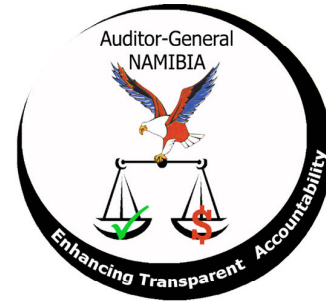




REPUBLIC OF NAMIBIA



AUDIT REPORT ON THE ACCOUNTS OF THE

MINERALS DEVELOPMENT FUND

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2008

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REPUBLIC OF NAMIBIA



TO THE HONORABLE SPEAKER OF THE NATIONAL ASSEMBLY

I have the honor to submit herewith my report on the accounts of the Minerals Development Fund for the financial year ended 31 March 2008, in terms of Article 127(2) of the Namibian Constitution. The report is transmitted to the Honourable Minister of Finance in terms of Section 27(1) of the State Finance Act, 1991, (Act 31 of 1991) to be laid upon the Table of the National Assembly in terms of Section 27(4) of the Act.

WINDHOEK, JUNE 2011

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR GENERAL ON THE ACCOUNTS OF THE
MINERALS DEVELOPMENT FUND FOR THE FINANCIAL YEAR ENDED**

31 MARCH 2008

1. INTRODUCTION

The accounts of the Minerals Development Fund, hereinafter referred to as the Fund, for the year ended 31 March 2008 are being reported on in accordance with the provisions set out in Section 2 (1) of the Minerals Development Fund of Namibia Act 19, 1996 hereinafter referred to as the Act. The main objectives of the Fund are stated in Section 3 of the Act.

The firm EDB & Associates of Windhoek has been appointed in terms of Section 26(2) of the State Finance Act, (Act 31 of 1991), to audit the accounts of the Minerals Development Fund 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 Fund's financial statements were submitted to the Auditor-General by the Board of Directors in compliance with Section The audited financial statements are in agreement with the general ledger and are filed in the Office of the Auditor-General. The Balance sheet, Annexure B, is a true reflection of the original.

The following Annexures are also attached to this report:

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

3. SCOPE OF THE AUDIT

The Board of Directors of the Fund is responsible for the preparation of the financial statements and for ensuring the regularity of the financial transactions. It is the responsibility of the Auditor-General to form an independent opinion, based on the audit, on those statements and on the regularity of the financial transactions included in them and to report his opinion to the National Assembly.

The audit as carried out by the said firm, included:

- a) examination on a test basis of the evidence relevant to the amounts, disclosure and regularity of financial transactions included in the financial statements;
- b) assessment of the significant estimates and judgments made by the Board of Directors of the Fund in preparation of the financial statements and whether the accounting policies are appropriate to the Fund'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.

4. AUDIT OBSERVATIONS AND COMMENTS

4.1 Interest income

The review and assessment of the Fund's loan management module indicated that the module does not provide for changes in interest rates and installments. Interest charges are declining while no repayments are evident. In addition penalty interest charges for late payment are not levied. The effect is an understatement of loan debtors and interest income.

Due to the significance of this matter, the Auditor-General cannot confirm the accuracy and measurement of loan debtors and interest income.

4.2 Accounts payables and Receiver of Revenue - VAT

The auditors found unrecorded liabilities of N\$ 48 692. In addition, the Fund did not submit VAT returns timeously as per statutory requirements of the Value Added Tax Act and no provision has been made for possible penalties and interest.

4.3 Impairment of debtors and provision for doubtful debts.

The audit revealed that numerous adjustments to the value of N\$ 59 399 689 (2007: N\$ 51 095 495) were made on debtors accounts, in respect of prior year incorrect balances. The effect was an increase in loans debtors.

The Fund accounting records revealed no provision for doubtful debts for the year under review as well as previous years. However, the auditors' assessment on the debtors' repayment history indicates that a provision for doubtful debtors is necessary. The auditors estimate that an amount of N\$ 68 503 207 provision should be made.

Due to the significance of this matter, the Auditor-General cannot confirm the valuation and accuracy of accounts receivables.

4.4 Opening balances

The auditors detected an unexplained difference on opening balances of the Fund compared to the prior year audited financial statements. The difference amount to N\$ 1 033 956.

Due to the significance of this matter, the Auditor-General cannot confirm the valuation and accuracy of accumulated funds account.

5. ACKNOWLEDGEMENT

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

6. QUALIFIED AUDIT OPINION

The accounts of the Minerals Development Fund for the financial year ended 31 March 2008, summarized in Annexure A to E, have been audited in accordance of provisions of Section 25 (1) (b) of the State Finance Act, 1991 read with Section 19 (3) of the Minerals Development Fund of Namibia Act, 1996.

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

- The loan management module does not provide for changes in interest rates and installments. Penalties interest charges for late payment are not levied.
- Unrecorded liabilities of N\$ 59 399 689 were made on debtors account in respect of prior year incorrect balances.
- Unexplained difference on opening balances to the amount N\$ 1 033 956.

Except for the above-mentioned reasons, in my opinion the financial statements fairly present the financial position of the Fund for the year ended 31 March 2008 and the results of its operations and cash flow for the year then ended.

WINDHOEK, JUNE 2011

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

MINERALS DEVELOPMENT FUND

DIRECTORS REPORT FOR THE YEAR ENDED 31 MARCH 2008

The Directors have pleasure in presenting their annual report which forms part of the audited financial statements of the Fund for the year ended 31 March 2008.

The Fund was established in terms of the Minerals Development Fund of Namibia Act 19 of 1996, promulgated on the 15 August 1996, to:

- * safeguard the production and earnings power of the mining sector;
- * broaden, through diversification and horizontal and vertical integration, the production base of the mining sector into the national economy;
- * support the mining sector by:
 - (i) improving the national geological, geophysical and mineral data base; and
 - (ii) expanding the national training facilities and programmes

Events subsequent to balance sheet date

No matter which is material to the financial affairs of the Fund, has occurred between 31 March 2008 and the date of approval of the annual financial statements.

Financial results

Full details of the financial results of the Fund are disclosed in the income statement and the notes thereto.

Directors

The following persons were formally appointed during the current financial year:

K Hamutenya	Chairman
C Kauraisa	Vice-Chairman
G Schneider (alternate: D Hutchins)	
V Malango (alternate: D Newman)	
U P Xoagub (alternate: I !Ha-eiros)	
P Kalenga (alternate: J Ortner)	
A Hange (alternate: A Mbundu)	

MINERALS DEVELOPMENT FUND

BALANCE SHEET ON 31 MARCH 2008

	Notes	<u>2008</u> N\$	<u>2007</u> N\$
ASSETS			
Non-Current Assets			
		108 080 093	89 030 542
Loans receivables	5	95 234 775	77 605 627
Investments	3	12 845 318	11 424 915
Current Assets			
		35 540 655	43 697 667
Cash and cash equivalents	4	35 540 655	43 695 851
Receiver of revenue - VAT		-	1 816
TOTAL ASSETS		143 620 748	132 728 209
EQUITY AND LIABILITIES			
Funds and reserves			
		143 381 426	132 728 209
Funds and accounts	2	143 381 426	132 728 209
Current liabilities			
		239 322	-
Receiver of revenue - VAT		239 322	-
TOTAL EQUITY AND LIABILITIES		143 620 748	132 728 209

MINERALS DEVELOPMENT FUND

INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2008

	<u>2008</u>	<u>2007</u>
	N\$	N\$
INCOME	2 262 879	1 281 587
EXPENDITURE	<u>(3 817 812)</u>	<u>(76 312 092)</u>
NET OPERATING DEFICIT	(1 554 933)	(75 030 505)
NET FINANCIAL INCOME	<u>11 174 194</u>	<u>10 832 343</u>
NET SURPLUS / (DEFICIT) FOR THE YEAR	9 619 262	(64 198 162)
APPROPRIATION ACCOUNT - Adjustments	<u>1 033 956</u>	<u>50 885 963</u>
SURPLUS FOR THE YEAR	10 653 218	(13 312 199)
APPROPRIATION ACCOUNT AT BEGINNING OF THE YEAR	132 728 208	146 040 408
APPROPRIATION ACCOUNT AT END OF YEAR	<u><u>143 381 426</u></u>	<u><u>132 728 209</u></u>

MINERALS DEVELOPMENT FUND

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2008

	Notes	<u>2008</u> N\$	<u>2007</u> N\$
Cash absorbed by operations	A	(14 635 951)	(4 905 420)
Investment income - banks		4 362 841	2 445 235
Utilized to decrease working capital	B	<u>241 137</u>	<u>(1 816)</u>
<i>Cash utilised in operating activities</i>		(10 031 973)	(2 462 001)
<i>Cash generated by investing activities</i>		1 876 777	44 432 505
Increase in investments		(1 420 403)	(5 000 001)
Loans granted		-	(8 879 137)
Loans repayments		<u>3 297 180</u>	<u>58 311 643</u>
Change in cash and cash equivalents		<u>(8 155 196)</u>	<u>41 970 504</u>
Cash and cash equivalents at beginning of year		43 695 851	1 725 347
Cash and cash equivalents at end of year		<u><u>35 540 655</u></u>	<u><u>43 695 851</u></u>

NOTES TO THE CASH FLOW STATEMENT

A. Cash absorbed by operations

Net surplus / (deficit) after investment interest and adjustments.	9 619 262	(64 198 162)
Loans written off	-	70 830 643
Adjustments to funds - other	(13 081 019)	(705 558)
Interest income	<u>(11 174 194)</u>	<u>(10 832 343)</u>
	<u>(14 635 951)</u>	<u>(4 905 420)</u>

B. Utilized to decrease working capital

Trade and other receivables	1 815	(1 816)
Trade and other payables	<u>239 322</u>	<u>-</u>
	<u><u>241 137</u></u>	<u><u>(1 816)</u></u>

MINERALS DEVELOPMENT FUND

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AT 31 MARCH 2008

1 ACCOUNTING POLICIES

The annual financial statements are compiled in accordance with the historical convention modified by the restatement of financial instruments to fair value, except where otherwise stated.

The principal accounting policies of the Fund, which are set out below, had been consistent and comply with Namibian Statements of Generally Accepted Accounting Practices.

1.1 Accounting basis

Except for interest income, the Fund's policy is to prepare the income statement on the cash receipts and disbursement basis. On this basis revenue is recognized when received rather than when earned, including repayments of Sysmin loans, and expenses are recognized when paid rather than when incurred. Interest income is accounted for on an accrual basis.

1.2 Property plant and equipment

Property, plant and equipment purchased are expensed as operating expenses at the date of acquisition.

1.3 Loan provision

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

1.4 Bank and cash

Cash and cash equivalents comprise cash on hand, deposits on call with banks, net of bank overdrafts, all of which are available for use by the Fund unless otherwise stated.

1.5 Investments

Investments are stated at cost. Dividends are brought to account as at the last day of registration in respect of listed shares and when declared in respect of unlisted shares.

2 OWN FUNDS

	<u>2008</u>	<u>2007</u>
	N\$	N\$
2.1 <i>Funds and reserves</i>	143 381 426	132 728 208
Opening balance	132 728 208	146 040 408
Surplus / (deficit) for the year	9 619 262	(64 198 162)
Prior year adjustments	1 033 956	50 885 963
TOTAL FUNDS	<u>143 381 426</u>	<u>132 728 209</u>

MINERALS DEVELOPMENT FUND

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AT 31 MARCH 2008 (continued)

	<u>2008</u>	<u>2007</u>
	N\$	N\$
3 INVESTMENTS		
Sanlam Investment Portfolio Account	12 845 318	11 424 915
	<u>12 845 318</u>	<u>11 424 915</u>
4 CASH AND CASH EQUIVALENTS		
For the purpose of the cash flow statement the year-end cash and cash equivalents comprise of the following:		
Bank balances	35 540 655	43 695 851
	<u>35 540 655</u>	<u>43 695 851</u>
5 LOANS RECEIVABLE		
Opening balance	77 605 627	137 890 147
Prior year adjustment - opening balance	14 114 975	51 591 521
Loans granted	-	8 879 137
Interest accrued	6 811 353	8 387 108
Repayments	(3 297 180)	(58 311 643)
Loans written off	-	(70 830 643)
	<u>95 234 775</u>	<u>77 605 627</u>
6 ADJUSTMENTS AND UTILIZATIONS (PRIOR YEARS)		
Prior year adjustments - debtors	-	51 591 521
Prior year adjustments - others	1 033 956	(705 558)
	<u>1 033 956</u>	<u>50 885 963</u>