



REPUBLIC OF NAMIBIA



AUDIT REPORT ON THE ACCOUNTS OF THE

MINERALS DEVELOPMENT FUND

FOR THE FINANCIAL YEARS ENDED 31 MARCH 2011 AND 2012

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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 years ended 31 March 2011 and 2012, 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, January 2013

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

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

31 MARCH 2011 and 2012

1 INTRODUCTION

The accounts of the Minerals Development Fund, hereinafter referred to as the Fund, for the years ended 31 March 2011 and 2012 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 LIABILITY

Although, the Fund submitted VAT returns within the due dates, an overall payment was processed after year end to settle all VAT related outstanding dues. However, no provision for the possible penalties and interest for late payment was raised which may indicate a substantial understatement of liabilities. However, management is confident that said amounts will be written down by the Revenue Authorities.

4.2 LOAN DEBTORS

The current poor repayment record of beneficiaries could result in future cash flow difficulties and might prevent the Fund from financing future loan applicants. According to management this repayment pattern is to a large extent due to the poor Global Commodity Crisis and should therefore recover in future years.

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 years ended 31 March 2011 and 2012, summarized in Annexure A to E, have been audited in accordance with 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 2011 and 2012, and the results of operations and cash flows for the year then ended in accordance with generally accepted accounting practice.

WINDHOEK, January 2013

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

MINERALS DEVELOPMENT FUND

DIRECTORS REPORT FOR THE YEAR ENDED 31 MARCH 2011 AND 2012

The Directors have pleasure in presenting their annual report which forms part of the audited financial statements of the Fund for the years ended 31 March 2011 and 2012.

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
 - (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 after both financial years under review 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

	Notes	2012 N\$	2011 N\$	2010 N\$
ASSETS		115 320 361	105 272 349	101 059 062
Non-Current Assets				
Loans receivables	2	115 067 186	105 263 944	101 051 352
Investments	3	253 175	8 405	7 710
Current Assets		3 302 270	9 396 671	12 312 154
Cash and cash equivalents	4	3 302 270	9 396 671	12 312 154
TOTAL ASSETS		<u>118 622 631</u>	<u>114 669 020</u>	<u>113 371 216</u>
EQUITY AND LIABILITIES				
Funds and reserves		118 493 135	114 311 984	113 031 382
Funds and accounts	5	118 493 135	114 311 984	113 031 382
Current liabilities		129 496	357 036	339 834
Trade and other payables	6	129 496	357 036	339 834
TOTAL EQUITY AND LIABILITIES		<u>118 622 631</u>	<u>114 669 020</u>	<u>113 371 216</u>

MINERALS DEVELOPMENT FUND

INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH

	2012	2011	2010
	N\$	N\$	N\$
INCOME	490 136	2 660 507	538 165
EXPENDITURE	<u>(2 940 643)</u>	<u>(11 980 629)</u>	<u>(13 405 738)</u>
NET OPERATING DEFICIT	(2 450 506)	(9 320 122)	(12 867 573)
NET FINANCIAL INCOME	<u>6 904 484</u>	<u>11 786 797</u>	<u>10 520 228</u>
NET SURPLUS / (DEFICIT) FOR THE YEAR	4 453 978	2 466 675	(2 347 346)
APPROPRIATION ACCOUNT - Adjustments	(272 826)	(1 186 073)	(602 623)
	<u>4 181 151</u>	<u>1 280 602</u>	<u>(2 949 969)</u>
APPROPRIATION ACCOUNT AT BEGINNING OF THE YEAR	114 311 984	113 031 382	115 981 351
APPROPRIATION ACCOUNT AT END OF YEAR	<u><u>118 493 135</u></u>	<u><u>114 311 984</u></u>	<u><u>113 031 382</u></u>

MINERALS DEVELOPMENT FUND

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH

	Notes	2012 N\$	2011 N\$	2010 N\$
Cash absorbed by operations	A	(7 356 470)	(9 197 757)	(13 470 197)
Investment income - banks		9 284 009	4 877 447	1 324 137
Utilized to decrease working capital	B	<u>(10 030 782)</u>	<u>17 202</u>	<u>658 998</u>
<i>Cash generated by operating activities</i>		(8 103 243)	(4 303 108)	(11 487 062)
<i>Cash utilized in investing activities</i>		2 008 842	1 387 625	(3 122 051)
Increase in investments		(244 770)	(695)	(2 583)
Loans granted	2	1 641 835	(779 803)	(4 887 520)
Loans repayments	2	611 777	2 168 123	1 768 052
Change in cash and cash equivalents		<u>(6 094 401)</u>	<u>(2 915 483)</u>	<u>(14 609 111)</u>
Cash and cash equivalents at beginning of year		9 396 671	12 312 154	26 921 265
Cash and cash equivalents at end of year	4	<u><u>3 302 270</u></u>	<u><u>9 396 671</u></u>	<u><u>12 312 154</u></u>

NOTES TO THE CASH FLOW STATEMENT

A. Cash absorbed by operations

Net surplus/(deficit) after investment interest and adjustments	4 453 978	2 466 675	(2 347 346)
Adjustments of prior years interest and discounts	(4 633 137)	-	-
Adjustments to funds	(272 826)	122 365	(602 623)
Interest income	(6 904 484)	(11 786)	(10 520 228)
	<u>(7 356 470)</u>	<u>(9 197 757)</u>	<u>(13 470 197)</u>

B. Utilized to decrease Working capital

Trade and other receivables	(9 803 242)	-	400 313
Trade and other payables	(227 540)	17 202	258 684
	<u>(10 030 782)</u>	<u>17 202</u>	<u>658 998</u>

MINERALS DEVELOPMENT FUND

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AT 31 MARCH

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 LOANS RECEIVABLE	2012	2011	2010
	<u>N\$</u>	<u>N\$</u>	<u>N\$</u>
Opening balance	105 263 944	101 051 352	88 735 793
Prior year errors on interest	30 243	-	-
Interest write back - prior year errors	(39 767)	-	-
Loans disbursed / granted	4 025 488	5 667 323	4 887 520
Interest accrued	6 659 871	11 152 311	9 196 091
Repayments	(572 010)	(2 168 123)	(1 768 052)
Re-disclosure of subsidiary investment	-	(10 438 919)	-
Discount	(367 400)	-	-
Interest	66 817	-	-
	<u>115 067 186</u>	<u>105 263 944</u>	<u>101 051 352</u>

MINERALS DEVELOPMENT FUND

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

	<u>2012</u> N\$	<u>2011</u> N\$	<u>2010</u> N\$
3 INVESTMENTS			
Sanlam Investment Portfolio Account	7 911	8 405	7 710
Investment in subsidiary	245 265	-	-
	<u>253 175</u>	<u>8 405</u>	<u>7 710</u>
4 CASH AND CASH EQUIVALENTS			
For the purpose of the cashflow Statement the year-end cash and cash equivalents comprise of the following:			
Bursary account	-	-	-
Call account	3 300 097	8 529 599	12 045 024
Current account	2 173	867 072	267 130
	<u>3 302 270</u>	<u>9 396 671</u>	<u>12 312 154</u>
5 FUNDS AND ACCOUNTS			
5.1 Distributable reserves	118 493 135	114 311 984	113 031 382
Opening balance	114 311 984	113 031 382	115 981 351
Deficit for the year	4 453 978	2 466 675	(2 347 346)
Prior year adjustments	(272 826)	(1 186 073)	(602 623)
	<u>118 493 135</u>	<u>114 311 984</u>	<u>113 031 382</u>

6 TRADE AND OTHER PAYABLES

Accruals	100 818	32 655	70 741
Receiver of revenue - VAT	28 678	324 377	269 091
	<u>129 496</u>	<u>357 032</u>	<u>339 832</u>

7 ADJUSTMENTS AND UTILIZATIONS (PRIOR YEARS)

NODE - Adjustment of interest on subsidiary priors	-	445 884	-
NODE - Grant expense towards subsidiary in prior years	-	(1 754 322)	-
Prior year adjustments - Debtors	(272 826)	122 365	(602 623)
	<u>(272 826)</u>	<u>(1 186 073)</u>	<u>(602 623)</u>