



REPUBLIC OF NAMIBIA



AUDIT REPORT ON THE ACCOUNTS OF THE

TOWN COUNCIL OF ONDANGWA

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

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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 Town Council of Ondangwa for the financial year ended 30 June 2011, 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, September 2012

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL
ON THE ACCOUNTS OF THE TOWN COUNCIL OF ONDANGWA
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011**

1. INTRODUCTION

The accounts of the Town Council of Ondangwa for the year ended 30 June 2011 are being reported on in accordance with the provisions set out in the State Finance Act, (Act 31 of 1991) and the Local Authorities Act, (Act 23 of 1992).

The firm EDB & Associates of Windhoek has been appointed in terms of Section 26(2) of the State Finance Act, 1991, to audit the accounts of the Municipality on behalf of the Auditor-General and under his supervision.

Figures in the report are rounded off to the nearest Namibia Dollar.

2. FINANCIAL STATEMENTS

The Municipality's financial statements were submitted to the Auditor-General by the Accounting Officer in compliance with Section 87(1) of the Local Authorities Act, 1992. The audited financial statements are in agreement with the general ledger and are filed in the Office of the Auditor-General. The abridged balance sheet, Annexure A, is a true reflection of the original, signed by the Accounting Officer.

The financial statements also include:

- Annexure B: Income statement
- Annexure C: Cash flow statement
- Annexure D: Notes to the financial statements

3. SCOPE OF THE AUDIT

Management's responsibility for the financial statements

The Accounting Officer of the Town Council is responsible for the preparation and fair presentation of the financial statements and for ensuring the regularity of the financial transactions. The responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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 said firm conducted the audit in accordance with International Standards on Auditing. Those standards require that the firm complies with ethical requirements and plans and performs the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that

are appropriate in the circumstances, but not for the purpose or expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

4. AUDIT OBSERVATIONS AND COMMENTS

During the audit the following observations were made:

4.1 External loans - reconciliations

The auditors' computation of the loan balances as per Council's annual financial statements, revealed a difference of N\$ 389 524. This was due to the client not using the bank's loan statements and incorrect cut off procedures.

The differences are mainly due to a lack of timely reconciliations of long-term loans and resulted into an understatement of the Council's liabilities.

4.2 Unrecorded liabilities

The Council's annual financial statements reflects an amount of N\$ 110 624 as outstanding on trade creditors, however, the auditors search for unrecorded liabilities revealed an amount of N\$ 473 286 which resulted into the fact that liabilities is understated by N\$ 362 662.

4.3 VAT Control Account

The auditors reconciliation of the VAT control account against the VAT returns revealed that the statements of the Council is overstated by N\$ 1 619 949. This was due to VAT not correctly extracted on the Finstel system while inputs on VAT returns are calculated separately on Excel sheets and the disallowed input VAT and penalties were not processed as per Receiver of Revenue statements.

The Council's financial statements reflected a debt receivable of N\$ 3 673 091 while the auditors are of the opinion that the recoverability of this balance was materially overstated by an amount of N\$ 640 619 due to penalties and late submission of returns.

4.4 GIPF/NATIS-Roads Authority Income

The auditors found that this income were materially understated by an amount of N\$ 522 098. This was mainly due to the Roads Authority income not accounted for during the year under review. Although a payment of N\$ 237 046 was received from the Roads Authority, the auditors could not verify to which vote the money was allocated. The difference also includes a 10% escalation fee related to GIPF as per lease agreement, which was not accounted for.

Outstanding invoices that were submitted to the Roads Authority but not paid within the current financial year amounted to N\$ 439 141. This amount was not accounted for as a debtor by the Council.

4.5 Insurance expenses

The Council's finstel system reflects a zero balance on the insurance expense account. The amount disclosed in the financial statements of the Council is N\$ 179 915 which is due to a journal entry that was passed. No insurance contract could be submitted to the auditors.

The auditors' computation for insurance was compiled from the Bank statement which amounted to N\$ 285 597, resulting in an understatement of N\$ 105 682.

4.6 Water purchases expenses

The water purchases is understated by N\$ 336 464 because a prior year water purchase invoice for June 2010 was paid and allocated to the current year and the invoice of June 2011 was paid and allocated in the next financial year instead of providing for it as creditors.

Furthermore, VAT to the amount of N\$ 1 016 140 was incorrectly calculated based on the payments made and not on the invoice values.

4.7 Assets value and description

The auditors found that numerous fixed asset values were overstated which amounted to N\$ 358 446. This was mainly due to incorrect treatment of VAT of processing of expenditure.

As also reported in prior years the auditors again had difficulty with the client asset descriptions on the fixed asset register, moreover it was alarming to discover that certain vehicles were stolen and sold on auction but were not completely removed from the asset register.

4.8 Investment

The Council's financial statements do not reflect its 2.5% shareholding in Erongo RED as well as capital contributions e.g. cash and electrical assets made.

4.9 Investments – interest overstatement

On the auditors reconciliation of interest earned, an overstatement of N\$ 360 482 were revealed. This was due to prior year interest correction passed wrongly in the current year.

The allocation of interest was also not disclosed correctly. Interest income was not accounted for under the Revenue account but erroneously within the Capital Development Fund. Interest income is therefore understated by N\$ 855 219 within the Revenue Fund and overstated in the Capital Development Fund.

4.10 Recoverability of debtors

As reported in prior years, it was noted that debtors outstanding at 120 days and more remained unacceptably high. Debt of 120 days and more comprised of 72% of total consumer debts (2010: 70%).

The auditors are of the opinion that the provision for bad and doubtful debts is understated by N\$ 1 888 252.

The current control policy is inadequate to address the above situation. It was noted that numerous debtor accounts in arrears under the same individual/company's name are on the system while the Council's credit control policy requires a review being done on creditability of past accounts before opening new accounts.

4.11 Payroll reconciliation

The auditors reconciliation of the monthly earnings reports against the annual financial statements reflected a material difference of N\$ 394 714. This difference could not be explained at the time of the audit.

The Council ignored the Ministerial recommendations that the Chief Accounting Officer's salary should not exceed N\$ 240 000 per annum and that housing subsidy should remain at 30%. Instead the Council paid out 35% housing subsidy and the Chief Accounting Officer's salary increased to N\$ 282 063 per annum.

4.12 Reconciliation

As also reported in previous reports, notice is again drawn to the attention of the Council that it was noted that monthly and annual reconciliations of control accounts are still not done and therefore it is impossible to follow-up on unreconciled items and make the needed adjustments.

The most important control for ensuring the accuracy of the general ledger is the monthly reconciliation process. In general, the audit revealed that annual and monthly general ledger reconciliations are neither performed nor reviewed or are performed too late to constitute an effective control. This internal control measure will only be effective if reconciling items are identified and cleared on a timely basis.

The fact that a number of reconciling items relate to transactions that have not been recorded in the general ledger, but occurred, indicates that the general ledger may contain inaccurate information.

The following reconciliations were affected:

- Bank and cash
- Creditors
- Payroll

These reconciliations are standard and should have been easy to maintain and corrected but the reconciliation errors detected again raised concerns on the competency levels of the Finance department staff.

4.13 Funds and Reserves

The Council allocated a VAT refund of N\$ 2 088 576 to the Appropriation account instead of the VAT control account, thus the VAT control account is overstated and the Revenue Account understated by this material amount.

4.14 Budget recommendations and overspending

It is with grave concern that the auditors noted that the Council did not comply with the Ministerial recommendations on its budget for the 2010/2011 financial year. No Council correspondence to validate its deviation from these recommendations could be provided to the auditors.

The line Ministry recommended that:

- (1) *“Council should only, in accordance with the Personnel Rules, pay a housing allowance of 30%..”* Contrary to this, Council is paying a benefit of 35%.
- (2) *“the CEO salary should not exceed N\$ 240 000 per annum..”* Contrary to this Council is paying the CEO an annual salary of around N\$ 282 063. The 11% increase on his salary was instigated subsequent to the Ministry letter on this recommendation.

The auditors also found that numerous expenses votes were over-spend compared to the approved budget.

4.15 Tender Board regulations

The auditors, once again, noted that the Council ignored the Tender Board regulations concerning expenditure in excess N\$ 10 000. These regulations should be viewed as a management control tool for transparency and to avoid possible fraud and corruption.

The overriding controls should be avoided.

5. ACKNOWLEDGEMENT

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

6. FINANCIAL RESULTS

The results of the various operations of, and transactions on the Revenue Account for the year were as follows:

2011	Revenue	Expenditure	(Deficit)/ Surplus	Balance
	N\$	N\$	N\$	N\$
Accumulated deficit: 01/07/2010				(13 525 821)
General accounts				
Rates and general	2 246 784	10 058 290	(7 811 506)	
Non-profitable	1 430 059	4 493 942	(3 063 883)	
Self-supporting	14 576 467	3 796 402	10 780 065	
Trade accounts				
Water	8 646 404	8 270 451	375 953	
Electricity*	1 825 500	1 570 956	254 544	
Subtotal	28 725 214	28 190 041	535 172	
Deficit for the year				535 172
				(12 990 649)
Adjustments and utilization (See Note 10, Annexure D)				3 733 847
Accumulated deficit 30/06/2011				(9 256 802)

* See paragraph 10.1

7. CURRENT BANK ACCOUNT

The current bank account reflected an overdrawn cash-book balance of N\$ 7 100 857 (2010: N\$ 3 389 341). Outstanding cheques and other transactions totaling N\$ 263 221 (2010: N\$ 1 578 920). The bank statement reflecting a favourable balance of N\$ 1 018 705 (2010: N\$ 2 145 488 favourable).

The Council were unable to reconcile its bank account and a difference of N\$ 7 919 341 were found.

8. INVESTMENTS AND INTEREST PROCEEDS

On 30 June 2011 there was N\$ 20 736 874 (2010: N\$ 20 103 510) invested at commercial banks and insurance companies.

The investments and interest earned were allocated as follows:

Allocation	2011		2010	
	Investment	Interest	Investment	Interest
	N\$	N\$	N\$	N\$
Build Together Fund	3 753 212	185 491	3 413 398	74 085
Capital Development Fund	16 983 662	1 107 792	16 690 112	-
Revenue account	-	-	-	671 176
	20 736 874	*1293 283	20 103 510	*745 261

* The above interest allocated to funds were overstated by an amount of N\$ 360 482. Actual interest earned from financial institutions only totaled N\$ 932 800.

* The allocation of interest was also not disclosed correctly, no interest income were account for under Revenue account. Interest income were understated by N\$ 855 219.42.

9. FUND ACCOUNTS

The position of the Funds and Reserves is shown in note 2 at Annexure D.

Temporary advances totaling N\$ 10 786 836 (2010: 14 482 162) were transferred from the funds to finance operating costs of the Council. The Council should indicate how it is going to reverse this situation.

10. TRADE ACCOUNTS

10.1 The results of operations were as follows:

	Electricity		Water	
	2011	2010	2011	2010
	N\$	N\$	N\$	N\$
Surcharges/sales	1 825 500	1 246 452	8 468 923	8 446 263
Cost of bulk purchases	-	-	(6 437 801)	(5 739 697)
Gross profit	1 825 500	1 246 452	2 031 122	2 706 566
Other expenses (net)	(1570 956)	(3418 203)	(1 655 169)	(2 252 523)
NET SURPLUS/(DEFICIT)	(254 544)	(2171 751)	375 953	454 043
Gross profit % on sales	100%	100%	23.98%	32.04%
Net profit % on sales	(13.9%)	(174.2%)	4.44%	5.38%

The Council is no longer selling electricity as this function has been taken over by NORED.

10.2 Distribution losses

The auditors could not perform distribution analysis on water due to the incompleteness of information.

11. SELF-SUPPORTING SERVICES

The net results were as follows:

	2011	2010
	N\$	N\$
Civic buildings	(189 667)	580 233
Cleansing	485 903	613 891
Sewerage	858 076	1 043 678
Assessment rates	9 625 753	7 440 741
Net (deficit) surplus	10 780 065	9 678 543

12. FRUITLESS/UNAUTHORISED OR AVOIDABLE EXPENDITURE

No fruitless or unauthorized expenditure was revealed during the year.

13. SUSPENSE ACCOUNTS

No suspense accounts were reflected and maintained by the Council.

14. IRREGULARITIES AND LOSSES

No irregularities or losses were detected during the audit.

15. CAPITAL PROJECTS

The following expenditure was incurred during the year under review for capital projects or acquisitions:

Nature of project/ acquisitions	Financed by		Total expenditure 2011	Total expenditure 2010
	External loans	Revenue Account		
	N\$	N\$	N\$	N\$
Town administration	2 074 097	-	2 074 097	694 237
Town treasurer	-	21 298	21 298	51 846
Civic buildings	-	125 921	125 921	47 017
Streets	-	5 226 877	5 226 877	187 838
Council general expenses	-	4 894	4 894	7 495
Workshop	-	15 192	15 192	-
Corporate Service	-	7 398	7 398	-
Town engineer	-	6 086	6 086	1 320 248
Sewerage	-	735 880	735 880	-
Water	-	2 177 290	2 177 290	940 137
Electricity	-	1 377 303	1 377 303	1 981 883
Town planning	-	8 305 882	8 305 882	5 098 370
	2 074 097	18 004 021	20 078 118	10 329 071

16. BURSARIES

No bursaries were granted during the year.

17. CONTRIBUTIONS, GRANTS AND FINANCIAL AID

No contributions, grants or financial aid were made during the year.

18. COMPENSATION PAYMENTS

No compensation payments were made during the year.

19. VISITS TO FOREIGN COUNTRIES

During the 2011 financial year, one Councilor and employee of the Council visited China and Finland at a total cost of N\$ 38 856.

20. CLAIMS AGAINST THE LOCAL AUTHORITY

No claims for losses were received during the year.

21. GIFTS/DONATIONS BY THE LOCAL AUTHORITY

Donations and grant made amount to N\$ 5 289 and received amount to N\$ 500 during the year.

22. TRANSFER OF PROPERTY

No Government property was transferred to or from the Council during the year.

23. DEBTORS/CREDITORS

23.1 Debtors at 30 June were:

	2011	2010
	N\$	N\$
Consumers, combined billing	13 622 003	11 172 440
- Build Together debtors	2 564 061	2 698 637
- VAT	3 673 091	1 455 838
- Sundry debtors	209 015	115 610
	20 068 170	15 442 525
Less: Provision for doubtful debts	(7 010 465)	(7 010 465)
	13 057 706	8 432 060

23.2 Creditors at 30 June were:

	2011	2010
	N\$	N\$
Trade creditors	110 695	70
Provisions	1 313 898	1 034 045
Consumer deposits	1 150 636	1 031 732
Sundry creditors	-	-
	2 575 229	2 065 847

24. ASSESSMENT RATES

Net proceeds from assessment rates were N\$10 024 422.11 (2010: N\$ 7 440 741).

The Council did not provide for the Regional Council levy of N\$ 501 221 in respect of the 2010/2011 financial year, which is payable to the Regional Council in terms of Section 77(1) of the Act.

25. LOANS

25.1 External capital loan balances at 30 June 2011 were N\$ 2 871 724 (2010: N\$ 1 463 263). The balances did not correspond with the balances as per financial institutions statements. Finance charges have been wrongly capitalized.

All loan assets were capitalized and no loan assets had been disposed of before the loan was completely redeemed. Loan monies were used for the purpose they were obtained for and there were no unspent loan monies of a long-term nature.

25.2 Internal loan balances – There were no internal loans advanced during the year under review.

26. SALE OF ERVEN

Erven were sold for N\$ 3 285 069 (2010: N\$ 3 157 212). The revenue was allocated to the Capital Development Fund. No detailed list on the number of erven sold could be provided.

27. PROPERTY SOLD ON AN INSTALMENT BASIS

The balance of property sold on installment basis could not be provided to the auditors.

28. TARIFF ADJUSTMENTS

Tariff adjustments were all in accordance with the relevant Government notice.

29. APPROVALS

29.1 Revenue written off

No debts were written off during the year.

29.2 External loans

All external loans made during the year were approved.

30. INVENTORY AND EQUIPMENT

30.1 Inventory

Inventories as disclosed in the financial statements of the Council amount to N\$ 746 825 (2010: N\$ 793 255).

30.2 Motor Vehicles

	Sedans, LDV's, combi's and trailers		Heavy vehicles (Lorries and busses)	
	Number	Value	Number	Value
On hand 01/07/2010	14	N\$ 1023 441	15	N\$ 1 960 118
Additions	2	294 097	1	-
	16	1 317 538	16	1 960 118
Less: Depreciation	-	169 127	-	-
On hand 30/06/2011	16	1 148 411	16	1 960 118

31. SPECIAL INVESTIGATIONS FACTUAL FINDINGS

No special investigations were carried out during the year under review.

32. FORMAL AND INFORMAL QUERIES

Formal queries are embodied in this report. The following informal queries were addressed in the report to management of the Council:

- Asset descriptions on the Fixed Asset Register.
- Value Added Taxation.
- Sale of erven
- Allocation on interest income
- Payroll reports
- Incorrect allocations
- Poor debt repayments.

33. GENERAL

The accounting and internal controls are satisfactory except for those cases specifically pointed out in the management letter to the Council. Proper segregation of duties is not possible due to the small number of staff employed. While increased management involvement does reduce risks partly, it causes the risk that management and the Council override existing controls, a potentially dangerous practice, which the Council should vigilantly guard against.

34. QUALIFIED AUDIT OPINION

The accounts of the Town Council of Ondangwa for the financial year ended 30 June 2011, summarized in Annexures A to D, were audited by me in terms of the provisions of Section 85 of the Local Authorities Act, 1992, read with Section 25(1)(b) of the State Finance Act, 1991.

The audit opinion has been qualified due to the following reasons:

- Unrecorded liabilities amounting to N\$ 362 662.
- VAT control account misstatement by an amount of over N\$ 1,6 million.
- Non-disclosure of the Erongo-RED investment.
- Interest income is understated by an amount of N\$ 855 219.
- Fund accounts interest overstatement by an amount of N\$ 360 482.
- Non-existent Erongo-RED debtor of N\$ 439 141.
- GIPF/NATIS-Roads Authority income is understated by an amount of N\$522 098.
- Unknown income of N\$ 2 179 982.
- Vat control account was overstated by N\$ 2 088 576.
- Over-statement of bank overdraft balance by N\$ 7 919 341.

Except for the effect of any adjustments which might have been necessary as referred to above, in my opinion, these financial statements fairly present the financial position of the Council at 30 June 2011, and the results of operations and cash-flows for the year then ended in accordance with generally accepted accounting practice.

BALANCE SHEET AT 30 JUNE

	Notes	2011 N\$	2010 N\$
ASSETS			
Non-current assets			
Property, plant and equipment	4	61 987 841	47 109 544
Investments	5	20 736 874	20 103 510
Current assets			
Cash and cash equivalents		-	-
Inventories	6	746 825	793 255
Accounts receivable	7	13 057 706	8 432 060
Total assets		96 529 236	76 438 369
EQUITY AND LIABILITIES			
Equity			
Funds and reserves	2	83 981 886	69 520 378
Non-current liabilities			
Long-term liabilities	3	1 936 309	1 079 114
Current liabilities			
Accounts payable	8	2 575 229	2 065 847
Short-term portion of long-term loans	3	935 415	384 149
Bank overdraft		7 100 397	3 388 881
Total equity and liabilities		96 529 236	76 438 369

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE

	Notes	<u>2011</u> N\$	<u>2010</u> N\$
INCOME		28 725 214	27 897 374
EXPENDITURE		<u>(28 190 041)</u>	<u>(34 459 255)</u>
NET OPERATING (LOSS)		535 173	(6 561 881)
Investment interest on revenue account		<u>-</u>	<u>671 176</u>
NET (LOSS) for the year		535 173	(5 890 705)
Adjustments to appropriation account	10	<u>3 733 845</u>	<u>2 461 099</u>
Accumulated (deficit) for the year		4 269 018	(3 429 606)
ACCUMULATED (DEFICIT)			
– At the beginning of the year		<u>(13 525 821)</u>	<u>(10 096 215)</u>
– At the end of the year	2	<u>(9 256 802)</u>	<u>(13 525 821)</u>

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE

	Notes	2011 N\$	2010 N\$
Cash generated (utilised) by operating activities			
Cash receipts from customers		30 905 196	27 897 374
Cash paid to suppliers		(30 706 013)	(33 269 177)
Cash (utilized) by operating activities	11	199 183	(5 371 803)
Cash available for investment		199 183	(5 371 803)
Cash effects on investing activities			
Net capital expenditure		(14 878 287)	(1 772 678)
(Increase) in investments		(633 364)	(3 326 472)
Cash effects on financing activities			
Increase in capital funds		13 469 827	1 709 380
Net proceeds from statutory funds	9	(3 277 339)	3 887 696
Net loans raised		1 408 461	63 297
Net change in cash and cash equivalents		(3 711 519)	(4 810 580)
Cash and cash equivalents at the beginning of the year		(3 388 881)	1 421 699
Cash and cash equivalents at the end of the year		(7 100 397)	(3 388 881)

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE

1. ACCOUNTING POLICIES

The financial statements set out in Annexure A to C were prepared on the historical cost basis and incorporate the following principal accounting policies, which are consistent with those applied in the previous year:

1.1 Property, plant and equipment

Property, plant and equipment are stated at cost or at valuation where assets have been acquired by grant or donation, less depreciation written off over the expected useful lives as determined by the Council from time to time. Property, plant and equipment acquired with loan funds are not depreciated until the loan is repaid unless the expected lifetime of the asset is less than the repayment period of the loan in which case depreciation is calculated on the shortfall.

1.2 Inventory

Inventory is valued using the average cost basis. Obsolete stock is written off.

1.3 Fund accounts**1.3.1 Revenue Account**

All monies received by and accrued to and expenses paid, except for allocations to other Funds, are reflected in this account, and are kept in compliance with Section 86(1)(b) of the Act.

1.3.2 Housing Fund

Housing loans have been paid from this Fund. Sections 30(1)(i) and 57 to 62 of the Act, 1992, refer.

1.3.3 Reserve Funds

The Council also maintains the following Funds in terms of the authorisation in Section 80(4) of the Act:

- **Capital Reserve Fund**

The purpose of this Fund is to stabilize the financial position. Income is obtained from the Revenue Account.

- **Fixed Property Fund**

Proceeds on the sale of developed property accumulate in this Fund, which is used to develop properties.

1.3.4 Build Together Fund

The purpose of this Fund is to provide loans for low cost housing.

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE

	2011	2010
	N\$	N\$
2. FUNDS AND RESERVES		
Build Together Fund	8 842 489	8 571 938
Capital Development Fund	25 280 093	28 827 981
Revenue Account	(9 256 802)	(13 525 821)
Total	24 865 780	23 874 098
CAPITAL OUTLAY		
Contribution from revenue	55 594 470	42 242 115
General capital	1 969 680	2 413 268
Loans redeemed	1 551 956	990 897
	59 116 106	45 646 280
TOTAL FUNDS AND RESERVES	83 981 886e	69 520 378
3. LONG TERM LIABILITIES		
Loans from the Financial Institutions:		
- Hire purchase agreements	2 871 724	1 463 263
	2 871 724	1 463 263
Less: Current portion of liabilities included under current liabilities	(935 415)	(384 149)
	1 936 309	1 079 114
4. PROPERTY, PLANT AND EQUIPMENT		
Net book value	61 987 831	47 109 544
Financed by:		
Revenue account	55 594 470	42 242 115
General capital	1 969 681	2 413 268
Loan assets	4 423 690	2 454 161
	61 987 841	47 109 544
5. INVESTMENTS		
Moneys on call at a commercial banks	20 736 874	18 074 990
Insurance companies	-	2 028 520
	20 736 874	20 103 510

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE

	2011	2010
	N\$	N\$
6. INVENTORIES		
Consumable goods in store	746 825	793 255
7. ACCOUNTS RECEIVABLE		
Consumer accounts	13 622 003	11 172 440
Inland revenue	3 673 091	1 455 838
Build together advances	2 564 061	2 698 637
Sundry debtors	209 015	115 610
	20 068 170	15 442 525
Less: Provision for doubtful debts	(7 010 465)	(7 010 465)
	13 057 706	8 432 060
8. ACCOUNTS PAYABLE		
Trade creditors	110 695	70
Provisions	1 313 898	1 034 045
Consumer deposits	1 150 636	1 031 732
Sundry creditors	-	-
	2 575 229	2 065 847
9. TRANSFER TO FUNDS		
The following amounts were transferred to/(from) Funds:		
Build Together Fund	270 550	1 435 484
Capital Development Fund	(3 547 889)	2 452 212
	(3 277 339)	3 887 696
10. ADJUSTMENTS AND UTILISATIONS		
– REVENUE ACCOUNT		
Previous year adjustments	14 712	-
Audit adjustments	1 153 995	2 350 743
Channel Life	(630 494)	
Debts recovered	-	1 000 000
Accrued leave adjustment	(279 853)	(575 290)
VAT refund	2 088 576	-
Unknown income	2 179 982	
Provision for bad debts	(793 073)	(314 354)
	3 733 845	2 461 099

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE

	2011	2010
	N\$	N\$
11. CASH (UTILIZED)/GENERATED BY OPERATIONS		
Operating surplus before interest and adjustments	535 173	(5 890 705)
Adjustments and utilizations	3 733 845	2 461 099
Working capital changes		
Decrease/(increase) in inventories	46 430	(139 268)
(Increase) decrease in accounts receivable	(4 625 646)	(338 813)
(Decrease) increase in accounts payable	509 382	(1 464 116)
Cash generated/(utilised) in operations	199 183	(5 371 803)