

**REPORT OF THE AUDITOR GENERAL ON THE ACCOUNTS OF THE
DEVELOPMENT BRIGADE CORPORATION AND ITS SUBSIDIARIES
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2001**

1. INTRODUCTION

The accounts have been audited in terms of section 18 of the Development Brigade Corporation Act, 1992, (Act 32 of 1992) and section 25(1)(b) of the State Finance Act, 1991 (Act 31 of 1991). I appointed the firm BDO Spencer Steward Namibia of Windhoek in terms of section 26(2) of the State Finance Act to audit the accounts on my behalf and under my supervision. Amounts mentioned in the report are rounded to the nearest Namibian Dollar. Deficits and losses are shown in brackets.

2. FINANCIAL STATEMENTS

The audited financial statements are in agreement with the general ledger and other accounting records and are kept in my Office. They are the following and are annexed:

- Annexure A – Consolidated balance sheets
- Annexure B – Consolidated income statements
- Annexure C – Consolidated cash flow statements
- Annexure D – Notes to the consolidated financial statements

3. SCOPE OF THE AUDIT

The Accounting Officer of the Development Brigade Corporation ("DBC") 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.

Except as discussed in paragraphs 4.2, 4.3, 5.2 and 5.4 to this report, the audit was conducted in accordance with statements of Namibian Auditing Standards. Those standards require that the audit is planned and performed to obtain reasonable assurance that the financial statements are free of material misstatement. The audit as carried out by the contracted firm, included:

- (a) examination on a test basis of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements;
- (b) assessment of the significant estimates and judgements made by the Accounting Officer of the DBC in the preparation of the financial statements and whether the accounting policies are appropriate to the DBC's circumstances, consistently applied and adequately disclosed; and
- (c) evaluation of the overall adequacy of the presentation of the information in the annual 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 mis-statements, whether caused by error, fraud or other irregularity;
- in all material respects, the expenditure and income have been applied to the purposes intended by the Development Brigade Corporation; and

- the financial statements conform to the authorities which govern them.

4. AUDIT OBSERVATIONS AND COMMENTS

4.1 Going concern and events subsequent to year end

The DBC had a net loss of N\$ 42 167 872 (2000: N\$ 17 385 223) for the year under review, and the net current liabilities of the Corporation were N\$ 67 238 720 (2000: N\$ 19 368 551) at the year end. Accumulated losses amounted to N\$ 100 644 259 (2000: N\$ 58 476 387). On 5 April 2001 all operations of the DBC were ceased in terms of a Cabinet decision, and as a result, the entity has little or no means by which to make good the losses suffered.

The financial position of the Group and Corporation deteriorated significantly during the current year to such an extent that the Group's total liabilities exceed its total assets by N\$ 58 960 519 (2000: N\$ 41 057 753). This condition, together with the Government's decision to bring operations to a halt and to retrench all employees, confirms that the Corporation is unable to continue as a going concern.

At year end an amount of USD 8 433 123, including accrued and suspended interest, was due to Exim Bank of Malaysia Berhad. The Namibian Dollar equivalent of this amounted to N\$ 69 056 316 (2000: N\$ 51 159 606) at an exchange rate of N\$ 8,1887 for USD 1 at 31 March 2001. The loan was terminated and recalled for full settlement on 2 August 2000 and the lender has engaged attorneys to collect the balance due from the Corporation. The Corporation has thus defaulted on loan repayments and might be liable for the legal costs in addition to the loan balance. Legal costs to date of the audit report amounted to approximately USD 44 161, or N\$ 361 621.

4.2 Management

All staff has been retrenched since December 2001, and as a result, little or no financial records were maintained since that date. The Ministry of Trade and Industry has administered a grant from Government to the amount of N\$ 8 000 000 which was mainly utilised to pay suppliers and salaries. Due to these circumstances the auditors were unable to carry out all the audit procedures, or to obtain all the information and explanations they considered necessary, or to satisfy themselves that proper accounting records have been kept.

As no formal management structure existed at the time of the audit, it was not possible to obtain management representations in matters wherein such presentations were considered necessary.

4.3 Subsidiaries

During April 2001, subsequent to year end, a Cabinet Action letter instructed that the Corporation be wound up and furthermore, that Namibia Bricks Enterprises (Pty) Ltd and M & N Developments (Pty) Ltd be merged as both are involved in the construction and bricks industry. The Ministry of Trade and Industry was tasked to ensure that this action is executed before 16 March 2001. No evidence could be found that this merger has taken place.

Patriot Construction (Pty) Ltd had to merge with the Roads Contractor Company as both were Government Institutions and the possibility of merging Star Protection Services (Pty) Ltd with Namibia Protection Services had to be investigated. No evidence could be found that any of the above was actioned.

No financial statements for any of the subsidiaries were available for years ended 31 March 2001, and various discussions with the independent auditors of the subsidiary companies, Messrs. Grand Namibia, availed that no information relating to these subsidiaries are available to finalise the audits for the year under review. It appears that controls in the subsidiary companies is not effectively monitored and it is likely that losses will continue.

Group results therefore include the results of the subsidiaries as at 31 March 2000, and are based on the assumption that no trading took place during the 2001 financial year.

As a result of the Cabinet decision subsequent to year end referred to above, investments in subsidiaries have been written down to N\$ NIL. This results in an abnormal item, permanent decline in value of investments of N\$ 15 954 790 being accounted for in the current year income statement. In addition to this, loans advanced to subsidiaries of N\$ 571 950 (2000 : N\$ 1 207 981) were written off.

The results for the year and financial information pertaining to the DBC's subsidiary companies are as follows:

	2001	2000	2001	2000	2001	2000
	Revenue		Operating (loss)/profit		Assets employed	
	N\$	N\$	N\$	N\$	N\$	N\$
Namibia Bricks Enterprises (Pty) Ltd	–	2 422 914	–	(1 015 513)	1 218 449	1 218 449
Namibia Pioneer Engineering (Pty) Ltd	–	76 050	–	(1 080 461)	433 710	433 710
Patriot Construction Company (Pty) Ltd	–	17 889 024	–	432 369	10 009 707	10 009 707
Star Protection Services (Pty) Ltd	–	2 397 473	–	(118 319)	610 269	610 269
M&N Developments (Pty) Ltd	–	1 056 952	–	(721 355)	1 910 312	1 910 312
	–	23 842 413	–	(2 503 279)	14 182 447	14 182 447

5. FINANCIAL RESULTS

5.1 Operating results and cash flow

The accumulated deficit at year-end amounted to N\$ 90 877 789 (2000: N\$ 64 975 023) for the Group and N\$ 100 644 259 (2000: N\$ 58 476 387) for the DBC. The detail of the accumulated deficit is as follows:

	2001	2000	2001	2000
	Group		DBC	
	N\$	N\$	N\$	N\$
Accumulated deficit at beginning of the year	(64 975 023)	(48 984 488)	(58 476 387)	(41 091 164)
Transfer to non-distributable reserve				
Operating deficit for the year under review	(25 902 766)	(15 990 535)	(42 167 872)	(17 385 223)
Share of retained earnings/(accumulated loss) of associate	–	–	–	–
Accumulated deficit at the end of the year	(90 877 789)	(64 975 023)	(100 644 259)	(58 476 387)

The deficit of the Group is N\$ 25 902 766 (2000: N\$ 15 990 535) for the year under review, and the DBC reported a deficit of N\$ 42 167 872 (2000: N\$ 17 385 222) for the year under review. The DBC received a grant of N\$ 8 000 000 (2000: N\$ NIL) from the Government of the Republic of Namibia via the Ministry of Trade and Industry. The DBC remained unable to generate sufficient own funds to sustain its operations and as a result, the Corporation will be wound up in terms of a Cabinet decision taken on 5 April 2001.

The Group experienced a negative cash flow of N\$ 21 445 021 (2000: N\$ 18 606 963) whereas the DBC's cashflow deteriorated to N\$ 22 226 345 (2000: N\$ 19 388 287) for the year under review. Detailed cash flow statements are attached as Annexure C.

5.2 Fixed Assets

During the year under review, no transfers were made to a fixed asset replacement reserve. The balance of the reserve remains unchanged at N\$ 2 860 000.

No additions were made to fixed assets. The auditors were unable to physically verify the fixed assets as shown in the financial statements, due to the location thereof. The Corporation's records did not permit the application of alternative auditing procedures regarding the existence of fixed assets. Consequently, they did not obtain all the information and explanations they considered necessary to satisfy themselves as to the existence of fixed assets.

5.3 Bank accounts

Details of the bank accounts of the Group and DBC were as follows:

	2001	2000	2001	2000
	Group		DBC	
	N\$	N\$	N\$	N\$
Bank overdrafts	(27 369 663)	(21 722 638)	(26 463 881)	(20 816 856)
Operating deficit for the year under review	(25 902 766)	(15 990 535)	(42 167 872)	(17 385 223)
Bank balances and cash on hand	5 924 642	3 115 675	4 237 536	1 428 569
	(21 445 021)	(18 606 963)	(22 226 345)	(19 388 2870)

5.4 Inventories

Consumable stores and work in progress have been provided for in full as the existence and recoverability thereof could not be verified.

	2001	2000	2001	2000
	Group		DBC	
	N\$	N\$	N\$	N\$
Inventories comprise the following:				
Consumable stores (including maintenance spares and bricks)	294 430	335 146	294 430	335 146
Less : Consumable stores written off	(294 430)	–	(294 430)	–
Property development at Grootfontein	(774 315)	(4 691 853)	(774 315)	(4 691 853)
Progress payments	41 648 093	41 648 093	41 648 093	41 648 093
Less: Cost of houses sold	(15 846 503)	(11 674 475)	(15 846 503)	(11 674 475)
Less: Provision for loss on building contract	(774 315)	(4 691 853)	(774 315)	(4 691 853)
Work in progress	1 581 004	2 032 430	57 984	509 380
Less: Work in progress written off	(57 954)		(57 954)	
	748 735	(2 324 277)	(774 315)	(3 847 327)

5.5 Contingent liabilities

The Corporation has defaulted on its foreign loan repayments and might be liable for the legal costs in addition to the loan balance. Legal costs to date of the audit report amounted to approximately USD 44 161, or N\$ 361 621. This amount has not been recorded in the financial statements as its value and completeness could not be verified.

6 ACKNOWLEDGEMENT

The assistance and co-operation of the staff of the Development Brigade Corporation and the Ministry of Trade and Industry given to the auditors during the audit is appreciated.

7. QUALIFIED AUDIT OPINION

In accordance with the stipulations of section 18 of the Development Corporation Act, 1992, I hereby certify that I am unable to express an opinion on the financial statements as to whether these fairly present the financial position of the Corporation and the results of the operations and cash flow information for the year ended 31 March 2001. This is mainly due to:

- uncertainty regarding the Corporations ability to continue as a going concern (par. 4.2);
- lack of proper accounting records (par. 4.2);
- no financial statements regarding the subsidiaries of the Corporation as at 31 March 2001 were available to confirm the value of these investments (par. 4.3);
- the DBC remained unable to generate sufficient funds to sustain its operations (par. 5.1);
- the existence of assets could not be confirmed (par. 5.2).

WINDHOEK, JULY 2003

**JUNIAS ETUNA KANDJEKE
AUDITOR GENERAL**

THE DEVELOPMENT BRIGADE CORPORATION

BALANCE SHEETS AT 31 MARCH

	Notes	Group		Corporation	
		2001 N\$	2000 N\$	2001 N\$	2000 N\$
EMPLOYMENT OF CAPITAL					
Fixed assets	2	7 609 714	7 998 851	1 532 771	1 921 906
Investments in subsidiaries	3			–	15 954 787
Current assets		37 480 916	35 886 650	29 375 411	27 781 145
Inventories	4	26 550 325	27 649 341	25 027 275	26 126 291
Accounts receivable		5 005 949	5 121 634	110 600	226 285
Bank balances and cash on hand	5	5 924 642	3 115 675	4 237 536	1 428 569
TOTAL ASSETS		45 090 630	43 885 501	30 908 182	45 657 838
CAPITAL EMPLOYED					
Accumulated deficit	6	(58 960 519)	(41 057 753)	(68 726 989)	(34 559 117)
Non-distributable reserve	7	3 021 040	3 331 359	3 021 040	3 021 040
Deferred Taxation	8	32 222	32 222	–	–
Long term liabilities	9	–	30 321 860	–	30 046 219
Current liabilities		100 997 889	51 257 813	96 614 131	47 149 696
Accounts payable		3 587 867	7 713 386	1 093 934	5 219 453
Short term portion of long term liabilities	9	69 346 478	21 127 908	69 056 316	21 113 387
Receiver of Revenue		693 881	693 881	–	–
Bank overdrafts	5	27 369 663	21 722 638	26 463 881	20 816 856
TOTAL LIABILITIES		45 090 632	43 885 501	30 908 182	45 657 838

THE DEVELOPMENT BRIGADE CORPORATION
INCOME STATEMENTS FOR THE YEAR ENDED 31 MARCH

	Notes	Group		Corporation	
		2001	2000	2001	2000
		N\$	N\$	N\$	N\$
TURNOVER	1	1 642 249	10 596 210	2 214 199	1 761 123
LESS COST OF SALES		436 904	702 681	436 904	701 457
GROSS PROFIT		1 205 345	9 893 529	1 777 295	1 059 666
ADMINISTRATION COSTS		(10 887 252)	(17 628 551)	(25 923 592)	(10 634 487)
NET OPERATING LOSS	10	(9 681 907)	(7 735 022)	(24 146 297)	(9 574 821)
INVESTMENT INCOME	11	147 324	485 467	147 324	648 431
FINANCE COSTS	12	(16 368 183)	(8 740 980)	(18 168 899)	(8 458 833)
NET LOSS FOR THE YEAR		(25 902 766)	(15 990 535)	(42 167 872)	(17 385 223)
ACCUMULATED LOSS AT THE BEGINNING OF THE YEAR		(64 975 023)	(48 984 488)	(58 476 387)	(41 091 164)
ACCUMULATED LOSS AT THE END OF THE YEAR		(90 877 789)	(64 972 023)	(100 644 259)	(58 476 387)

THE DEVELOPMENT BRIGADE CORPORATION

CASH FLOW STATEMENTS FOR THE YEAR ENDED 31 MARCH

	Notes	Group		Corporation	
		2001 N\$	2000 N\$	2001 N\$	2000 N\$
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash generated by operations	13.1	788 803	4 435 157	2 589 519	5 089 165
Investment income		147 324	485 467	147 324	648 431
Finance charges		(16 368 183)	(8 740 980)	(18 168 899)	(8 458 833)
<i>Net cash absorbed by operating activities</i>		(15 432 056)	(3 820 356)	(15 432 056)	(2 721 237)
CASH FLOWS FROM INVESTING ACTIVITIES					
Fixed assets acquired		-	(2 681 348)	-	(100 645)
Proceeds on disposal of donated assets		-	1 104 422	-	302 551
Acquisition of subsidiaries		-	1 751 741	-	(405 000)
<i>Net cash utilised in investing activities</i>		-	174 815	-	(203 094)
CASH FLOWS FROM FINANCING ACTIVITIES					
Government Grant received		8 000 000	-	8 000 000	-
Long term loans raised / (repaid)		4 593 998	(8 266 732)	4 593 998	(8 542 373)
<i>Net cash flows from financing activities</i>		12 593 998	(8 266 732)	12 593 998	(8 542 373)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(2 838 058)	(11 912 273)	(2 838 058)	(11 466 704)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		(18 606 963)	(6 694 690)	(19 388 287)	(7 921 583)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	5	(21 445 021)	(18 606 963)	(22 226 345)	(19 388 287)

THE DEVELOPMENT BRIGADE CORPORATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH

1. ACCOUNTING POLICIES

The financial statements are prepared on the historical cost basis. The following are the principal accounting policies used by the Group and the Corporation, conform in all material respects with Namibian Generally Accepted Accounting Practice and are consistent with those used in prior year.

1.1 Basis of consolidation

The consolidated financial statements include those of the corporation and its subsidiaries. The results of all subsidiaries are included from the dates of acquisition. Inter-group sales and profits are eliminated fully on consolidation.

1.2 Fixed assets and depreciation

Land and buildings are not depreciated. Fixed assets are included at historical cost of values at which assets were accounted for at the date of donation. Depreciation is provided on movable assets on a straight line basis at rates so as to write off the cost or donated value over the expected useful life of the assets. The rates used are:

Vehicles and tools	20 – 25 %
Furniture and fittings	16,67 – 20 %

1.3 Foreign exchange

Assets and liabilities in foreign currencies are translated to Namibian Dollars at rates of exchange ruling at the end of the financial year, or at forward cover rates if applicable. Conversion gains and losses are included in operating results.

1.4 Inventories and work in progress

Inventories and work in progress, other than long-term contracts in progress, are stated at the lower of cost and net realisable value. Cost is determined on a first-in-first-out basis. Where necessary, provision is made for obsolete, slow moving and defective inventories.

Long-term contracts in progress are valued at cost, comprising direct expenditure and attributable overheads, together with a proportion of the estimated total profit earned on the work completed to date, less progress payments received and receivable. Provision is made for all losses expected to arise on completion of contracts.

1.5 Investments

Investments, other than in associates, are stated at cost and are written down only where there is a permanent impairment in the value of the investment. Dividends are brought into account as at the last day of registration in respect of listed shares, and when declared in respect of unlisted shares.

1.6 Deferred tax

Deferred tax is determined by using the comprehensive basis.

THE DEVELOPMENT BRIGADE CORPORATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH (continued)

	Group			
	2001			
	Land and Buildings	Vehicles and Tools	Furniture and Fittings	Total
	N\$	N\$	N\$	N\$
2. FIXED ASSETS				
<i>Cost</i>				
Balance at 1 April 2000	877 095	16 942 719	3 025 257	20 845 071
Additions	–	–	–	–
Balance at 31 March 2001	877 095	16 942 719	3 025 257	20 845 071
<i>Accumulated depreciation</i>				
Balance at 1 April 2000	12 596	10 916 593	1 917 033	12 846 222
Charge for the year	–	326 093	63 042	389 135
Balance at 31 March 2001	12 596	11 242 686	1 980 075	13 235 357
<i>Net book value</i>				
Balance at 1 April 2000	864 499	6 026 126	1 108 224	7 998 849
Balance at 31 March 2001	864 499	5 700 033	1 045 182	7 609 714
	Corporation			
	2001			
	Land and Buildings	Vehicles and Tools	Furniture and Fittings	Total
	N\$	N\$	N\$	N\$
<i>Cost</i>				
Balance at 1 April 2000	643 208	5 657 874	1 640 176	7 941 258
Additions	–	–	–	–
Balance at 31 March 2001	643 208	5 657 874	1 640 176	7 941 258
<i>Accumulated depreciation</i>				
Balance at 1 April 2000	–	4 704 352	1 315 000	6 019 352
Charge for the year	–	326 093	63 042	389 135
Balance at 31 March 2001	–	5 030 445	1 378 042	6 408 487
<i>Net book value</i>				
Balance at 1 April 2000	643 208	953 522	325 176	1 921 906
Balance at 31 March 2001	643 208	627 429	262 134	1 532 771

THE DEVELOPMENT BRIGADE CORPORATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH (continued)

	Group			
	2000			
	Land and Buildings	Vehicles and Tools	Furniture and Fittings	Total
	N\$	N\$	N\$	N\$
2. FIXED ASSETS (continued)				
<i>Cost</i>				
Balance at 1 April 1999	643 208	16 536 473	2 648 382	19 828 063
Additions	248 979	2 055 494	376 875	2 681 348
Disposals	(15 092)	(1 649 248)		(1 664 340)
Balance at 31 March 2000	877 095	16 942 719	3 025 257	20 845 071
<i>Accumulated depreciation</i>				
Balance at 1 April 1999	–	9 715 393	1 620 356	11 335 749
Charge for the year	12 596	2 697 673	329 600	3 039 869
Accumulated depreciation on disposals	–	(1 496 473)	(32 923)	(1 529 396)
Balance at 31 March 2000	12 596	10 916 593	1 917 033	12 846 222
<i>Net book value</i>				
Balance at 1 April 1999	643 208	6 821 080	1 028 026	8 492 314
Balance at 31 March 2000	864 499	6 026 126	1 108 224	7 998 849
Corporation				
2000				
	Land and Buildings	Vehicles and Tools	Furniture and Fittings	Total
	N\$	N\$	N\$	N\$
<i>Cost</i>				
Balance at 1 April 1999	643 208	6 499 404	1 621 870	8 764 482
Additions	–	46 669	53 976	100 645
Disposals	–	(888 199)	(35 670)	(923 869)
Balance at 31 March 2000	643 208	5 657 874	1 640 176	7 941 258
<i>Accumulated depreciation</i>				
Balance at 1 April 1999	–	5 061 913	1 264 495	6 326 408
Charge for the year	–	447 134	83 429	530 563
Accumulated depreciation on disposals	–	(804 695)	(32 924)	(837 619)
Balance at 31 March 2000	–	4 704 352	1 315 000	6 019 352
<i>Net book value</i>				
Balance at 1 April 1999	643 208	1 437 491	357 375	2 438 074
Balance at 31 March 2000	643 208	953 522	325 176	1 921 906

Motor vehicles, tractors and trailers are encumbered as disclosed in note 9.

THE DEVELOPMENT BRIGADE CORPORATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH (continued)

	Group		Corporation	
	2001	2000	2001	2000
	N\$	N\$	N\$	N\$
2. FIXED ASSETS (continued)				
Land and buildings comprise :				
Erf 288, Grootfontein, Ext 3 measuring 1,0132 hectares, purchased in 1993, at cost	120 000	120 000	120 000	120 000
Undeveloped erven 742, 743, 744, 745 and 746, Omulunga, Ext 2, Grootfontein, measuring 3 118 square meters, purchased in 1993, at cost	14 031	14 031	14 031	14 031
Improvements - 1994	160 000	160 000	160 000	160 000
Remaining extent of Portion 12 of the farm Berg Aukas number 593, situated in the Registration Division "B", measuring approximately 353,1086 hectares, received by way of a donation on 1 October 1992, at capitalised cost	275 255	275 255	257 255	257 255
Improvements - 2000	215 887	215 887	–	–
Erf 1281, Keetmanshoop, Ext 1, measuring 3 600 square meters, purchased in 1994, at cost	50 000	50 000	50 000	50 000
Improvements at cost - 1994	41 922	41 922	41 922	41 922
	877 095	877 095	643 208	643 208

3. INVESTMENT IN SUBSIDIARIES

Investments in subsidiaries comprise the cost of 100 % of the share capital in the following companies :

M & N Development (Pty) Ltd	1 120 316	1 120 316
Namibia Bricks Enterprises (Pty) Ltd	4 622 659	4 622 659
Namibia Pioneer Engineering (Pty) Ltd	4 134 015	4 134 015
Patriot Construction Company (Pty) Ltd	3 130 314	3 130 314
Star Protection Services (Pty) Ltd	2 947 483	2 947 483

Less : Provision for permanent diminution in value of investments

(15 954 787)	–
–	15 954 787

THE DEVELOPMENT BRIGADE CORPORATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH (continued)

	Group		Corporation	
	2001	2000	2001	2000
	N\$	N\$	N\$	N\$
4. INVENTORIES				
Inventories comprise the following :				
Consumable stores (including maintenance spares and bricks)	294 430	335 146	294 430	335 146
Less : Consumable stores written off	(294 430)	-	(294 430)	-
Property development at Grootfontein	25 027 275	25 281 765	25 027 275	25 281 765
Progress payments	41 648 093	41 648 093	41 648 093	41 648 093
Less : Cost of houses sold	(15 846 503)	(11 674 475)	(15 846 503)	(11 674 475)
	25 801 590	29 973 618	25 801 590	29 973 618
Less : Provision for loss on building contract	(774 315)	(4 691 853)	(774 315)	(4 691 853)
Work in progress	1 581 004	2 032 430	57 954	509 380
Less : Work in progress written off	(57 954)	-	(57 954)	-
	26 550 325	27 649 341	25 027 275	26 126 291
5. CASH AND CASH EQUIVALENTS				
Bank and cash on hand	5 924 642	3 115 675	4 237 536	1 428 569
Bank overdrafts	(27 369 663)	(21 722 638)	(26 463 881)	(20 816 856)
	(21 445 021)	(18 606 963)	(22 226 345)	(19 388 287)

THE DEVELOPMENT BRIGADE CORPORATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH (continued)

	Group		Corporation	
	2001	2000	2001	2000
	N\$	N\$	N\$	N\$
6. ACCUMULATED DEFICIT				
Donations and grants	31 917 270	23 917 270	31 917 270	23 917 270
Namibian Government	17 991 127	9 991 127	17 991 127	9 991 127
Korean Government	263 058	263 058	263 058	263 058
Socio-Economic Integration Fund	13 663 085	13 663 085	13 663 085	13 663 085
Loss for the year	(25 902 766)	(15 990 535)	(42 167 872)	(17 385 223)
Accumulated deficit at the beginning of year	(64 975 023)	(48 984 488)	(58 476 387)	(41 091 164)
	(58 960 519)	(41 057 753)	(68 726 989)	(34 559 117)
7. NON DISTRIBUTABLE RESERVES				
Balance at the beginning of the year	3 331 359	3 021 040	3 021 040	3 021 040
Transfer (to) / from income statement	(310 319)	310 319	-	-
Balance at the end of the year	3 021 040	3 331 359	3 021 040	3 021 040
Non distributable reserves comprise :				
Cost of control on acquisition of subsidiary	310 319	310 319	-	-
Less : Permanent decline in value of subsidiaries limited to maximum of non-distributable reserve	(310 319)	-	-	-
Share of post-acquisition retained profits and reserves of associate	161 040	161 040	161 040	161 040
Fixed assets replacement reserve	2 860 000	2 860 000	2 860 000	2 860 000
	3 021 040	3 331 359	3 021 040	3 021 040

THE DEVELOPMENT BRIGADE CORPORATION

NOTES TO THE FINANCIAL STATEMENTS AT 31 MARCH (continued)

	Group		Corporation	
	2001	2000	2001	2000
	N\$	N\$	N\$	N\$
8. DEFERRED TAXATION				
Balance at the beginning of the year	32 222	-	-	-
Transfer from income statement	-	32 222	-	-
Balance at the end of the year	32 222	32 222	-	-
Deferred taxation comprises:				
Capital allowances	32 222	32 222	-	-
	32 222	32 222	-	-
9. LONG TERM LIABILITIES				
Secured				
Foreign buyers credit facility	69 056 316	51 159 606	69 056 316	51 159 606
Finance agreements	290 162	290 162	-	-
	69 346 478	51 449 768	69 056 316	51 159 606
Less : Short term portion included under current liabilities	(69 346 478)	(21 127 908)	(69 056 316)	(21 113 387)
	-	30 321 860	-	30 046 219

The foreign loan is uncovered and guaranteed by the Government of Namibia, (Ministry of Finance) as well as a written guarantee from the Namibian Minister of Trade and Industry. The loan bears interest at 4,5 % per annum, and is repayable in US Dollars in 28 equal instalments which commenced in November 1997. The capital amount in foreign currency amounts to USD 7 675 435. Accrued interest at year end amounted to USD 409 075. The loan was terminated and recalled for full settlement on 2 August 2000 and the lender has engaged in legal proceedings against the Corporation for recovery of the loan.

The finance agreements are secured over motor vehicles, tractors and trailers with a net book value of N\$ 40 865 (2000 : N\$ 40 865), bear interest at 20,75 % and are repayable in monthly instalments of N\$ 2 531 (2000: N\$ 2 531).

THE DEVELOPMENT BRIGADE CORPORATION

NOTES TO THE FINANCIAL STATEMENTS AT 31 MARCH (continued)

	Group		Corporation	
	2001	2000	2001	2000
	N\$	N\$	N\$	N\$
10. NET OPERATING LOSS				
The net operating loss for the year is stated after taking into account the following items :				
<i>Income</i>				
Profit on sale of fixed assets	-	969 478	-	216 300
<i>Expenses</i>				
Depreciation	389 136	3 039 869	389 136	530 563
Audit fees	58 000	185 935	58 000	63 949
Bad debts	93 484	170 835	93 484	1 207 981
Inventories written off	774 315	-	774 315	-
Directors fees			18 120	32 860
Subsidiary loans written off			571 950	1 207 981
Provision for permanent decline in value of investments			15 954 790	-
11. INVESTMENT INCOME				
Interest received	144 333	485 467	144 333	243 431
Dividends received	2 991	-	2 991	405 000
	147 324	485 467	147 324	648 431
12. FINANCE CHARGES				
Interest on overdraft	2 401 443	2 513 254	3 729 507	2 499 804
Guarantees	-	2 760	-	2 760
Foreign exchange losses	13 302 708	3 438 033	13 302 708	3 438 033
Long term finance	664 032	2 786 933	1 136 684	2 518 236
	16 368 183	8 740 980	18 168 899	8 458 833

THE DEVELOPMENT BRIGADE CORPORATION

NOTES TO THE FINANCIAL STATEMENTS AT 31 MARCH (continued)

	Group		Corporation	
	2001	2000	2001	2000
	N\$	N\$	N\$	N\$
13. NOTES TO THE CASH FLOW STATEMENT				
13.1 Cash generated by operations				
Operating loss	(9 681 907)	(7 735 022)	(24 146 297)	(9 754 821)
Adjusted for:				
Depreciation	389 136	3 039 869	389 136	530 563
Profit on disposal of donated assets	-	(969 478)	-	(216 300)
Unrealised foreign exchange loss	13 302 708	3 438 033	13 302 708	3 438 033
Inventories written off	774 315	-	774 315	-
Provision for permanent decline in value of investments	(310 316)	-	15 954 790	-
Working capital changes				
- Decrease/(Increase) in accounts receivable	115 685	(4 184 104)	115 685	47 301
- Decrease/(Increase) in inventories	324 701	(2 113 505)	324 701	(1 662 206)
- (Decrease)/Increase in accounts payable	(4 125 519)	12 959 364	(4 125 519)	12 526 595
	788 803	4 435 157	2 589 519	5 089 165

14. CONTINGENT LIABILITIES

The Corporation has defaulted on its foreign loan repayments and might be liable for the legal costs in addition to the loan balance. Legal costs to date of the audit report amounted to approximately USD 44 161, or N\$ 361 621. This amount has not been recorded in the financial statements as its value and completeness could not be verified.