



**REPUBLIC OF NAMIBIA**



**AUDIT REPORT ON THE ACCOUNTS OF THE**

# **MINERALS DEVELOPMENT FUND**

**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2010**

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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 Minerals Development Fund for the financial year ended 31 March 2010, 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  
MINERALS DEVELOPMENT FUND FOR THE FINANCIAL YEAR ENDED**

**31 MARCH 2010**

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**1. INTRODUCTION**

The accounts of the Minerals Development Fund, hereinafter referred to as the Fund, for the year ended 31 March 2010 are being reported on in accordance with the provisions set out in Section 2 (1) of the Minerals Development Fund of Namibia Act, 1996 (Act 19 of 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, 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 me 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 abridged balance sheet, Annexure B, is a true reflection of the original.

The following Annexures are also attached to this report:

Annexure A: Directors report  
Annexure B: Abridged balance sheet  
Annexure C: Abridged 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**

As reported in the prior year, the Fund again 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 were raised.

##### **4.2 Loan debtors**

As reported in the prior year, the auditors again 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.

In prior year the Fund had to write off debts of N\$ 15 941 247. 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 might have been caused by the Global Commodity Crisis.

#### **5. ACKNOWLEDGEMENT**

I express my appreciation for the courteous assistance given to my representatives by the Fund's personnel during the audit.

#### **6. QUALIFIED AUDIT OPINION**

The accounts of the Minerals Development Fund for the financial year ended 31 March 2010, 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;  
and.
- 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 2010, and the results of operations and cash flows for the year then ended in accordance with generally accepted accounting practice.

**WINDHOEK, September 2012**

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**

## MINERALS DEVELOPMENT FUND

DIRECTORS REPORT FOR THE YEAR ENDED 31 MARCH 2010

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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 2010.

The Fund was established in terms of the Minerals Development Fund of Namibia Act, 1996 (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 expanding the national training facilities and
  - (ii) programmes

**Events subsequent to balance sheet date**

No matter which is material to the financial affairs of the Fund, has occurred between 31 March 2010 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: V Petzel)  
U P Xoagub (alternate: I !Ha-eiros)  
P Kalenga (alternate: J Ortner)

**MINERALS DEVELOPMENT FUND**  
**BALANCE SHEET ON 31 MARCH 2010**

	<u>Notes</u>	<u>2010</u>	<u>2009</u>
		N\$	N\$
<b>ASSETS</b>			
<b>Non-current assets</b>		101 059 062	88 740 920
Loans receivables	2	101 051 352	88 735 793
Investments	3	7 710	5 127
<b>Current assets</b>		12 312 153	27 321 578
Cash and cash equivalents	4	12 312 153	26 921 265
Trade and other receivables	5	-	400 313
<b>TOTAL ASSETS</b>		<b>113 371 215</b>	<b>116 062 498</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Funds and reserves</b>		113 031 383	115 981 351
Funds and accounts	6	113 031 383	115 981 351
<b>Current liabilities</b>		339 832	81 147
Trade and other payables	7	339 832	81 147
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>113 371 215</b>	<b>116 062 498</b>

## MINERALS DEVELOPMENT FUND

## INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2010

	<u>2010</u>	<u>2009</u>
	N\$	N\$
INCOME	538 165	831 248
EXPENDITURE	<u>(13 405 738)</u>	<u>(37 571 404)</u>
NET OPERATING DEFICIT	(12 867 573)	(36 740 156)
NET FINANCIAL INCOME	<u>10 520 228</u>	<u>12 029 286</u>
NET DEFICIT FOR THE YEAR	(2 347 345)	(24 710 871)
APPROPRIATION ACCOUNT - Adjustments	<u>(602 623)</u>	<u>(2 689 206)</u>
	(2 949 968)	(27 400 077)
APPROPRIATION ACCOUNT - AT THE BEGINNING OF THE YEAR	<u>115 981 351</u>	<u>143 381 428</u>
APPROPRIATION ACCOUNT - AT THE END OF THE YEAR	<u><b>113 031 383</b></u>	<u><b>115 981 351</b></u>



## MINERALS DEVELOPMENT FUND

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2010

	Notes	2010 N\$	2009 N\$
Cash absorbed by operations	A	(13 470 196)	(19 721 517)
Investment income - banks		1 324 137	2 922 602
Utilized to decrease working capital	B	658 998	(558 488)
<i>Cash generated by operating activities</i>		(11 487 061)	(17 357 403)
<i>Cash utilized in investing activities</i>		(3 122 051)	8 738 014
Increase in investments		(2 583)	12 840 191
Loans granted	2	(4 887 520)	(11 334 096)
Loans repayments	2	1 768 052	7 231 919
Change in cash and cash equivalents		(14 609 112)	(8 619 390)
Cash and cash equivalents at beginning of year		26 921 265	35 540 655
Cash and cash equivalents at end of year	4	<b>12 312 153</b>	<b>26 921 265</b>

## NOTES TO THE CASH FLOW STATEMENT

## A Cash absorbed by operations

Net deficit after investment interest and adjustments.	(2 347 345)	(24 710 871)
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Loans written off	-	16 774 328
Adjustments to funds	(602 623)	(360 718)
Interest income	(10 520 228)	(11 424 256)
	<b>(13 470 196)</b>	<b>(19 721 517)</b>

## B Utilized to decrease working capital

Trade and other receivables	400 313	(400 313)
Trade and other payables	258 685	(158 176)
	<b>658 998</b>	<b>(558 488)</b>

**MINERALS DEVELOPMENT FUND****NOTES TO THE ANNUAL FINANCIAL STATEMENTS AT 31 MARCH 2010**

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**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.

## MINERALS DEVELOPMENT FUND

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS AT 31 MARCH 2010 (continued)

	<b>2010</b>	<b>2009</b>
	N\$	N\$
<b>2. LOANS RECEIVABLE</b>		
Opening balance	88 735 793	95 234 778
Prior year adjustment - Opening balance	-	(2 328 488)
Interest write back - Prior year errors	-	(386 081)
Loans disbursed/granted	4 887 520	11 334 096
Interest accrued	9 196 091	8 501 654
Repayments	(1 768 052)	(6 845 838)
Loans written off	-	(16 774 328)
	<b>101 051 352</b>	<b>88 735 793</b>
<b>3. INVESTMENTS</b>		
Sanlam Investment Portfolio Account	7 710	5 127
	<b>7 710</b>	<b>5 127</b>
<b>4. CASH AND CASH EQUIVALENTS</b>		
For the purpose of the cash flow statement the year-end cash and cash equivalents comprise of the following:		
Bank balances	12 312 153	26 921 265
	<b>12 312 153</b>	<b>26 921 265</b>
<b>5. TRADE AND OTHER RECEIVABLES</b>		
Receiver of revenue - VAT	-	400 313
	<b>-</b>	<b>400 313</b>
<b>6. FUNDS AND ACCOUNTS</b>		
<b>6.1 Distributable reserves</b>	113 031 383	115 981 351
Opening balance	115 981 351	143 381 428
Deficit for the year	(2 347 345)	(24 710 871)
Prior year adjustments	(602 623)	(2 689 206)
	<b>113 031 383</b>	<b>115 981 351</b>

## MINERALS DEVELOPMENT FUND

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS AT 31 MARCH 2010 (continued)

	<b>2010</b>	<b>2009</b>
	N\$	N\$
<b>7. TRADE AND OTHER PAYABLES</b>		
Accruals	70 741	81 147
Receiver of revenue - VAT	269 091	-
	<b>339 832</b>	<b>81 147</b>
<b>8. ADJUSTMENTS AND UTILIZATIONS (PRIOR YEARS)</b>		
Nett prior year adjustments - debtors	-	(2 328 488)
Prior year adjustments - Interest write offs	-	(360 420)
Prior year adjustments - Bank reconciliation error	-	(298)
Prior year adjustments - VAT account adjustment	(602 623)	-
	<b>(602 623)</b>	<b>(2 689 206)</b>