



AUDIT REPORT ON THE ACCOUNTS OF THE

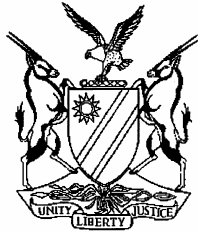
## **DEVELOPMENT BRIGADE CORPORATION**

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2004

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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 Development Brigade Corporation for the financial year ended 31 March 2004, 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, February 2006**

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE  
DEVELOPMENT BRIGADE CORPORATION AND ITS SUBSIDIARIES  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2004**

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**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). The firm BDO Spencer Steward Namibia of Windhoek has been appointed in terms of Section 26(2) of the State Finance Act (Act 31 of 1991) to audit the accounts on behalf of the Auditor-General and under his supervision. Amounts mentioned in the report are rounded to the nearest Namibian Dollar.

**2. FINANCIAL STATEMENTS**

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

Annexure A - Consolidated Balance Sheet  
Annexure B - Consolidated Income Statement  
Annexure C - Consolidated Cash Flow Statement  
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 4.1, 4.2, 4.3, 5.2, 5.3, 5.4 and 5.5 of this report, the audit has been 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:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- assessing the accounting principles used and significant estimates made by management; and
- evaluating the overall financial statement presentation.

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 for the purposes intended by the Development Brigade Corporation; and
- the financial statements conform to the authorities which govern them.

## **4. AUDIT OBSERVATIONS**

### **4.1 Going concern status**

The DBC had a net profit of N\$ 3 386 775 (2003: N\$ 70 285 716) for the year under review, and the net current assets of the Corporation were N\$ 24 528 057 (2003: Net current liability -N\$ 41 697 462) at the year end. Accumulated losses amounted to N\$ 72 605 782 (2003: N\$ 75 992 557). 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 improved during the current year to such an extent that the Group's total assets exceeded its total liabilities by N\$ 30 137 594 (2003: A deficit of N\$ 35 198 371). However 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.

During the year USD 8 411 705 (2003: USD 8 270 528), including accrued and suspended interest, that was due to Exim Bank of Malaysia Berhad was repaid. The Namibian Dollar equivalent of this amounted to N\$ 62 838 745 (2003: N\$ 66 950 754) at an exchange rate of N\$ 7.96 (2003: N\$ 8.0951) for USD 1 at 31 March 2004. This resulted in an exchange gain to the tune of N\$ 4 112 009 as the N\$ had appreciated against the US\$ from the prior year. These payments represented the final settlement of the loan due to Exim bank and no further liability exist in this regard. The foreign loan was translated at the US Dollar exchange rate as at year end of N\$ 7.96 for USD 1.

### **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 not administered any grant from the Government in the current year compared to N\$ 51 143 596 in the prior year. In these circumstances the auditors were unable to carry out all the audit procedures, or to obtain all the information and explanations 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 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 signed financial statements for any of the subsidiaries are available for years ended 31 March 2002 to 31 March 2004. Various discussions with the independent auditors of the subsidiary companies, Messrs. Grand Namibia, availed that no information relating to these subsidiaries is available to finalise the audits for the years under review. It appears that controls in the subsidiary companies are 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 2002, 2003 and 2004 financial years.

As a result of the Cabinet decision referred to above, investments in subsidiaries have been written down to N\$ NIL. All loans made to subsidiaries have also been provided for as irrecoverable. No increase in provision for the year under review was made, while in the 2003 financial period an increase in provisions of N\$ 1 309 793 was made.

The financial information pertaining to the DBC's subsidiary companies is as follows:

	2004	2003
	Assets employed	
	N\$	N\$
Namibia Bricks Enterprises (Pty) Ltd	1 218 449	1 218 449
Namibia Pioneer Engineering (Pty) Ltd	433 710	433 710
Patriot Construction Company (Pty) Ltd	10 099 707	10 099 707
Star Protection Services (Pty) Ltd	610 269	610 269
M&N Developments (Pty) Ltd	1 910 312	1 910 312
	<b>14 272 447</b>	<b>14 272 447</b>

## 5. FINANCIAL RESULTS

### 5.1 Operating results and cash flow

The accumulated deficit for the group at year-end amounted to N\$ 64 618 421 (2003: (N\$ 67 115 641) and N\$ 72 605 782 (2003: N\$ 75 992 557) for the DBC. The detail of the accumulated deficit is as follows:

	Group		DBC	
	2004	2003	2004	2003
	N\$	N\$	N\$	N\$
Accumulated deficit at the beginning of the year	(67 115 641)	(136 511 803)	(75 992 557)	(146 278 273)
Operating profit / (deficit) for the year under review	2 497 220	69 396 162	3 386 775	70 285 716
<b>Accumulated deficit at the end of year (without grants)</b>	<b>(64 618 421)</b>	<b>(67 115 641)</b>	<b>(72 605 782)</b>	<b>(75 992 557)</b>

The profit of the Group is N\$ 2 497 220, (2003: N\$ 69 396 162) for the year under review, and the DBC showed a profit of N\$ 3 386 775 (2003: N\$ 70 285 718) for the year under review. In the prior year DBC received N\$ 51 143 596 from the Government of the Republic of Namibia via the Ministry of Trade and Industry, which contributed significantly to the Corporation's total income for the 2003 financial period. The DBC remained unable to generate sufficient own funds to sustain its operations and as a result, the Corporation should be wound up in terms of Section 22 of the Act.

The Group and the Corporation's cash flow deteriorated by N\$ 694 453 during the current year. 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 remained at N\$ 2 860 000 (2003: 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, the auditors did not obtain all the information and explanations 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 the DBC were as follows:

	Group		DBC	
	2004	2003	2004	2003
	N\$	N\$	N\$	N\$
Bank overdrafts	(905 782)	(905 782)	-	-
Bank balances and cash on hand	7 065 704	7 760 157	5 378 598	6 073 051
	<b>6 159 922</b>	<b>6 854 375</b>	<b>5 378 598</b>	<b>6 073 051</b>

The auditors could not confirm the existence of certain fixed deposit and current bank accounts which amount to N\$ 5 318 609 for the Corporation and the Group's bank overdraft amounting to N\$ 905 782, thus the opinion regarding cash and bank is qualified. The Accounting Officer of the Ministry of Trade and Industry should locate these accounts and provide evidence of their existence and balances.

## 5.4 Inventories

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

	Group		DBC	
	2004	2003	2004	2003
	N\$	N\$	N\$	N\$
Inventories comprise the following:				
Property development at Grootfontein	19 772 094	19 772 094	19 772 094	19 772 094
Progress payments	41 648 093	41 648 093	41 648 093	41 648 093
Less : Cost of houses sold	(21 875 999)	(21 875 999)	(21 875 999)	(21 875 999)
	19 772 094	19 772 094	19 772 094	19 772 094
Less : Provision for loss on building contract	-	-	-	-
Work in progress	1 581 004	1 581 004	57 954	57 954
Less : Work in progress written off	(57 954)	(57 954)	(57 954)	(57 954)
	<b>21 295 144</b>	<b>21 295 144</b>	<b>19 772 094</b>	<b>19 772 094</b>

## 5.5 Accounts payable

Included in accounts payable are various provisions that could not be substantiated by supporting audit evidence. Consequently, the auditors did not obtain all the information and explanations considered necessary to satisfy themselves as to the value and completeness of accounts payable.

Accounts payable at year end comprised:

	DBC	
	2004	2003
	N\$	N\$
Trade creditors	36 584	36 584
Provision for audit fees	130 000	130 000
Provision for workmens compensation	123 157	123 157
Provision for leave pay	274 812	274 812
Provision for commissions on houses	128 288	128 288
Provision for insurance	2 362	2 362
	<b>695 203</b>	<b>695 203</b>

## 6. ACKNOWLEDGEMENT

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

## 7. DISCLAIMED AUDIT CERTIFICATE

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 or group 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 2004. This is mainly due to:

- uncertainty regarding the Corporation's ability to continue is a going concern (par. 4.1);
- lack of proper accounting records (par. 4.2);
- no financial statements regarding the subsidiaries of the Corporation as at 31 March 2003 or 31 March 2004 were available to confirm the value of these investments or to verify the existence, completeness, accuracy or valuation of the assets and liabilities of the subsidiaries.(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)
- the existence of fixed deposit and current accounts nor the group ' s overdraft could not be confirmed (par. 5.3)
- the existence of inventories could not be confirmed (par. 5.4)
- the provisions made for accounts payable could not be substantiated (par. 5.5)

WINDHOEK, February 2006

**JUNIAS ETUNA KANDJEKE**  
**AUDITOR-GENERAL**

## THE DEVELOPMENT BRIGADE CORPORATION

## BALANCE SHEETS AT 31 MARCH 2004

	Notes	Group		Corporation	
		2004	2003	2004	2003
		N\$	N\$	N\$	N\$
<b>EMPLOYMENT OF CAPITAL</b>					
Fixed assets	2	4 941 051	5 830 606	643 216	643 216
Investments in subsidiaries	3	-	-	-	-
Current assets		33 328 766	34 054 000	25 223 261	25 948 495
Inventories	4	21 295 144	21 295 144	19 772 094	19 772 094
Accounts receivable		4 967 918	4 998 699	72 569	103 350
Bank balances and cash on hand	5	7 065 704	7 760 157	5 378 598	6 073 051
<b>TOTAL ASSETS</b>		<b>38 269 817</b>	<b>39 884 606</b>	<b>25 866 477</b>	<b>26 591 711</b>
<b>CAPITAL EMPLOYED</b>					
Accumulated deficit	6	30 137 594	(35 198 371)	22 150 233	(44 075 287)
Non-distributable reserve	7	3 021 040	3 021 040	3 021 040	3 021 040
Deferred taxation	8	32 222	32 222	-	-
Long term liabilities	9	-	-	-	-
Current liabilities		5 078 961	72 029 715	695 204	67 645 958
Accounts payable		3 189 136	3 189 136	695 204	695 204
Short term portion of long term liabilities	9	290 162	67 240 916	-	66 950 754
Receiver of Revenue		693 881	693 881	-	-
Bank overdrafts	5	905 782	905 782	-	-
<b>TOTAL LIABILITIES</b>		<b>38 269 817</b>	<b>39 884 606</b>	<b>25 866 477</b>	<b>26 591 711</b>



**THE DEVELOPMENT BRIGADE CORPORATION**  
**INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2004**

	Notes	Group		Corporation	
		2004	2003	2004	2003
		N\$	N\$	N\$	N\$
TURNOVER	1	-	76 479 042	-	76 479 042
COST OF SALES		-	-	-	-
GROSS PROFIT		-	76 479 042	-	76 479 042
ADMINISTRATION COSTS		(1 636 710)	(2 990 988)	(747 155)	(2 101 433)
NET OPERATING LOSS	10	(1 636 710)	73 488 054	(747 155)	74 377 609
INVESTMENT INCOME& OTHER	11	4 536 936	-	4 536 936	
FINANCE COSTS	12	(403 006)	(4 091 892)	(403 006)	(4 091 893)
NET PROFIT/(LOSS) FOR THE YEAR		2 497 220	69 396 162	3 386 775	70 285 716
ACCUMULATED LOSS at the beginning of the year		(67 115 641)	(136 511 803)	(75 992 557)	(146 278 273)
ACCUMULATED LOSS at the end of the year		<b>(69 618 421)</b>	<b>(67 115 641)</b>	<b>(72 605 782)</b>	<b>(75 992 557)</b>

## THE DEVELOPMENT BRIGADE CORPORATION

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2004

	Notes	Group		Corporation	
		2004	2003	2004	2003
		N\$	N\$	N\$	N\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash generated by operations	13.1	(4 828 383)	74 194 018	(4 828 383)	74 194 018
Investment income		4 536 936	-	4 536 936	-
Finance charges, excluding capitalised to loan		(403 006)	(4 091 892)	(403 006)	(4 091 893)
<i>Net cash absorbed by operating activities</i>		(694 453)	70 102 126	(694 453)	70 102 125
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Fixed assets acquired		-	-	-	-
Proceeds on disposal of donated assets		-	-	-	-
Acquisition of subsidiaries		-	-	-	-
<i>Net cash utilised in investing activities</i>		-	-	-	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Long term loans raised / (repaid)		-	(45 114 740)	-	(45 114 740)
<i>Net cash flows from financing activities</i>		-	(45 114 740)	-	(45 114 740)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		(694 453)	24 987 385	(694 453)	24 987 385
CASH AND CASH EQUIVALENTS at the beginning of the year		6 854 374	(18 133 011)	6 073 050	(18 914 335)
CASH AND CASH EQUIVALENTS at the end of the year	5	<b>6 159 921</b>	<b>6 854 374</b>	<b>5 378 597</b>	<b>6 073 050</b>

**THE DEVELOPMENT BRIGADE CORPORATION**

**NOTES TO THE FINANCIAL STATEMENTS AT 31 MARCH 2004**

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**1. ACCOUNTING POLICIES**

The financial statements are prepared on the historical cost basis. The following 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 years.

**1.1 BASIS OF CONSOLIDATION**

The consolidated financial statements include those of the Corporation and its subsidiaries. The available 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: DEPRECIATION**

Land and buildings are not depreciated. Fixed assets are included at historical cost or 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 using the comprehensive basis.

## THE DEVELOPMENT BRIGADE CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS AT 31 MARCH 2004 (continued)

	<b>Land and buildings</b>	<b>Vehicles and tools</b>	<b>Furniture and fittings</b>	<b>Total</b>
	N\$	N\$	N\$	N\$
<b>2. FIXED ASSETS</b>				
<b>Group 2004</b>				
<i>Cost</i>				
Balance at 1 April 2003	877 095	16 942 719	3 025 257	20 845 071
Additions	-	-	-	-
Balance at 31 March 2004	<b>877 095</b>	<b>16 942 719</b>	<b>3 025 257</b>	<b>20 845 071</b>
<b>Accumulated depreciation</b>				
Balance at 1 April 2003	12 596	12 497 541	2 504 328	15 014 465
Charge for the year	-	627 428	262 127	889 555
Balance at 31 March 2004	<b>12 596</b>	<b>13 124 969</b>	<b>2 766 455</b>	<b>15 904 020</b>
<i>Net book value</i>				
Balance at 1 April 2003	<b>864 499</b>	<b>4 445 178</b>	<b>520 929</b>	<b>5 830 606</b>
Balance at 31 March 2004	<b>864 499</b>	<b>3 817 750</b>	<b>258 802</b>	<b>4 941 051</b>
<b>Corporation 2004</b>				
<i>Cost</i>				
Balance at 1 April 2003	643 208	5 657 874	1 640 176	7 941 258
Additions	-	-	-	-
Balance at 31 March 2004	<b>643 208</b>	<b>5 657 874</b>	<b>1 640 176</b>	<b>7 941 258</b>
<b>Accumulated depreciation</b>				
Balance at 1 April 2003	-	5 657 873	1 640 169	7 298 042
Charge for the year	-	-	-	-
Balance at 31 March 2004	<b>-</b>	<b>5 657 873</b>	<b>1 640 169</b>	<b>7 298 042</b>
<b>Net book value</b>				
Balance at 1 April 2003	<b>643 208</b>	<b>1</b>	<b>7</b>	<b>643 216</b>
Balance at 31 March 2004	<b>643 208</b>	<b>1</b>	<b>7</b>	<b>643 216</b>

## THE DEVELOPMENT BRIGADE CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS AT 31 MARCH 2004 (continued)

	Land and buildings	Vehicles and tools	Furniture and fittings	Total
	N\$	N\$	N\$	N\$
<b>2. FIXED ASSETS (continued)</b>				
<b>Group</b>				
<b>2003</b>				
	N\$	N\$	N\$	N\$
<i>Cost</i>				
Balance at 1 April 2002	877 095	16 942 719	3 025 257	20 845 071
Additions	-	-	-	-
Balance at 31 March 2003	<b>877 095</b>	<b>16 942 719</b>	<b>3 025 257</b>	<b>20 845 071</b>
<i>Accumulated depreciation</i>				
Balance at 1 April 2002	12 596	11 870 113	2 242 201	14 124 910
Charge for the year	-	627 428	262 127	889 555
Balance at 31 March 2003	<b>12 596</b>	<b>12 497 541</b>	<b>2 504 328</b>	<b>15 014 465</b>
<i>Net book value</i>				
Balance at 1 April 2002	<b>864 499</b>	<b>5 072 606</b>	<b>783 056</b>	<b>6 720 161</b>
Balance at 31 March 2003	<b>864 499</b>	<b>4 445 178</b>	<b>520 929</b>	<b>5 830 606</b>
<b>Corporation</b>				
<b>2003</b>				
<i>Cost</i>				
Balance at 1 April 2002	643 208	5 657 874	1 640 176	7 941 258
Additions	-	-	-	-
Balance at 31 March 2003	<b>643 208</b>	<b>5 657 874</b>	<b>1 640 176</b>	<b>7 941 258</b>
<i>Accumulated depreciation</i>				
Balance at 1 April 2002	-	5 657 873	1 640 169	7 298 042
Charge for the year	-	-	-	-
Balance at 31 March 2003	<b>-</b>	<b>5 657 873</b>	<b>1 640 169</b>	<b>7 298 042</b>
<i>Net book value</i>				
Balance at 1 April 2002	<b>643 208</b>	<b>1</b>	<b>7</b>	<b>643 216</b>
Balance at 31 March 2003	<b>643 208</b>	<b>1</b>	<b>7</b>	<b>643 216</b>

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

## THE DEVELOPMENT BRIGADE CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS AT 31 MARCH 2004 (continued)

	Group		Corporation	
	2004	2003	2004	2003
	N\$	N\$	N\$	N\$
<b>2. FIXED ASSETS (continued)</b>				
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 3118 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	275 255	275 255
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	
Improvements at cost - 1994	41 922	41 922	41 922	41 922
	<b>877 095</b>	<b>877 095</b>	<b>643 208</b>	<b>643 208</b>
<b>3. INVESTMENTS IN SUBSIDIARIES</b>				
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 AT 31 MARCH 2004 (continued)

	Group		Corporation	
	2004 N\$	2003 N\$	2004 N\$	2003 N\$
<b>3. INVESTMENTS IN SUBSIDIARIES</b>				
Loans to subsidiaries :				
M & N Development (Pty) Ltd			57 390	57 390
Namibia Bricks Enterprises (Pty) Ltd			3 296 488	3 296 488
Namibia Pioneer Engineering (Pty) Ltd			2 148 890	2 148 890
Star Protection Services (Pty) Ltd			867 541	867 541
Patriot Construction Company (Pty) Ltd			7 941 741	7 941 741
Less : Provision against loan accounts			(14 312 050)	(14 312 050)
			-	-
<b>4. INVENTORIES</b>				
Inventories comprise the following :				
Property development at Grootfontein	19 772 094	19 772 094	19 772 094	19 772 094
Progress payments	41 648 093	41 648 093	41 648 093	41 648 093
Less : Cost of houses sold	(21 875 999)	(21 875 999)	(21 875 999)	(21 875 999)
	19 772 094	19 772 094	19 772 094	19 772 094
Less : Provision for loss on building contract	-	-	-	-
Work in progress	1 581 004	1 581 004	57 954	57 954
Less : Work in progress written off	(57 954)	(57 954)	(57 954)	(57 954)
	21 295 144	21 295 144	19 772 094	19 772 094
<b>5. CASH AND CASH EQUIVALENTS</b>				
Bank and cash on hand	7 065 704	7 760 157	5 378 598	6 073 051
Bank overdrafts	(905 782)	(905 782)	-	-
	<b>6 159 922</b>	<b>6 854 375</b>	<b>5 378 598</b>	<b>6 073 051</b>

## THE DEVELOPMENT BRIGADE CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS AT 31 MARCH 2004 (continued)

	Group		Corporation	
	2004 N\$	2003 N\$	2004 N\$	2003 N\$
<b>6. ACCUMULATED DEFICIT</b>				
Donations and grants	94 756 015	31 917 270	94 756 015.00	31 917 270
Namibian Government	80 829 872	17 991 127	80 829 872.00	17 991 127
Korean Government	263 058	263 058	263 058.00	263 058
Socio-Economic Integration Fund	13 663 085	13 663 085	13 663 085.00	13 663 085
Profit / (Loss) for the year	2 497 220	69 396 162	3 386 774.54	70 285 716
Accumulated deficit at the beginning of the year	(67 115 641)	(136 511 803)	(75 992 557.00)	(146 278 273)
Accumulated deficit at the end of the year	<b>30 137 594</b>	<b>(35 198 371)</b>	<b>22 150 232.54</b>	<b>(44 075 287)</b>
<b>7. NON DISTRIBUTABLE RESERVES</b>				
Balance at the beginning of the year	3 021 040	3 021 040	3 021 040	3 021 040
Transfer (to) / from income statement	-	-	-	-
Balance at the end of the year	<b>3 021 040</b>	<b>3 021 040</b>	<b>3 021 040</b>	<b>3 021 040</b>
Non distributable reserves comprise :				
Cost of control on acquisition of subsidiary	-	-	-	-
Less : Permanent decline in value of subsidiaries limited to maximum of non-distributable reserve	-	-	-	-
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
	<b>3 021 040</b>	<b>3 021 040</b>	<b>3 021 040</b>	<b>3 021 040</b>
<b>8. DEFERRED TAXATION</b>				
Balance at the beginning of the year	32 222	32 222	-	-
Transfer from income statement	-	-	-	-
Balance at the end of the year	<b>32 222</b>	<b>32 222</b>	-	-
Deferred taxation comprises :				
Capital allowances	32 222	32 222	-	-
	<b>32 222</b>	<b>32 222</b>	-	-



## THE DEVELOPMENT BRIGADE CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS AT 31 MARCH 2004 (continued)

	Group		Corporation	
	2004	2003	2004	2003
	N\$	N\$	N\$	N\$
<b>9. LONG TERM LIABILITIES</b>				
<b>Secured</b>				
Foreign buyers credit facility	-	66 950 754	-	66 950 754
Finance agreements	290 162	290 162	-	-
	290 162	67 240 916	-	66 950 754
Less : Short term portion included under current liabilities	(290 162)	(67 240 916)	-	(66 950 754)
	-	-	-	-

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 of 4,5 % per annum, and is repayable in US Dollars in 28 equal instalments commencing November 1997. The capital amount in foreign currency amounts to USD NIL (2003: USD 6 985 399). Accrued interest and penalties at year end remained at NIL (2003: USD 1 285 131). The loan was terminated and recalled for full settlement on 2 August 2000 and the lender has engaged in legal proceedings against the Corporation and the loan was paid in full during the current year.

**10. NET OPERATING LOSS**

The net operating loss for the year is stated after taking into account the following items :

**Expenses**

Depreciation	889 555	889 555	-	-
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## THE DEVELOPMENT BRIGADE CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS AT 31 MARCH 2004 (continued)

	Group		Corporation	
	2004	2003	2004	2003
	N\$	N\$	N\$	N\$
<b>11. INVESTMENT INCOME &amp; CURRENCY GAINS</b>				
Interest received	424 927	-	424 927	-
Exchange gain	4 112 009	-	4 112 009	-
Sundry income	-	-	-	-
	<b>4 536 936</b>	<b>-</b>	<b>4 536 936</b>	<b>-</b>
<b>12. FINANCE CHARGES</b>				
Interest on overdraft	403 006	-	403 006	-
Foreign exchange losses	-	-	-	-
Long term finance	-	4 091 892	-	4 091 893
	<b>403 006</b>	<b>4 091 892</b>	<b>403 006</b>	<b>4 091 893</b>
<b>13. NOTES TO THE CASH FLOW STATEMENT</b>				
<b>13.1 Cash generated by operations</b>				
Operating loss / (profit)	(1 636 710)	73 488 054	(747 155)	74 377 609
Adjusted for :				
Depreciation	889 555	889 555	-	-
Government grant received	-	-	-	-
Foreign exchange gain	(4 112 009)	-	(4 112 009)	-
Provision for permanent decline in value of investments	-	-	-	-
Working capital changes				
➤ Decrease / (Increase) in accounts receivable	30 781	-	30 781	-
➤ Decrease / (Increase) in inventories	-	-	-	-
➤ (Decrease) / Increase in accounts payable	-	(183 591)	-	(183 591)
	<b>(4 828 383)</b>	<b>(74 194 018)</b>	<b>(4 828 383)</b>	<b>(74 194 018)</b>