



**REPUBLIC OF NAMIBIA**



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE  
TOWN COUNCIL OF LÜDERITZ  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

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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 Lüderitz Town Council for the financial year ended 30 June 2017 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.

A handwritten signature in black ink, appearing to read 'Junias Etuna Kandjeke'.

**WINDHOEK, November 2018**

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE  
LÜDERITZ TOWN COUNCIL  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

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**1. ADVERSE AUDIT OPINION**

I certify that I have audited the financial statements of the Lüderitz Town Council for the financial year ended 30 June 2017. These financial statements comprise the balance sheet, income statement, cash flow, and notes to the annual financial statements for the year then ended.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Audit Opinion paragraph, the financial statements do not present fairly, in all material respects, the financial position of the Lüderitz Town Council as at 30 June 2017 and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards.

**2. BASIS FOR ADVERSE AUDIT OPINION**

I conducted my audit in accordance with International Standards for Supreme Audit Institutions. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the entity in accordance with the Code of Ethics for Supreme Audit Institutions together with the ethical requirements that are relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the Code of Ethics. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion. An adverse audit opinion is being expressed due to the following:

- Understatement of depreciation by N\$ 6 278 407 (2017);
- Land and buildings were not classified;
- Charging of annual depreciation against capital outlay;
- The Council does not account for all land under its control;
- Un-updated fixed asset register;
- Understatement of provision for bad debts amounting to N\$ 3 742 045;
- Understatement of inventory amounting to N\$ 2 974 718;
- Illegal use of the Town Council's VAT number;
- Non-disclosure of a corporate cheque account with a balance of N\$ 526 746;
- Failure by the Council to review and reconcile creditors and other ledgers;
- Absence of Government loan agreements;
- Understatement of water and assessment rates by N\$ 2 096 193;
- Understatement of assessment rates and N\$ 4 358 338; and
- Failure by the Council to correct all prior year errors.

### **3. KEY AUDIT MATTERS**

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

I have nothing to report in this regard.

### **4. OTHER INFORMATION**

Management is responsible for the other information. My opinion on the financial statements does not cover the other information and, accordingly I do not express any form of assurance conclusion thereon.

In connection with the audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or knowledge obtained in the audit or otherwise appears to be materially misstated. I have nothing to report in this regard.

### **5. RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and legislation, and for such internal control as management determines it necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the entity's financial reporting process.

### **6. AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE FINANCIAL STATEMENTS**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue my report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the International Standards for Supreme Audit Institutions, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the International Standards for Supreme Audit Institutions, I exercise professional scepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my report unless law or regulation precludes public disclosure about the matter or, when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**7. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS  
(COMPLIANCE)**

The accounts were submitted later than required by the Accounting Officer to the Auditor-General on the 08 December 2017 in terms of Section 87(1) of the Local Authorities Act, 1992.

**8. ACKNOWLEDGEMENT**

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

**WINDHOEK, November 2018**



**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**



**LÜDERITZ TOWN COUNCIL  
BALANCE SHEET AS AT 30 JUNE**

	Note	2017 N\$	2016 N\$
<b>ASSETS</b>			
<b>Non-current assets</b>		<b>235 419 113</b>	<b>228 922 338</b>
Property, plant and equipment	4	178 460 470	170 850 127
Intangible assets		370 399	413 571
Investments		36 098 784	35 965 174
Housing loan debtors	5	20 489 460	21 693 466
<b>Current assets</b>		<b>98 239 329</b>	<b>90 102 199</b>
Trade and Other Receivables	6	95 326 761	89 230 851
Receiver of revenue		339 053	-
Inventories		810 786	722 290
Cash and Cash Equivalents	7	1 762 729	149 058
<b>Total assets</b>		<b>333 658 442</b>	<b>319 024 537</b>
<b>FUNDS AND LIABILITIES</b>			
<b>Funds and reserves</b>		<b>273 952 855</b>	<b>247 419 945</b>
Capital outlay	8	157 821 639	152 907 990
Funds and accounts	9	125 364 172	118 463 848
Accumulated Deficits		(9 232 956)	(23 951 893)
<b>Non-current liabilities</b>		<b>3 971 464</b>	<b>4 448 364</b>
Long-term loans	10	3 971 464	4 448 364
<b>Current liabilities</b>		<b>55 734 123</b>	<b>67 156 228</b>
Trade and other payables	11	55 734 123	66 662 694
Bank overdraft		-	493 534
<b>Total funds and liabilities</b>		<b>333 658 442</b>	<b>319 024 537</b>

**LÜDERITZ TOWN COUNCIL**  
**INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE**

	<b>2017</b>	<b>2016</b>
	N\$	N\$
Income	123 514 636	105 188 579
Expenditure	(115 169 756)	(96 019 058)
<b>Net operating profit (deficit)</b>	<b>8 344 880</b>	<b>9 169 521</b>
Other income	6 971 821	7 260 566
Net surplus / (deficit) before finance costs	<b>15 316 701</b>	<b>16 430 087</b>
Finance costs	(540 279)	(535 918)
Net surplus/(deficit) after finance costs	<b>14 776 422</b>	<b>15 894 169</b>

**LÜDERITZ TOWN COUNCIL**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE**

	Note	<u>2017</u>	<u>2016</u>
		N\$	N\$
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	12	8 022 814	12 295 836
Interest received		6 670 330	6 861 722
Interest paid		(540 279)	(535 918)
<i>Changes in working capital</i>			
(Increase) /decrease in trade and other receivables		(6 154 958)	(47 782 819)
(Increase)/decrease in inventory		(88 496)	62 658
Increase (Decrease) in trade and other payables		(10 743 576)	31 771 466
<b>Net Cash Flow from Operating Activities</b>		<b>(2 834 165)</b>	<b>2 672 945</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Acquisition of property, plant & equipment		(9 639 162)	(4 404 787)
Acquisition of investments		(133 610)	(8 034 697)
Changes in housing loan debtors		1 253 982	4 317 190
<b>Net flow from investing activities</b>		<b>(8 518 790)</b>	<b>(8 122 294)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Movement on interest bearing loans		(425 805)	(441 285)
Movement in capital accounts		4 913 649	7 102 000
Movement in fund accounts		8 972 314	-
<b>Net cash flow from financing activities</b>		<b>13 460 158</b>	<b>6 660 715</b>
Net increase/ (decrease) in cash and cash equivalents		2 107 203	1 211 366
Cash and cash equivalents – at the beginning		(344 475)	(1 555 841)
Cash and cash equivalents – at the end of the year	7	<b>1 762 728</b>	<b>(344 476)</b>

**LÜDERITZ TOWN COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE**

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**1. Significant accounting policies**

**1.1 Statement of compliance**

The financial statements have been prepared in accordance with the International Financial Reporting Standards.

**1.2 Basis of preparation**

The financial statements have been prepared on the historical cost basis.

**2. Principal accounting policy**

The following are the principal accounting policies which have been adopted by the Council and they are consistent with the prior year.

**2.1 Property, plant and equipment**

Property, plant and equipment are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and are expected to be used during more than one period.

Property, plant and equipment is recognised at cost less any accumulated depreciation and any accumulated impairment losses (except for the exceptions listed below). The items of property, plant and equipment are not revalued at fair value.

The cost of an item of property, plant and equipment comprises:

- (a) its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
- (b) any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management;
- (c) the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which Town Council incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

The costs of day-to-day servicing which are primarily the costs of labour and consumables and may include the cost of small parts which are recognised as repairs and maintenance in the statement of profit or loss.

Land which included in the asset category infrastructure; infrastructure itself and municipal houses are not depreciated.

**LÜDERITZ TOWN COUNCIL  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE  
(Continued)**

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The following asset categories are depreciated using the reducing balance method, using the following percentages:

Vehicles	25%
Furniture	40%
Computer equipment	40%
Office equipment	25%
Plant and Machinery	25%

If there are indications that an asset may be impaired and the carrying amount exceeds the recoverable amount which is the higher of its fair value less costs of disposal or value in use, an impairment loss is recognised as an expense in the statement of profit or loss.

## **2.2 Intangible assets**

An intangible asset is an identifiable non-monetary asset without physical substance. An asset is identifiable if it either:

- (a) is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the entity intends to do so; or
- (b) arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

An intangible asset shall be carried at its cost less any accumulated amortisation and any accumulated impairment losses. The intangible assets are not revalued at fair value.

Expenditure on an intangible item shall be recognised as an expense when it is incurred unless it forms part of the cost of an intangible asset.

The software is amortised using the straight-line method over 15 years.

If there are indications that an intangible asset may be impaired and the carrying amount exceeds the recoverable amount which is the higher of its fair value less costs of disposal or value in use, an impairment loss is recognised as an expense in the statement of profit or loss.

**LÜDERITZ TOWN COUNCIL  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE  
(Continued)**

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**2.3 Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability.

A financial asset is any asset that is cash or an equity instrument of another entity.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity.

A financial asset or financial liability, except for a financial asset or liability at fair value through profit or loss, is initially recognised at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Financial assets are recognised in four categories:

**2.3.1 Financial assets at fair value through profit or loss**

Financial assets in this category are either classified as held for trading if it is acquired principally for the purpose of selling it in the near term or upon initial recognition is it designated as at fair value through profit or loss.

**2.3.2 Held-to-maturity investments**

This category consists of non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity and are measured at amortised cost using the effective interest method.

**2.3.3 Loans and receivables**

This category consists of non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

**2.3.4 Available-for-sale financial assets**

This category consists of non-derivative financial assets that are designated as available for sale.

Any gains or losses on financial assets at fair value through profit or loss is recognised in the statement of profit or loss.

**LÜDERITZ TOWN COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE**  
**(Continued)**

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Financial liabilities are recognised in two categories.

**2.3.5 Financial liabilities at fair value through profit or loss**

Financial liabilities in this category are either classified as held for trading if it is incurred principally for the purpose of repurchasing it in the near term or upon initial recognition is it designated as at fair value through profit or loss.

**2.3.6 Financial liabilities at amortised cost**

Financial liabilities in this category are recognised at amortised cost using the effective interest method.

Government loans which are included in long term liabilities are classified as financial liabilities at amortised cost.

If there is objective evidence of an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced and the loss shall be recognised in the statement of profit or loss.

If there is objective evidence that an available-for-sale financial asset is impaired, the cumulative loss that had been recognised in other comprehensive income shall be reclassified from equity to profit or loss even though the financial asset has not been derecognised.

**2.4 Non-current Investments**

Investments comprise call accounts at commercial banks. As these accounts are not fixed on terms longer than 12 months, these would generally be classified as current. However due to Council's funding nature, these call accounts generally are the financial backing for specified capital projects, and they cannot be accessed without specific approval processes. The money on these accounts is not freely available for management's use, and generally it will also not all be spent within the next 12 months.

Interest earned on these investments is capitalised to the Funds to which they relate, and not taken to profit and loss, further supporting the treatments of capital, long-term nature of these investments.

**LÜDERITZ TOWN COUNCIL  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE  
(Continued)**

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## **2.5 Housing Loan Debtors**

Housing Loan Debtors comprise loans granted to the public with the purpose of financing housing projects or the purchase of property. These loans are generally granted over a period of 10 years or longer and they attract fixed interest at rates determined by Council. These loans are carried at amortised cost using a fixed interest rate.

## **2.6 Trade and other receivables**

Trade Receivables are carried at the undiscounted original invoice amount less provision made for impairment of these receivables. Such provision for impairment of trade receivables is raised if there is objective evidence that the Council will not be able to collect all amounts due according to the original terms under which receivables were generated.

## **2.7 Inventories**

Inventories shall be measured at the lower of cost and net realisable value which is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The cost of inventories shall comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

## **2.8 Cash and cash equivalents**

Cash comprises cash on hand and demand deposits which are measured at amortised cost. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. In the statement of cash flows, the bank overdrafts are set off against the positive bank balance.

Cash and cash equivalents include call account investments that are at the discretionary disposal of management.

## **2.9 Funds**

Funds comprise capital that was injected into Town Council by external loans and grants, for very specific purposes. This capital is either represented by a corresponding asset in terms of cash investment, infrastructure constructed, or loans granted.

### **2.9.1 Renewal Fund**

The Renewal Fund is to be used for major improvement projects.



**LÜDERITZ TOWN COUNCIL  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE  
(Continued)**

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**2.9.2 Fixed Property Fund/ Betterment Fund**

The Fixed Property Fund is to be used for development of land and town council buildings. All sales of erven go to this fund.

**2.9.3 Capital Development Fund**

The Capital Development Fund is to be used for general infrastructure projects.

**2.9.4 Housing Fund**

The Housing Fund is used for housing projects, specifically the Build Together housing project.

**2.9.5 New Development Fund**

The New Development Fund is used for housing projects, specifically the New Development projects as well as Low-cost Housing projects or purchase of municipal houses.

**2.10 Leases**

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

**2.10.1 Finance lease**

At the commencement of the lease term, the lessee shall recognise a finance lease as a liability in the statement of financial position which is equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Any initial direct costs of the lessee are added to the amount recognised as an asset.

**2.10.2 Operating lease**

Lease payments under an operating lease are currently recognised at amortised cost using effective interest rates.

**LÜDERITZ TOWN COUNCIL  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE  
(Continued)**

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### **2.11 Provisions**

A provision is a liability of uncertain timing or amount. A provision shall be recognised when:

- (a) an entity has a present obligation (legal or constructive) as a result of a past event;
- (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
- (c) a reliable estimate can be made of the amount of the obligation these conditions are not met, no provision shall be recognised.

### **2.12 Trade and other payables**

Trade payables are liabilities to pay for goods and services purchased from a supplier on short-term credit and are recognised at the undiscounted amount owed to the supplier, which is normally the invoice price.

Accruals are liabilities to pay for goods or services that have been received or supplied but have not been paid, invoiced.

### **2.13 Revenue**

Revenue shall be measured at the fair value of consideration received or receivable.

#### **Sale of goods**

Revenue from the sale of goods shall be recognised when all the following conditions have been satisfied:

- (a) the entity has transferred to the buyer the significant risks and rewards of ownership of the goods;
- (b) the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- (c) the amount of revenue can be measured reliably;
- (d) it is probable that the economic benefits associated with the transaction will flow to the entity; and
- (e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### **Rendering of services**

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction shall be recognised by reference to the stage of completion of the transaction at the end of the reporting period. The outcome of a transaction can be estimated reliably when the following conditions as satisfied:

**LÜDERITZ TOWN COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE**  
**(Continued)**

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- (a) the amount of revenue can be measured reliably;
- (b) it is probable that the economic benefits associated with the transaction will flow to the entity;
- (c) the stage of completion of the transaction at the end of the reporting period can be measured reliably and;
- (d) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### **2.14 Other income**

Interest received is recognised using the effective interest method.

Other income such as rental income, profit on sale of non-current assets and insurance claims received are recognised when it is probable that the economic benefits associated with the transaction will flow to the entity and the amount of the revenue can be measured reliably.

#### **2.15 Employee benefits**

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees or for the termination of employment.

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service.

#### **2.16 Prior period errors**

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

- (a) was available when financial statements for those periods were authorised for issue; and
- (b) Could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.  
Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

**LÜDERITZ TOWN COUNCIL  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE  
(Continued)**

**3. Financial risk management**

**3.1 Risk**

The Councillors have the overall responsibility for the establishment and oversight of the Town Council's risk management framework which entails developing, implementing and monitoring risk management policies.

The Town Council's risk management policies are established to identify and analyse the risks faced by the Town council, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

*The Town Council is exposed to the following risks arising from the financial instruments.*

**3.2 Credit risk**

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in a financial loss to the Town Council.

**3.2.1 Trade and other receivables**

Municipal Deposits are a form of collateral, although insufficient in relation to the total outstanding debt. However, the services debt on a property is eventually settled when the property is sold, so there is sufficient reason to believe that eventually, Town Council will recover most of the service debt at some stage, unless the owner is liquidated, or the house is owned by Town Council. At 30 June, the aging of the trade receivables

	<b>2017</b>	<b>2016</b>
	N\$	N\$
Neither past due nor impaired	59 576 271	1 971 953
Past due 1-30 days	2 876 310	2 311 503
Past due 31-60 days	2 666 156	1 665 343
Past due 61-90 days	3 063 361	1 456 770
Past due 91-120 days	2 443 093	1 392 260
Past due 120 days or more (impaired)	14 968 100	59 397 689
<b>Total</b>	<b>85 593 292</b>	<b>68 195 518</b>

The credit quality of financial assets that are neither past due nor impaired can be determined by taking factors into consideration such as counterparty default rates.

As at 30 June 2016, the provision for doubtful debtors covers about 35% of the trade debtors with an overdue balance of more than 120 days. In 2017 the provision covers 100% of 120 days amount and thus no additional provision was raised.

**LÜDERITZ TOWN COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE**  
**(Continued)**

The movement in the provision for doubtful debtors in respect of trade debtors during the year was as follows:

	<b>2017</b>	<b>2016</b>
	N\$	N\$
Balance as at 1 July	20 751 949	17 751 949
Movement in provision for doubtful debts during the year	-	3 000 000
<b>Balance as at 30 June</b>	<b>20 751 949</b>	<b>20 751 949</b>

### **3.2.2 Cash and cash equivalents**

The cash and cash equivalents as at 30 June 2017 consist of cash on hand, money in the current account as well as money on a 1-day call account with First National Bank, which we believe carries low credit risk.

### **3.2.3 Investments**

The non-current investments consists of monies invested in 1 day and fixed term call accounts at First National Bank of Namibia, which is considered low credit risk.

### **3.3 Liquidity risk**

Liquidity risk is the risk of not being able to meet the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. This risk is managed by ensuring that there are sufficient funds available such as cash and cash equivalents and investments to meet its obligations when it is due. In addition, payments to suppliers like Nampower, were made as and when cash was available, not necessarily when the invoice was presented.

### **3.4 Market risk**

Market risk is the risk that changes in the market such as the interest rate will affect the Town Council's income or value of its holdings of financial instruments.

Town Council has very limited external interest-bearing liabilities that are linked to prime. This risk is therefore considered low.

**LÜDERITZ TOWN COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE**  
**(Continued)**

	<b>2017</b>	<b>2016</b>
	N\$	N\$
<b>4. PROPERTY, PLANT AND EQUIPMENT</b>	<b>178 830 869</b>	<b>171 263 698</b>
Property, plant and equipment	178 460 470	170 850 127
Intangible assets	370 399	413 571
<b>5. HOUSING LOAN DEBTORS</b>	<b>20 489 460</b>	<b>21 693 446</b>
Build together	7 195 384	7 512 128
Low cost housing	7 432 532	7 903 846
New development	4 769 978	5 228 619
Sales of erven	212 132	112 685
Sales of municipal houses	879 434	936 168
<b>6. TRADE AND OTHER RECEIVABLES</b>	<b>95 326 761</b>	<b>89 230 851</b>
Services, rates and taxes	117 562 693	111 382 396
Receivables due from related parties	168 044	-
Other receivables	29 892	297 466
Advances to employees	21 872	-
Consumer deposits	(1 703 791)	(1 697 062)
Provision for bad debts	(20 751 949)	(20 751 949)
<b>7. CASH AND CASH EQUIVALENTS</b>	<b>1 762 729</b>	<b>(344 476)</b>
Bank	1 762 729	149 058
Bank overdraft	-	(493 534)
<b>8. CAPITAL OUTLAY</b>	<b>157 821 639</b>	<b>152 907 990</b>
Loans redeemed	11 584 165	13 193 349
Revenue Contributions	94 256 074	94 976 042
Capital Contributions	47 067 751	44 738 599
Depreciation/write offs	(2 071 990)	-
Received from GRN	6 985 639	-

**LÜDERITZ TOWN COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE**  
**(continued)**

	<b>2017</b>	<b>2016</b>
	N\$	N\$
<b>9. FUNDS AND ACCOUNTS</b>	<b>125 364 172</b>	<b>118 463 848</b>
Internal loans overstated in Funds accounts	34	36
Capital Development Fund	18 923 241	18 088 471
Housing Fund	13 251 190	12 700 695
Fixed Property Fund	38 330 758	34 689 172
New Development Fund	41 171 208	39 423 308
Renewal Fund	13 687 741	13 562 167
<b>10. LONG TERM LOANS</b>	<b>3 971 464</b>	<b>4 448 364</b>
The Government of Namibia	4 442 222	4 868 027
Short term portion	(470 758)	(419 663)
<b>11. TRADE &amp; OTHER PAYABLES</b>	<b>55 734 123</b>	<b>66 662 694</b>
Trade payables	131 622	1 667 993
Loan instalments in arrear	20 726 972	18 477 636
Income received in advance	31 967 726	43 186 877
VAT account	46 678	284 067
Short term portion of long-term provisions	470 758	419 664
Receiver of Revenue	-	(329 981)
Provisions	2 390 367	2 956 438
<b>12. CASH GENERATED FROM OPERATIONS</b>	<b>8 022 814</b>	<b>12 295 836</b>
Profit / (Loss) for the year	14 776 421	15 894 169
Adjustment for Prior year adjustments	(57 484)	(532 582)
Changes in bad debt provision	-	3 000 000
Changes in other provisions	(566 072)	260 053
Interest income	(6 670 330)	(6 861 722)
Interest paid	540 279	535 918

