N$'000	**N$'000**
Balance at beginning of the year	**154 429**	113 059
Movement during year:		
- Surplus arising from revaluation of properties	**-**	50 841
- Realised on disposal of property, plant and equipment	**(70)**	(9 471)
Balance at end of the year	**154 359**	154 429
Comprising:		
This reserve arose on the transfer of assets from the former First National Development Corporation in terms of the Namibia Development Corporation Act, 1993.	**66 036**	66 036
Surplus arising from revaluation of freehold land and buildings	**88 323**	88 393
	154 359	154 429

13. Special funds

High-risk Fund

Capital	**2 039**	2 039

Other funds

Government : Investment incentives	**967**	966
Tractor loan scheme	**1 024**	1 024
MTI Renovations	**988**	988
Vendor development program	**5 140**	5 140
SME feasibility studies fund	**4 166**	4 166
Food for work	**(1 384)**	(1 383)
Private sector feasibility studies fund	**9 367**	9 367
SME legal framework - credit guarantee	**(510)**	(510)
SME sourcing program	**8 636**	8 636
Appropriate technology demonstration centre	**2 926**	2 926

NAMIBIA DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2008

	2008	2007
	N$'000	N$'000
Intra-net	**1 200**	1 200
Individuals and non profit organisations	**1 322**	1 322
Agriculture feasibility study fund	**(30)**	(30)
Ex combatants	**39**	39
Special agronomic loans	**363**	359
Small farmers	**1 374**	1 371
Hardap feeder	**232**	232
Enterprise Namibia	**15**	15
Kongo river feasibility study	**1 771**	1 771
Aussenkehr	**4**	4
National sectorial industrial program	**401**	401
Ex combatants 2	**(7)**	(7)
EPZ Industries	**(1 521)**	(1 521)
Cash for work	**49**	49
Fresh water fish	**-**	(25)
Walvisbay corridor	**2 480**	2 480
Agro-processing	**3 430**	3 430
SME Clusters	**448**	448
Water Feasibility Study	**(1 974)**	(1 974)
Okarara Workshop	**(18)**	(18)
Solar Fund	**30**	-
	42 966	42 906

	2008	2007
	N$'000	N$'000

Other notes

14. Interest bearing borrowings

Development Bank of Southern Africa (DBSA)		
The loan is secured by a pledge of the Corporation's investment, and its right to receive any monies of Namibia Beverages. Capital repayment is due in 16 half yearly installments commencing 1 April 2002. interest is currently 13.50% per annum and is charged and payable three monthly in arrears.	**5 000**	6 250
Government of the Republic of Namibia		
The total loan provided is N$ 4,844,814. The loan is repayable in 20 six monthly installments on 30 June and 30 December each year, commencing on 30 June 2002. The loan bears interest at 3.5% per annum. This loan is unsecured.	**6 730**	6 730
	11 730	12 980
Less: Current portion included in current portion of borrowings	**(11 730)**	(9 230)
	-	3 750

15. Employee benefits

	2008	2007
	N$'000	N$'000

Post-retirement medical aid benefits

The Corporation contributes to a medical aid scheme for retired employees. The liability in respect of future contributions to the scheme in respect of members is valued annually by actuaries.

The latest valuation was carried out on 31 March 2007 by Alexander Forbes Health Care Consultants. The valuation method used was the Projected Unit Credit Method as prescribed by IAS 19 (Employee Benefits). The liability was estimated at N$ 33,495 million. There are no plan assets held against this current valuation.

	2008	2007
Present value of obligation	**33 495**	33 495
The principal assumption used were:		
Discount rate	7.75%	7.75%
Health care inflation	6.75%	6.75%
Average retirement age	65	65

16. Trade and other payable

	2008	2007
Trade creditors	**858**	1 530
Sundry creditors	**1 816**	2 579
	2 674	4 109

	2008	2007
	N$'000	N$'000

17. Related party loans

	2008 N$'000	2007 N$'000
Rural Electrification Project	**298**	(294)
Omega Irrigation Project	**4 042**	4 480
Date Production Support Program Project	**(4 233)**	(5 601)
Etunda Irrigation	**3 120**	3 117
Swartboois Project	**(586)**	-
Orange River Irrigation Project	**12 670**	12 619
Tissue Culture Project	**196**	170
Neu Sommerau	**107**	107
Industrial Park Project	**(29 311)**	(29 536)
Cactus Pear Support	**(4 559)**	(3 347)
Naute Fruit Farms	**(2 467)**	(2 467)
Dittmarchen	**1**	-
Okatana	**2**	-
Owambo Koeldrank Fabriek	**75**	-
	(20 645)	(20 752)

These loans are current, interest free, unsecured and have no fixed terms of repayment.

18. Gross revenue

Gross revenue comprises turnover, which excludes value-added tax and represents the invoiced value of goods, and services supplied, rent and dividends received.

19. Operating loss

	2008	2007
	N$'000	N$'000
Operating loss is stated after:		
Income		
Profit on disposal of property, plant and equipment	**159**	1 715
Share of profit in joint venture and associate	**-**	7 596
Expenditure		
Depreciation		
- Property, plant and equipment	**794**	921
Lease rentals	**130**	90
- Premises	**72**	73
- Equipment	**58**	17
Loss of livestock	**-**	4 436
Post-retirement benefit expenses	**-**	2 219
Pension contributions	**855**	-

20. Investment income

Interest income		
- Other interest	**52**	90
	52	90

	2008	2007
	N$'000	N$'000
21. Directors' emoluments		
Emoluments paid		
Directors and past directors		
- For services as directors	**34**	33
- Salary and acting allowances of executive director	**897**	585
	931	618
22. Finance cost		
Long-term loans and Bank overdraft	**1 775**	1 459
	1 775	1 459
23. Staff cost		
Salaries and wages	**8 942**	9 346
Medical aid cost	**2 176**	2 003
Pension cost	**855**	-
Post-retirement cost	**-**	2 219
	11 973	13 568

24. Notes to the cash flow statement

24.1 Cash utilised in operating activities

	2008	2007
	N$ 000	N$ 000
Net loss	**(10 781)**	(3 059)
Adjustments for:		
Depreciation	**794**	921
Investment income	**(52)**	(90)
Finance costs	**1 775**	1 459
Adjustment to property, plant and equipment	**(70)**	(1 813)
(Profit) on disposals of property, plant and equipment	**(159)**	(1 715)
Revaluation surplus realised on disposals of property, plant and equipment	**92**	(3 136)
	(8 402)	(7 433)
Movements in working capital		
(Increase)/decrease in inventories	**(102)**	455
Increase in post-retirement benefit obligation	**-**	2 219
Decrease/(Increase) in accounts receivable	**664**	(2 047)
Decrease in accounts payable	**(1 435)**	(1 451)
	(9 276)	(8 257)

24.2 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks. Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

	2008	2007
Bank balances	**1 355**	1 009
Funds on deposit	**5 730**	9 517
Bank overdraft	**(12 979)**	(8 150)
	(5 894)	2 376