



REPUBLIC OF NAMIBIA



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
NAMIBIA DEVELOPMENT CORPORATION
FOR THE FINANCIAL YEAR ENDED 31 March 2014**

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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 2014, 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 2014**

1. INTRODUCTION

The accounts of the Namibia Development Corporation, for the year ended 31 March 2014 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 Saunderson & CO of Windhoek has been appointed in terms of Section 26(2) 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).

Objectives of the Namibia Development Corporation

The Corporation was established in terms of the Namibian Development Corporation Act 18 of 1993 and SOE Act, 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 enteralia.

- 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.

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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

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.

**REPORT OF THE AUDITOR-GENERAL
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3. AUDIT OBSERVATIONS FROM PRIOR YEAR STILL EVIDENT IN CURRENT YEAR

3.1 CONTROL ACCOUNTS

As noted 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 on 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 years under audit, the unreconciled control accounts are as follows:

2014

3650-250-30-708 Cash Clearing -POS KCR Shop	168 108 66
3650-250-30-716 Cash Clearing -POS - Manget	141 111 59
3650-254-10-100 Bank Clearing Account -Unal	(132 703 10)
3650-257-10-100 KCR -Clearing Account	(1 869 606 62)

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:

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SPF- PPP Framework

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

3.3 NAUTE PROJECT - DATES and GRAPES

As reported in prior years, Namibia Development Corporation - Naute Project prepares 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 2014 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 PROPERTY, PLANT and EQUIPMENT

The NDC's fixed asset register is not fully descriptive to allow items on the register to be physically identified, which had an effect on the valuation and proper verification of existence and completeness. This includes having serial numbers, vehicle registration numbers or engine numbers.

3.5 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 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.

3.6 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.

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3.7 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 audit 2014, which leads to an estimated understatement of investment and related investment income of N\$ 14.255 million as follows:

3.8 INVENTORIES

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

3.8.1 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\$ 98 600) cannot be relied on.

3.8.2 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 the auditors with the 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 obtained fair values from marketing agencies but did not adjust the livestock values as indicated in NDC's Accounting Policy.

3.9 RELATED PARTY LOANS

In the 2014 financial year, the following were noted with regard to the related loans:

- Related loans amounting to N\$ 39 428 pertaining to expenses.
- Amount below pertain to expenses (professional fees, secretarial fees etc.) paid on behalf of these subsidiaries by NDC. However, these companies are dormant, there is no indication that these amounts will be recovered hence the need to impair them.
- Loan agreements could also not be provided for the project balances amounting to N\$ 2 158 246, hence the terms and conditions could not be ascertained to assess the recoverability and correct valuation there-of.

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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 N\$ (57 500).

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 audit.

3.12 TRADE AND OTHER PAYABLES

3.12.1 VAT and Import VAT administration

With regard to the VAT and Import VAT administration auditors noted issues which led to 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\$ 9.816 million.

3.13 REVENUE

3.13.1 Rental income

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.

3.13.2 Government grants

Auditors noted that for the funds transferred as grants from the Ministry of Trade, 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.

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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

- Valuation of Investment in associates misstated as share of profits or losses has not been accounted for.
- 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.
- Difference between investment fund and General ledger amounting to N\$ (57 500).

6. QUALIFIED AUDIT OPINION

The financial statements of the Namibia Development Corporation for the year ended 31 March 2014, 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 matters described in the Basis for Qualified audit opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Namibia Development Corporation as at 31 March 2014, 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.

WINDHOEK, December 2015

**JUNIAS ETUNA KANDJEKE
AUDITOR – GENERAL**

**NAMIBIA DEVELOPMENT CORPORATION
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 March 2014**

1. Business and operations

The Corporation's business and operations and the results thereof are clearly reflected in the attached financial statements. No 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	2014	2013	2014	2013	
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	28/02/2014
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	-	25	29	25	-	31/12/2014
				10 320 65	10 320 040	

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

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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 Namibia Development Corporation 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 2014**

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
<i>Ex officio</i> 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 2014**

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 2014, and the statement of comprehensive income, statement in equity and cash flows for the year then ended, and the notes to the financial statements, 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 Corporation 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 2014 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 12 to 31, 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	2014 N\$'000	2013 N\$'000
ASSETS			
Non-current assets		477 513	451 559
Property, plant and equipment	2	103 844	73 451
Investment property	3	264 934	269 450
Investment in associates and joint ventures	4	108 658	108 658
Intangible assets		38	-
Loans to subsidiaries		39	-
Current assets		203 231	228 633
Inventories	6	60 862	52 234
Trade and other receivables	7	49 836	42 741
Cash and cash equivalents	8	86 553	130 929
Related party loans	15	5 980	2 729
Total assets		680 744	680 192
EQUITY AND LIABILITIES			
Capital and reserves		602 394	577 115
Issued capital	9	234 935	234 935
Non distributable reserve	10	394 466	393 902
Accumulated loss		(27 007)	(51 722)
Non-current liabilities		43 086	80 012
Special funds	11	4 092	41 018
Employee benefits	13	38 994	38 994
Current liabilities		35 264	23 065
Trade and other payables	14	34 744	15 382
Shareholder's loan	12	-	7 158
Related party loans	15	520	-
Bank overdraft	8	-	525
Total equity and liabilities		680 744	680 192

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

		2014	2013
	Notes	N\$'000	N\$'000
Revenue	1.1	67 801	89 321
Cost of sales		<u>(13 589)</u>	<u>(12 079)</u>
Gross profit		54 212	77 242
Operating costs		<u>(100 466)</u>	<u>(102 355)</u>
Operating (loss) for the year		(46 254)	(25 113)
Net finance costs	20	4 077	3 964
Other income	23	<u>52 697</u>	<u>86 924</u>
Net (loss) / profit before taxation		10 520	65 776
Taxation		<u>-</u>	<u>-</u>
Net (loss) / profit after taxation		10 520	65 775
Dividends received		14 194	20 850
Share of profit in associates		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u>24 714</u>	<u>86 625</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 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
Net profit for the year	-	-	24 714	24 714
Movement in non-distributable reserves	-	564	1	565
Balance as at 31 March 2014	234 935	394 466	(27 007)	602 394

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

	<u>Notes</u>	<u>2014</u>	<u>2013</u>
		N\$'000	N\$'000
Cash flow from operating activities			
Cash receipts from customers		120 498	176 245
Cash paid to suppliers and employees		<u>(99 125)</u>	<u>(197 951)</u>
Cash generated by/ (used in) operations	22	21 373	(21 706)
Dividend received		14 194	20 850
Investment income		4 430	4 334
Financing costs		<u>(353)</u>	<u>(370)</u>
<i>Net cash inflows by operating activities</i>		<u>39 644</u>	<u>3 108</u>
Cash flows from investing activities			
Property, plant and equipment acquired		(36 680)	(13 940)
Proceeds on disposal of assets		-	22 636
Movement in advances		-	-
Movement in investments		-	-
Movement in related parties		<u>(2 730)</u>	<u>572</u>
<i>Net cash (out) flows from investing activities</i>		<u>(39 410)</u>	<u>9 268</u>
Cash flows from financing activities			
Long-term loans raised		-	-
Movement in special funds		<u>(44 085)</u>	<u>31 843</u>
<i>Net cash (out)/in flows in financing activities</i>		<u>(44 085)</u>	<u>31 843</u>
Net change in cash and cash equivalents		(43 851)	44 219
Bank overdraft, less cash and cash equivalents			
Balance at the beginning of the year		130 404	86 185
Balance at the end of the year	8	<u><u>86 553</u></u>	<u><u>130 404</u></u>

**NAMIBIA DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 March 2014**

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
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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 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 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)**

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)

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.

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

1.9 Employee Benefits (continued)

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.

NAMIBIA DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 March 2014 (continued)

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.

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

NAMIBIA DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 March 2014 (continued)

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.

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 2014 (continued)

2. Property, plant and equipment

Reconciliation of property, plant and equipment – 2014

	2014			2013		
	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	(10 711)	50 367	61 078	(9 494)	51 584
Plant and machinery	23 915	(12 768)	11 147	20 041	(11 088)	8 953
Motor vehicles	14 566	(9 847)	4 719	12 818	(7 216)	5 602
Office equipment	3 597	(2 022)	1 575	3 108	(1 703)	1 405
IT equipment	4 582	(4 171)	411	4 145	(3 758)	387
Establishment costs	4 335	(3 776)	559	4 335	(3 756)	579
Capital – Work in Progress	35 066	-	35 066	4 941	-	4 941
Total	147 139	(43 295)	103 844	110 466	(37 015)	73 451

	Opening balance	Additions	Disposals	Transfers	Transfer to investment properties	Depreciation	Total
	N\$'000				N\$'000		
Land and Buildings	51 584	-	-	-	-	(1 217)	50 367
Plant and machinery	8 953	3 873	-	-	-	(1 679)	11 147
Motor vehicles	5 602	1 748	-	-	-	(2 631)	4 719
Office equipment	1 405	489	-	-	-	(319)	1 575
IT equipment	387	437	-	-	-	(413)	411
Establishment costs	579	-	-	-	-	(20)	559
Capital – Work in progress	4 941	30 134	-	-	-	(9)	35 066
	73 451	36 681	-	-	-	(6 288)	10 844

**NAMIBIA DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 March 2014 (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

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

2014	2013
N\$'000	N\$'000

3. Investment property**Reconciliation of investment property-2014**

	Opening balance	Additions	Disposals	Transfers from Property, Plant and equipment	Transfers from sites and premises	Depreciation	Total
	N\$'000	N\$'000	N\$'000	N\$'000	N\$'000	N\$'000	N\$'000
Investment property	269 450	-	-	-	-	(4 516)	264 934

Reconciliation of investment property -2013

	Opening balance	Additions	Disposals	Transfers from Property, Plant and equipment	Transfers from sites and premises	Depreciation	Total
	N\$'000	N\$'000	N\$'000	N\$'000	N\$'000	N\$'000	N\$'000
Investment property	277 512	-	(3 546)	-	-	(4 516)	269 450

4. Investment in associates and joint ventures

Namibia Beverages (Joint venture)	100 382	100 382
Pupkewitz North Toyota (Pty) Ltd	8 276	8 276
	<u>108 658</u>	<u>108 658</u>

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

5. Livestock on hand	Units	Units	Average	Total	Total
	2014	2013	market value per unit 2014	market value 2014	market value 2013
	N\$'000	N\$'000	N\$'000	N\$'000	N\$'000
Productive livestock					
Cows	-	-	-	-	-
Bulls	-	-	-	-	-
Total productive livestock				-	-
Trading livestock					
Oxen	318	188	5 000	1 590	940
Cows	10 562	10 130	4 065	42 934	38 744
Bulls	3 560	3 055	3 598	12 809	10 964
Total trading livestock				57 333	50 648
				57 333	50 648

6. Inventories

The amount attributable to the different categories are as follows:

Consumable stores	3 542	1 599
Livestock	57 333	50 648
	60 875	52 247
Provision for obsolete stock	(13)	(13)
	60 862	52 234

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

	2014	2013
	NS'000	NS'000
7. Trade and other receivables		
Trade debtors	44 800	43 402
Value Added Tax	12 732	5 521
Less: Provision for doubtful debts	(7 696)	(6 182)
	49 836	42 471
8 Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	19	19
Bank balances	76 963	114 064
Short-term deposits	9 571	16 846
Bank overdraft	-	-525
	86 553	130 404
Current assets	86 553	130 929
Current liabilities	-	-525
	86 553	130 404

The Corporation has an overdraft facility of N\$ 18 000 000 (2013: N\$ 18 000 000) with Bank Windhoek Limited and which is secured by a mortgage bond over the remainder of Erf 79, Windhoek.

9. Issued capital

Issued

- 234 935 000 (2012: 234 935 000) Ordinary shares of N\$ 1.00 each	234 935	234 935
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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)**

	2014	2013
	N\$'000	N\$'000
10. Non-distributable reserve		
Balance at beginning of the year	393 902	394 147
Movement during year:		
- other movements	564	(245)
- Transfer of assets sites and premises	-	-
Balance at end of the year	<u>394 466</u>	<u>393 902</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	319	(245)
	<u>394 466</u>	<u>393 902</u>

11. Special funds

Other funds

PPP Framework	4 092	4 092
Horticulture Markets	-	-
Agriculture Regional Offices	-	36 926
	<u>4 092</u>	<u>41 018</u>

12. Shareholder's loan

Loan from the Government of the Republic of Namibia	-	7 158
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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)

13. Employee benefits**Post-retirement 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 Acturial Partners (Namibia) (Pty) Ltd. The valuation method used was the Projected Unit Cost Method as prescribed by IAS 19 (Employee benefits).

	2014	2013
	N\$'000	N\$'000
Present value of obligation	38 994	5 666
The principal assumptions used were		
Discount rates used	7.9%	7.9%
Health care inflation	6.9%	6.9%
Average retirement age	65	65
14. Trade and other payable	6 199	5 666
Trade creditors	28 545	9 716
Sundry creditors	34 744	15 382
15. Related partly loans		
Entrepreneurship Development program	145	-
GRN Purchased for NDC	564	-
Karibib Germstone	872	-
Naute Winery	485	-
Omega irrigation project	(520)	-
Group purchasing scheme	1 098	-
Date Production Support Program Project	2 815	2 729
	5 459	2 729
	5 979	2 729
Current assets	(520)	-
Current liabilities	5 459	2 729

ANNEXURE E

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

	<u>2014</u>	<u>2013</u>
	N\$'000	N\$'000
16. 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.		
17. Operating profit		
Operating profit is stated after:		
Expenditure		
Depreciation		
- Property, plant and equipment & Investment property	10 804	9 637
Lease rentals	138	148
- Premises	135	91
- Equipment	3	57
Pension contributions	<u>5 046</u>	<u>4 132</u>
18. Investment income		
Interest income		
- Bank interest	4 430	4 334
	<u>4 430</u>	<u>4 334</u>
19. Directors' emoluments		
Emoluments paid		
Directors and past directors		
- For services as directors	368	39

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

	2014	2013
	N\$'000	N\$'000
20. Finance cost		
20.1 Long-term loans and Bank overdraft	353	370
	<u>353</u>	<u>370</u>
20.2 Net finance income (cost)	<u>4 077</u>	<u>3 964</u>
21. Employee costs - salaried staff		
Salaries and wages	39 291	35 576
Medical aid cost	4 380	4 187
Pension cost	5 046	4 132
	<u>48 717</u>	<u>43 895</u>
22. Notes to the cash flow statement		
Cash (used in) generated from operations		
Profit before taxation	24 714	86 625
Adjustments for:		
Depreciation and amortisation	10 804	9 637
Profit on sale of assets	-	(18 913)
Dividends received	(14 194)	(20 850)
Interest received	(4 430)	(4 334)
Finance costs	353	370
Movements in retirement benefit assets and liabilities	-	2 436
Other non-cash items	487	(29 556)
Changes in working capital:	(8 628)	(9 758)
Inventories	(7 095)	(34 748)
	19 362	(2 615)
	<u>21 373</u>	<u>(21 706)</u>
23. Other Income		
Government Grants	50 893	65 951
Sundry income	1 804	20 973
	<u>52 697</u>	<u>86 924</u>