



REPUBLIC OF NAMIBIA



AUDIT REPORT ON THE ACCOUNTS OF THE

MINERALS DEVELOPMENT FUND

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2009

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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 2009, 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 2009

1. INTRODUCTION

The accounts of the Minerals Development Fund, hereinafter referred to as the Fund, for the year ended 31 March 2009 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 1991 (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 Namibian Dollar.

2. FINANCIAL STATEMENTS

The Fund's financial statements were submitted to the Auditor-General by the Board of Directors in compliance with Section 19, 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 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 VAT

The Fund did not submit VAT returns within the respective due dates. An overall payment was done after year end for VAT returns payments due. However, no liability for the possible penalties and interest for late submission was raised.

4.2 Loan debtors

The auditors noted with concern that numerous beneficiaries defaulted on their repayments outlined in the repayment schedules provided. These defaults are in contravention of the on-lending agreement.

During the year under review the Fund had to write off debts of N\$ 15 941 247. Also, no provision for the impairment of the current defaulting loan beneficiaries has been made in the books of the Fund.

The current poor repayment from beneficiaries could result in future cash flow problems and might prevent the Fund from financing future loan applicants while in essence it should be a Revolving Fund. The auditors, however, noted that this poor repayments by beneficiaries were mostly caused by the Global Commodity Crisis.

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 2009, summarized in Annexure A to D, 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:

- Doubtfulness on the valuation and recoverability of the loan debtors balance at the financial year end.
- Doubtfulness on the valuation of the VAT control account at the financial year end.

Except for the reasons mentioned above, in my opinion, these financial statements fairly present the financial position of the Minerals Development Fund at 31 March 2009, and the results of operations and cash flows for the year then ended in accordance with generally accepted accounting practice.

WINDHOEK, JUNE 2011

**JUNIAS ETUNA KANJDEKE
AUDITOR-GENERAL**

MINERALS DEVELOPMENT FUND

DIRECTORS REPORT FOR THE YEAR ENDED 31 MARCH 2009

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 2009.

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 2009 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 2009

	Notes	<u>2009</u> N\$	<u>2008</u> N\$
ASSETS			
Non-Current Assets			
		88 740 920	108 080 093
Loans receivables	5	88 735 793	95 234 775
Investments	3	5 127	12 845 318
Current Assets			
		27 321 578	35 540 655
Cash and cash equivalents	4	26 921 265	35 540 655
Trade and other receivables		400 313	-
TOTAL ASSETS		116 062 498	143 620 748
EQUITY AND LIABILITIES			
Funds and reserves			
		115 981 351	143 381 428
Funds and accounts	2	115 981 351	143 381 428
Current liabilities			
		81 147	239 320
Trade and other payables		81 147	239 320
TOTAL EQUITY AND LIABILITIES		116 062 498	143 620 748

ANNEXURE C

MINERALS DEVELOPMENT FUND

INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2009

	<u>2009</u>	<u>2008</u>
	N\$	N\$
INCOME	831 248	2 262 879
EXPENDITURE	<u>(37 571 404)</u>	<u>(3 815 796)</u>
NET OPERATING DEFICIT	(36 740 156)	(1 552 917)
NET FINANCIAL INCOME	<u>12 029 286</u>	<u>11 172 179</u>
NET (DEFICIT) / SURPLUS FOR THE YEAR	(24 710 871)	9 619 262
APPROPRIATION ACCOUNT - Adjustments	(2 689 206)	1 033 956
DEFICIT / (SURPLUS) FOR THE YEAR	<u>(27 400 077)</u>	<u>10 653 218</u>
APPROPRIATION ACCOUNT AT BEGINNING OF THE YEAR	<u>143 381 428</u>	<u>132 728 210</u>
APPROPRIATION ACCOUNT AT END OF YEAR	<u>115 981 351</u>	<u>143 381 428</u>

ANNEXURE D

MINERALS DEVELOPMENT FUND

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2009

	Notes	2009 N\$	2008 N\$
Cash absorbed by operations	A	(19 721 516)	(14 633 936)
Investment income - banks		2 922 602	4 360 826
Utilized to decrease working capital	B	(558 488)	241 137
<i>Cash generated by operating activities</i>		(17 357 403)	(10 031 973)
<i>Cash utilized in investing activities</i>		8 738 013	1 876 777
Increase in investments		12 840 191	(1 420 403)
Loans granted		(11 334 096)	-
Loans repayments		7 231 919	3 297 180
Change in cash and cash equivalents		(8 619 389)	(8 155 197)
Cash and cash equivalents at beginning of year		35 540 655	43 695 852
Cash and cash equivalents at end of year		26 921 265	35 540 655

NOTES TO THE CASH FLOW STATEMENT

A. Cash absorbed by operations

Net (deficit) / surplus after investment interest and adjustments.	(24 710 871)	9 619 262
Loans written off	16 774 328	-
Adjustments to funds	(360 718)	(13 081 019)
Interest income	(11 424 256)	(11 172 179)
	(19 721 516)	(14 633 936)

B. Utilized to decrease working capital

Trade and other receivables	(400 313)	1 815
Trade and other payables	(158 176)	239 322
	(558 488)	241 137

MINERALS DEVELOPMENT FUND

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AT 31 MARCH 2009

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.

ANNEXURE E

MINERALS DEVELOPMENT FUND

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AT 31 MARCH 2009

2. OWN FUNDS	<u>2009</u>	<u>2008</u>
	N\$	N\$
2.1 Funds and reserves	115 981 351	143 381 428
Opening balance	143 381 428	132 728 210
(Deficit) / surplus for the year	(24 710 871)	9 619 262
Prior year adjustments	(2 689 206)	1 033 956
TOTAL FUNDS	<u>115 981 351</u>	<u>143 381 428</u>
3. INVESTMENTS		
Sanlam Investment Portfolio Account	5 127	12 845 318
	<u>5 127</u>	<u>12 845 318</u>
4. CASH AND CASH EQUIVALENTS		
For the purpose of the cashflow statement the year-end cash and cash equivalents comprise of the following		
Bank balances	26 921 265	35 540 655
	<u>26 921 265</u>	<u>35 540 655</u>
5. LOANS RECEIVABLE		
Opening balance	95 234 778	77 605 627
Prior year adjustment - opening balance	(2 328 488)	14 114 975
Interest write back - prior year errors	(386 081)	-
Loans granted	11 334 096	-
Interest accrued	8 501 654	6 811 353
Repayments	(6 845 838)	(3 297 180)
Loans written off	(16 774 328)	-
	<u>88 735 793</u>	<u>95 234 775</u>
6. ADJUSTMENTS AND UTILIZATIONS (PRIOR YEARS)		
Nett prior year adjustments - debtors	(2 328 488)	1 033 956
Prior year adjustments - interest write offs	(360 420)	-
Prior year adjustments - bank reconciliation error	(298)	-
	<u>(2 689 206)</u>	<u>1 033 956</u>