



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

NAMIBIA DEVELOPMENT CORPORATION

FOR THE FINANCIAL YEAR ENDED 31 March 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 the Namibia Development Corporation for the financial year ended 31 March 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, December 2015

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
NAMIBIA DEVELOPMENT CORPORATION
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013**

1. INTRODUCTION

The accounts of the Namibia Development Corporation, for the year ended 31 March 2013 are being reported on in accordance with the provisions set out in Section 22 of the Namibian Development Corporation act,1993 (Act 18 of 1993) hereinafter referred to as the Act.

The main objectives of the Board are stated in Section 3 of the Act. Which are as follows:

- 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 the stimulation of small and informal economic activities;
- j) Developing, with the participation of the private sector, commercially viable enterprises or projects; acting as agent for the Government and its institutions in the promotion of enterprises or the implementation of development schemes; and co-ordinating with other development agencies and institutions in order to facilitate co-operation and encouragement of an interdisciplinary and multidisciplinary approach.

The firm Saunderson & Co of Windhoek has been appointed in terms of Section 26(2), of the State Finance Act, 1991 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 thousand Namibia Dollar. Deficits are indicated in (brackets).

2. FINANCIAL STATEMENTS

The Board's annual financial statements were submitted to me by the Board in compliance with Section 23(1), 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 following Annexures are attached to this report:

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

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

3. AUDIT OBSERVATIONS FROM PRIOR YEAR STILL EVIDENT IN CURRENT YEAR

3.1 CONTROL ACCOUNTS

As noted during prior year, there were still some control accounts that were not adequately reviewed and cleared on time. 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.

For the current year under audit, the unreconciled control accounts are as follows:

2013

3650-254-10-100 Bank Clearing Account -Unallocated	N\$ 254 782
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**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
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3.2 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 as stipulated by an agreement signed between a Namibia Development Corporation (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 detailed below:

SPF- PPP Framework

- No signed agreement between the Ministry of Trade and Industry and NDC provided for the fund.
- No separate bank account maintained for this SPF-PPP Framework project.

3.3 NAUTE PROJECT - DATES and GRAPES

As reported in prior years, Namibia Development Corporation - Naute Project prepare tax invoices only for the products to cross the border however, the initial tax invoices amount of dates and grapes sold is calculated by Karsten (the marketing agency). After Karsten sells the grapes, they deduct all the charges and the packaging material and the rest of the amount left is deposited in the bank account of Naute as sales of dates and grapes. There is no summary report provided to NDC that reconciles the dates and grapes shipped by the agent (Karsten) and the grapes sold against the amounts that end up in the bank account of the NDC for the year under review.

Furthermore, due to the above lack of records, inventory of dates and grapes held for sale by the Corporation as at March 2013 could also not be determined for inclusion into the financial records. It is generally good accounting practice to measure agricultural produce at fair value less costs to sell at the point of harvest.

3.4 LOAN FROM THE GOVERNMENT OF THE REPUBLIC OF NAMIBIA

As reported in prior year, the Corporation received a loan of N\$ 4.845 million in 1998 from the Government of the Republic of Namibia for acquiring a stake in Southern Africa Tractor Manufacturing (Pty) Ltd (SATM). In the year ended 2013 no repayments were 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.

The Corporation is non-payment on the loan is a direct breach of Section 6.1 of the on-lending agreement and have attracted interest which considering the financial performance of the Corporation should have been prevented.

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
NAMIBIA DEVELOPMENT CORPORATION
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013**

3.5 PROPERTY, PLANT and EQUIPMENT

The following issues were noted with regards to the property, plant and equipment of the Corporation which had an effect on the valuation and proper verification of existence and completeness.

The NDC's fixed asset register is not fully descriptive to allow items on the register to be physically identified. This had an effect on the valuation and proper verification of existence and completeness.

3.6 BIOLOGICAL ASSETS (Grape Vine Yards and Plantations)

The Auditors noted that there is no laid down policy to determine how the Vine Yards and Date Plantations are valued and disclosed in the accounting records, hence leading to omission of the respective values and disclosures.

It is generally accepted good accounting practice to measure the Vines Yard and Date plantations using the fair value model. The fair value is based on the combined fair value of the land and the vines/date trees. The fair value of the raw land and land improvements is then deducted from the combined fair value to determine the fair value of the vines/date trees. Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate is used to determine fair value. Agricultural produce is measured at fair value less costs to sell at the point of harvest.

3.7 LIVE STOCK

All livestock were classified and treated as short-term trading livestock, which is generally misleading as it gives the impression that all the livestock will be sold within a period of 12 months. No reconciliation with proper disclosures has been provided.

3.8 INVESTMENT IN ASSOCIATES

As in prior years the accounting policy for investments in associates has stipulated that "Under the equity method of accounting the Corporation's share of the associate's profit or loss for the year is recognized 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. No share of profits accounted for in current year."

Share of profits has not been accounted for in NDC books for the year under review (2013), which leads to an estimated understatement of investment and related investment income of N\$ 1.761 million.

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
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FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013**

3.9 INVENTORIES

The following issues were noted with regards to inventory management and recording:

3.9.1 Independent verification of livestock quantities

- Livestock quantities as certified by the external auditors during the September stock-takes do not agree to the quantities presented in the NDC stock reports for the same period. Based on this the quantities presented by NDC with variances of N\$ 408 550 cannot be relied on.

3.9.2 Valuation of livestock stock (Unit prices)

- Unit prices used by the client to value livestock were inherited from prior years, hence the client could not provide with a proper basis of these prices. NDC's policy states that the trading livestock are valued at the net realizable value and these values are obtained from a livestock marketing agency. Productive livestock are stated at market values at the commencement of their productive life cycle and revalued annually and their values are also obtained from livestock marketing agencies. The Board did not obtain fair values from marketing agencies to be used for valuation of livestock as indicated in NDC's Accounting Policy.

3.10 CASH AND CASH EQUIVALENTS

Auditors noted a variance in the Bank Windhoek Investment Fund account used for special funds between the General ledger amount and the bank statement which reflect a misstatement of records and the Board has not provided reconciliation for this variance amounting to N\$ 8.577 million.

3.11 SPECIAL FUNDS – Agency accounts

The NDC is administering some funds from Government ministries and maintaining separate accounting records. These accounts are known as the agency accounts. These funds have thus been excluded from the NDC audited financial statements and thus no opinion can be expressed on their completeness, valuation for the periods under review.

3.12 TRADE AND OTHER PAYABLES

VAT and Import VAT administration

With regard to the VAT and Import VAT administration, auditors noted the issues which led to the misstatement of NDC financial records and also attracted penalties and interest from the Receiver of Revenue.

There were unreconciled variances between the balances reflected as per the Receiver of Revenue Statements (third party evidence) and what was recorded by NDC in their general ledger (GL) to the amount of N\$ 2.337 million.

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
NAMIBIA DEVELOPMENT CORPORATION
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013**

3.13 REVENUE

3.13.1 Rental Income

The Auditors noted with concern that for the investment properties being managed by the NDC, there was no rent roll in place during the period under review, to show the number of tenants in place and the history of their rental balances. Under such circumstances the completeness and accuracy of the rent income cannot be determined.

3.14 Government grants

The Auditors noted that for the funds transferred as grants from the Ministry of Trade and Industry, there were no agreements in place to determine the terms and conditions governing these grants. In such situations there is no measurement instrument to determine the completeness of receipt of the grant and also if it has met the objectives of which it was intended for.

4. ACKNOWLEDGEMENT

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

5. BASIS FOR QUALIFIED AUDIT OPINION

My opinion has been qualified due to the following:

- Valuation of inventory not in compliance with accounting policy as the unit prices have not been obtained from the livestock marketing agencies;
- No reconciliations performed on Value Added Tax and Import Value Added Tax to reflect correct amounts due to the Receiver of Revenue;
- Agency accounts managed by the NDC not consolidated in the financial statements and unaudited;
- No policies in place to ensure adequate valuation of vine yards, date plantation and agricultural produce; and
- Difference between investment fund and general ledger amounting to N\$ 8.577 million.

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
NAMIBIA DEVELOPMENT CORPORATION
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013**

6. QUALIFIED AUDIT OPINION

The financial statements of the Namibia Development Corporation for the year ended 31 March 2013, 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.

In my opinion, except for the possible effects of the matter described in the Basis for Qualified audit opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Namibia Development Corporation as at 31 March 2013, and its financial performance and its cash flows for the year then ended in accordance with the Namibian Statement of Generally Accepted Accounting Practice (NAC-001): International Financial Reporting Standards for Small and Medium Sized Enterprises.

The Directors present their report for the year ended 31 March 2013. This report forms part of the audited financial statements.

WINDHOEK, December 2015

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**NAMIBIA DEVELOPMENT CORPORATION
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MARCH 2013**

1. Business and operations

The Corporation's business and operations and the results thereof are clearly reflected in the attached financial statements. The Corporation took over the management of Sites and Premises from the Offshore Development Company (ODC), this included the assets and liabilities. No other material facts or circumstances have occurred between the accounting date and the date of this report, other than as disclosed in this report.

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. Subsidiaries and associated companies

Name and nature of business	Issued	% Held		Shares		Year end
	Capital	2013	2012	2013	2012	
Direct Subsidiaries						
Dittmarschen Development (Pty) Ltd***	100	100	100	100	100	31 March
Okatana Filling Station (Pty) Ltd***	20 000	51	51	10 200	10 200	31 March
Owambo Koeldrank Fabriek (Pty) Ltd***	2	100	100	2	2	31 March
Naute Fruit Farms (Pty) Ltd	100	100	100	100	100	31 March
Namibia Agricultural Development (Pty) Ltd	100	100	100	100	100	31 March
Joint ventures and associates				10 502	10 502	
Pupkewitz Motors (North) (Pty) Ltd	7 500 000	40	40	3 000 000	3 000 000	28/02/2012
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	-	-	31/12/2012
				10 320 040	10 320 040	

*** Investment values written off in full during 2012 financial year.

**NAMIBIA DEVELOPMENT CORPORATION
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MARCH 2013**

3. Subsidiaries and associated companies (continued)

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.

4. Share Capital

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

5. Shareholder

The Government of the Republic of Namibia is the sole shareholder of the Company.

6. 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.

7. Corporate Governance

Namibia Development Corporation is committed to achieving high standards of corporate governance. The Board has developed self-governance principles over the years which are applied transparently and consistently. The Board also recognises that compliance with legislation is an important component of good governance and in this regard, the directors are satisfied with actions that management has taken to ensure compliance with all relevant legislation.

Full compliance has not been practically possible with respect to certain provisions of the State-Owned Enterprises Governance (SOEG) Act of 2006. Management has and continues to engage the SOEG Council with the aim of achieving full compliance. The discussions are aimed at ensuring that full compliance does not negate achievements already attained prior to the Act becoming effective.

The Corporation continues to apply and comply with the provisions of the NDC Act 18 of 1993 and its internal governance procedures in directing and managing the business. Certain exceptions as provided within the SOEG Act were also processed. The matters dealt with through the Company's internal governance procedures and subject to the board's approval include development and implementation of the Company's strategic and financial plan, determination and approval of the remuneration of the board and senior management of the Company's investment portfolio. Notably, the SOEG Act does not apply to the subsidiaries and associates, but only to the company.

**NAMIBIA DEVELOPMENT CORPORATION
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MARCH 2013**

8. NATURE OF BUSINESS

In order to meet its objectives, the principal activities of the Corporation include 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
Windhoek
Namibia

ULTIMATE SHAREHOLDER Government of the Republic of Namibia

MAIN BANKERS Bank Windhoek Limited

COMPANY SECRETARY Liezel du Plessis

DIRECTORS J. Nekwaya Chairman
M.S. Semi
M.S. Haipinge
R. Jacobs

***Ex officio* Directors:**

Dr. M Lindeque Permanent Secretary: Trade and Industry
Ms E Shafudah Permanent Secretary: Finance
A. Ndishishi Permanent Secretary: Agriculture, Water and Forestry
J. Iita Permanent Secretary: Mines and Energy
AL Hungamo Permanent Secretary: National Planning Commission
PF de Wet Acting Managing Director

NAMIBIA DEVELOPMENT CORPORATION
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

Directors' statement of responsibility

The Directors are responsible for the preparation and fair presentation of the financial statements of the Namibia Development Corporation, comprising the statement of financial position as at 31 March 2012, and the statement of comprehensive income, statement in equity and cash flows for the year then ended, and the notes to the financial statement, which include a summary of significant accounting policies and other explanatory notes, and the directors' report, in accordance with the Namibian Statement of Generally Accepted Accounting Practice (NAC-001): International Financial Reporting Standards for Small and Medium Sized Enterprises, and the requirements of the NDC Act 18 of 1993.

The Directors are also responsible for such internal control as the Directors determine it necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system risk management.

The Directors have made an assessment of the Company's ability to continue as a going concern and there is no reason to believe the business will not be going concerns in the year ahead.

The auditor is responsible for reporting on whether the financial statements are fairly presented in accordance with the Namibian Statement of Generally Accepted Accounting Practice (NAC-001): International Financial Reporting Standards for Small and Medium Sized Enterprises, and the requirements of the NDC Act 18 of 1993.

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 2013 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.

Approval of annual financial statements

The financial statements set out on pages 16 to 35, 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
Chairperson

P de Wet
Acting Managing Director

NAMIBIA DEVELOPMENT CORPORATION
STATEMENT OF FINANCIAL POSITION
AT 31 March

	Notes	2013 N\$'000	2012 N\$'000
ASSETS			
Non-current assets		451 559	421 668
Property, plant and equipment	2	73 451	64 737
Investment property	3	269 450	277 512
Investment in associates and joint ventures	5	108 658	79 419
Current assets		228 633	139 955
Inventories	7	52 234	42 477
Trade and other receivables	8	42 741	7 993
Cash and cash equivalents	9	130 929	86 185
Related party loans	16	2 729	3 300
Total assets		680 192	561 623
EQUITY AND LIABILITIES			
Capital and reserves		577 115	490 735
Issued capital	10	234 935	234 935
Non distributable reserve	11	393 902	394 147
Accumulated loss		(51 722)	(138 347)
Non-current liabilities		80 012	45 976
Special funds	1	41 018	9 418
Employee benefits	14	38 994	36 558
Current liabilities		23 065	24 912
Trade and other payables	15	15 382	17 998
Shareholder's loan	13	7 158	6 914
Bank overdraft	9	525	-
Total equity and liabilities		680 192	561 623

NAMIBIA DEVELOPMENT CORPORATION
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 March

		2013	2012
	Notes	N\$'000	N\$'000
Revenue	1.1	89 321	47 845
Cost of sales		<u>(12 079)</u>	<u>(22 308)</u>
Gross profit		77 242	25 537
Operating costs		<u>(102 355)</u>	<u>(93 173)</u>
Operating (loss) for the year		(25 113)	(67 636)
Net finance costs	20	3 964	3 332
Other income	24	<u>86 924</u>	<u>47 448</u>
Net (loss) / profit before taxation		65 775	(16 856)
Net (loss) / profit after taxation		65 775	(16 856)
Dividends received		<u>20 850</u>	<u>21 044</u>
Total comprehensive income for the year		<u>86 625</u>	<u>4 188</u>

**NAMIBIA DEVELOPMENT CORPORATION
STATEMENT OF CHANGES IN EQUITY**

FOR THE YEAR ENDED 31 March

	Share capital	Non Distributable reserves	Accumulated Loss	Total
	N\$'000	N\$'000	N\$'000	N\$'000
Balance as at 01 April 2011	234 935	151 859	(142 405)	244 389
Net profit for the year	-	-	4 188	4 188
Transfer of assets Sites and Premises	-	242 288	-	242 288
Adjustments and utilizations	-	-	(130)	(130)
Balance as at 31 March 2012	234 935	394 147	(138 347)	490 735
Net profit for the year	-	-	86 625	86 625
Movement in non-distributable reserves	-	(245)	-	(245)
Balance as at 31 March 2013	234 935	393 902	(51 722)	577 115

NAMIBIA DEVELOPMENT CORPORATION
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 March

		2013	2012
	Notes	N\$'000	N\$'000
Cash flow from operating activities			
Cash receipts from customers		176 245	95 293
Cash paid to suppliers and employees		<u>(197 951)</u>	<u>(118 210)</u>
Cash (used in) operations	22	(21 706)	(22 917)
Dividend received		20 850	21 044
Investment income		4 334	3 601
Financing costs		<u>(370)</u>	<u>(269)</u>
<i>Net cash inflows by operating activities</i>		<u>3 108</u>	<u>1 459</u>
Cash flows from investing activities			
Property, plant and equipment acquired		(13 940)	(6 436)
Purchase of investment property		-	(14 928)
Productive livestock sold		-	-
Proceeds on disposal of assets		22 636	334
Movement in advances		-	10
Movement in investments		-	-
Movement in related parties		572	3 723
<i>Net cash (out) flows from investing activities</i>		<u>9 268</u>	<u>(17 297)</u>
Cash flows from financing activities			
Movement in special funds		31 843	(310 711)
<i>Net cash (out)/in flows in financing activities</i>		<u>31 843</u>	<u>(310 711)</u>
Net change in cash and cash equivalents		44 219	(326 549)
Bank overdraft, less cash and cash equivalents			
Balance at the beginning of the year		86 185	412 734
Balance at the end of the year	8	<u><u>130 404</u></u>	<u><u>86 185</u></u>

NAMIBIA DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 March 2013

1. Basis of preparation

The financial statements are prepared in accordance with the Namibian Statement of Generally Accepted Accounting Practice (NAC-001): International Financial Reporting Standards for Small and Medium Sized Enterprises, and the requirements of the Namibia Development Corporation Act as well as the Companies 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 recognized when the significant risks and rewards of ownership are transferred to the buyer.

Revenue from agency commission and royalties are recognized 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 recognized 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 recognized when the last date to register for the dividend has passed in respect of listed and un-listed shares.

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

Revenue from rental income is recognized 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 recognized 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.

NAMIBIA DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 March (continued)

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 recognized 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 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 values 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 recognized 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	2%
Office equipment and furniture	10%

**NAMIBIA DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 March (continued)**

1.5 Property, plant and equipment (continued)

Land is not a depreciated asset and 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. For the year under review, Special Funds were relocated outside of the records of the Corporation with own bank accounts where it will be administered separately and independently.

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

NAMIBIA DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 March (continued) 2013

1.7 Inventories

Inventories are stated at lower of cost and net realizable 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 realizable value on balance sheet date. Net realizable value is obtained from a livestock marketing agency.

1.9 Employee Benefits*Defined Contribution Plans*

The Corporation provides for retirement benefits of its 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 and the next appraisal was due in 2010, but not done as yet and the next appraisal is set down to be done in 2013.

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.

Plans amendments in respect of existing employees in a defined benefit plan are recognized as an expense or as income systematically over the expected remaining working lives of those employees.

NAMIBIA DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 March (continued) 2013

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 recognized 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 recognized as an expense immediately, and
- (b) any resulting gain is recognized 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 recognized 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 debtors, including amounts in respect of interest which is not serviced, and this provision is deducted from debtors.

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.

**NAMIBIA DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 March (continued)**

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 way of penalty is recognized as an expense in the period in which termination takes place.

1.13 Trade receivables

Trade receivables are carried at anticipated realizable 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.

1.14 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.

1.15 Provisions

Provisions are recognized when the company has a present legal constructive obligation as a result of a past event and 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.

1.16 Financial instruments

Financial assets and liabilities are recognized 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.

**NAMIBIA DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 March 2013 (continued)**

1.16 Financial instruments (continued)

The Organization derecognition principles for financial liabilities hinge on the legal release (extinguishment) of the obligation. Consequently, a 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 recognized on loans and receivables when there is objective evidence of impairment. An impairment loss is recognized 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.

1.17 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 recognized amounts and intends to settle on a net basis.

**NAMIBIA DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 March (continued)**

Reconciliation of property, plant and equipment – 2013

	Opening balance	Additions	Disposals	Transfers	Transfer to investment properties	Depreciation	Total
	N\$'000	N\$'000	N\$'000	N\$'000	N\$'000	N\$'000	N\$'000
Land and Buildings	52 563	235	-	-	-	(1 214)	51 584
Plant and machinery	5 616	4 443	-	-	-	(1 106)	8 953
Motor vehicles	4 138	3 769	(176)	-	-	(2 129)	5 602
Office equipment	1 142	491	-	71	-	(299)	1 405
IT equipment	678	61	-	-	-	(352)	387
Establishment costs	600	-	-	-	-	(21)	579
Capital – Work in progress	-	4 941	-	-	-	-	4 941
	64 737	13 940	(176)	71	-	(5 121)	73 451

2. Property, plant and equipment

	2013			2012		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
	N\$'000	N\$'000	N\$'000	N\$'000	N\$'000	N\$'000
Land and Buildings	61 078	(9 494)	51 584	60 843	(8 280)	52 563
Plant and machinery	20 041	(11 088)	8 953	15 599	(9 983)	5 616
Motor vehicles	12 818	(7 216)	5 602	9 375	(5 237)	4 138
Office equipment	3 108	(1 703)	1 405	2 534	(1 392)	1 142
IT equipment	4 145	(3 758)	387	4 081	(3 403)	678
Establishment costs	4 335	(3 756)	579	4 336	(3 736)	600
Capital – Work in Progress	4 941	-	4 941	-	-	-
Total	110 466	(37 015)	73 451	96 768	(32 301)	64 737

**NAMIBIA DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 March (continued)**

Reconciliation of property, plant and equipment – 2012

	Opening balance	Additions	Disposals	Transfers	Transfer to investment properties	Depreciation	Total
	N\$'000	N\$'000	N\$'000	N\$'000	N\$'000	N\$'000	N\$'000
Land and Buildings	116 712	-	-	-	(61 473)	(2 676)	52 563
Plant and machinery	2 377	2 845	-	1 425	-	(1 031)	5 616
Motor vehicles	1 009	2 502	-	2 013	-	(1 386)	4 138
Office equipment	462	465	(15)	594	-	(364)	1 142
IT equipment	199	624	-	169	-	(314)	678
Establishment costs	545	-	-	55	-	-	600
	121 304	6 436	(15)	4 256	(61 473)	(5 771)	64 737

**NAMIBIA DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 March (continued)**

2013	2012
N\$'000	N\$'000

3. Investment property**Reconciliation of investment property-2013**

	Opening balance	Additions	Disposals	transfer from property , plant and equipment	Transfer from sites and premises	Depreciation	Total
Investment property	277 512	-	(3 546)	-	-	(4 516)	269 450

4. Investment property**Reconciliation of investment property-2012**

	Opening balance	Additions	Disposals	transfer from property , plant and equipment	Transfer from sites and premises	Depreciation	Total
Investment property	-	14 928	(1 13)	61 473	202 656	(1 432)	277 512

5. Investment in associates and joint ventures

Namibia Beverages (Joint venture)	100 382	71 143
Pupkewitz North Toyota (Pty) Ltd	8 276	8 276
	108 658	79 419

NAMIBIA DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 March (continued)

6. Livestock on hand	Units	Units	Average market value per unit	Total market value	Total market value
	2013	2012	2013	2013	2012
			N\$'000	N\$'000	N\$'000
Trading livestock					
Oxen	188	669	5 000	940	3 345
Cows	10 130	7 247	3 825	38 744	28 132
Bulls	3 055	2 447	3 589	10 964	9 037
Total trading livestock				50 648	40 514
				50 648	40 514
				2013	2014
				N\$'000	N\$'000
7. Inventories					
The amount attributable to the different categories are as follows:					
Consumable stores				1 599	1 976
Livestock				50 648	40 514
				52 247	42 490
Provision for obsolete stock				(13)	(13)
				52 234	42 477

NAMIBIA DEVELOPMENT CORPORATION
NOTES FOR THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 March (continued)

	2013	2012
	N\$ 000	N\$ 000
8. Trade and other receivables		
Trade debtors	43 402	8 391
Value Added Tax	5 521	5 342
Less: Provision for doubtful debts	(6 182)	(5 740)
	<u>42 741</u>	<u>7 993</u>
9. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	19	19
Bank balances	114 064	65 784
Short-term deposits	16 846	20 382
Bank overdraft	<u>(525)</u>	<u>-</u>
	<u>130 404</u>	<u>86 185</u>
Current assets	130 929	86 185
Current liabilities	<u>(525)</u>	<u>-</u>
	<u>130 404</u>	<u>86 185</u>
<p>The Corporation has an overdraft facility of N\$ 18 000 000 (2012: N\$ 18 000 000) with Bank Windhoek Limited and which is secured by a mortgage bond over the remainder of Erf 79, Windhoek.</p>		
10. Issued capital		
Issued		
- 234 935 000 (2012: 234 935 000) Ordinary shares of N\$ 1.00 each	<u>234 935</u>	<u>234 435</u>

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 specifically for that purpose by the Government of the Republic of Namibia.

**NAMIBIA DEVELOPMENT CORPORATION
NOTES FOR THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 March (continued)**

	<u>2013</u>	<u>2012</u>
	N\$'000	N\$'000
11. Non-distributable reserve		
Balance at beginning of the year	394 147	151 859
Movement during year:		
- other movements	(245)	-
- Transfer of assets sites and premises	-	242 288
Balance at end of the year	<u><u>393 902</u></u>	<u><u>394 147</u></u>
Comprising:		
This reserve arose on the transfer of assets from the former First National Development Corporation and Sites and Premises in terms of the Namibia Development Corporation Act, 1993.	308 324	308 324
Prior year adjustments on shares certificate	(2 500)	(2 500)
Surplus arising from revaluation of freehold land and buildings	88 323	88 323
Other	(245)	-
	<u><u>393 902</u></u>	<u><u>394 147</u></u>
12. Special funds		
Other funds		
PP Frame work	4 092	4 123
Horticulture Markets	-	5 295
Agriculture Regional Offices	36 926	-
	<u><u>41 018</u></u>	<u><u>9 418</u></u>
13 Shareholder's loan		
Loan from the Government of the Republic of Namibia	7 158	6 914

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.

NAMIBIA DEVELOPMENT CORPORATION
NOTES OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDEED 31 March (continued)

14. Employee benefits**Postretirement medical aid benefits**

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

The latest valuation was carried out on 31 March 2013 by Strategic Actuarial Partners (Namibia) (Pty) Ltd. The valuation method used was the Projected Unit Cost Method as prescribed by IAS 19 (Employee benefits).

	2013	2012
	N\$	N\$
Present value of obligation	<u>38 994</u>	<u>36 558</u>
The principal assumptions used were:		
Discount rates used	7.9%	7.9%
Health care inflation	6.9%	6.9%
Average retirement age	65	65

15. Trade and other payable

Trade creditors	5 666	859
Sundry creditors	<u>9 716</u>	<u>17 139</u>
	<u>15 382</u>	<u>17 998</u>

16. Related party loans

Group purchasing scheme	-	571
Date Production Support Program Project	<u>2 729</u>	<u>2 729</u>
	<u>2 729</u>	<u>3 300</u>

**NAMIBIA DEVELOPMENT CORPORATION
NOTES FOR THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 March (continued)**

	2013	2012
	N\$'000	N\$'000
17. 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.		
18. Operating profit		
Operating profit is stated after:		
Expenditure		
Depreciation		
- Property, plant and equipment & Investment property	9 637	7 203
Lease rentals	148	55
- Premises	91	2
- Equipment	57	53
Pension contributions	<u>4 132</u>	<u>3 508</u>
19. Investment income		
Interest income		
- Bank interest	4 334	3 601
	<u>4 334</u>	<u>3 601</u>
20. Directors' emoluments		
Emoluments paid		
Directors and past directors		
- For services as directors	39	36

NAMIBIA DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 March (continued)

	2013	2012
	N\$'000	N\$'000
20.1 Finance cost		
20.2 Long-term loans and Bank overdraft	370	269
	370	269
20.3 Net finance income (cost)	3 964	3 332
21. Employee costs - salaried staff		
Salaries and wages	35 576	27 495
Medical aid cost	4 187	4 045
Pension cost	4 132	3 508
	43 895	35 048
22. Notes to the cash flow statement		
Cash (used in) generated from operations		
Adjustments for:	86 625	4 188
Depreciation and amortisation	9 637	7 203
Profit on sale of assets	(18 913)	(206)
Dividends received	(20 850)	(21 044)
Interest received	(4 334)	(3 601)
Finance costs		
Movements in retirement benefit assets and liabilities	370	269
Other non-cash items	2 436	3 063
Changes in working capital:	(29 556)	46 814
Inventories	(9 758)	(4 479)
Trade and other receivables	(34 748)	7 715
Trade and other payables	(2 615)	(62 839)
	(21 706)	(22 917)
23. Adjustments and utilisations		
Adjustment opening balances	-	(130)
24 Other Income		
Government Grants	65 951	35 229
Sundry income	20 973	12 219
	86 924	47 448