



**REPUBLIC OF NAMIBIA**



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE**

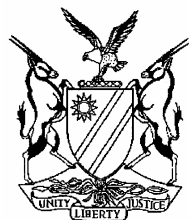
**NAMIBIA PRESS AGENCY**

**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2008**

Published by authority

Price (Vat excluded) N\$ 22.26  
Report no: 683

## 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 Namibia Press Agency for the financial year ended 31 March 2008, in terms of Article 127(2) of the Namibian Constitution. My report is transmitted to the Agency in terms of Section 15(1) of the Namibia Press Agency Act, 1992 (Act 3 of 1992) to be laid upon the Table of the National Assembly by the Minister of Information and Broadcasting in terms of Section 15(3) of the Act.

**WINDHOEK, March 2009**

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE  
NAMIBIA PRESS AGENCY FOR THE FINANCIAL YEAR ENDED**

**31 MARCH 2008**

---

**1. INTRODUCTION**

The Namibia Press Agency delivers` an agency service for the collection of news and information and distribution of such news and information to subscribers and has been established by the NAMPA Act, 1992, (Act 3 of 1992). The accounts of the Namibia Press Agency for the year ended 31 March 2008 are being reported on in accordance with the provisions set out in the State Finance Act, 1991 (Act 31 of 1991) and the Namibia Press Agency Act, 1992 (Act 3 of 1992).

The firm BDO Spencer Steward (Namibia) has been appointed under the provisions of Section 26(2) of the State Finance Act, 1991, to perform the audit on behalf of the Auditor-General and under his supervision.

The main activities of the Agency are to provide news and information collection and distribution services to the Government of the Republic of Namibia and the public at large by establishing an appropriate network with suppliers of the news and information on the one hand and customers on the other hand.

The principle objectives are to be customer need driven and to improve the quality of services to customers, be they in public or private sector. Other objectives are to compile annual financial statements and achieve efficiency and quality of service targets as set by the Minister.

Figures in the report are rounded off to the nearest Namibian Dollar.

**2. FINANCIAL STATEMENTS**

The Agency's annual financial statements were submitted to the Auditor-General by the Chief Executive Officer in compliance with Section 15 of the Namibia Press Agency Act, 1992. The audited annual financial statements published in this report are filed in the Office of the Auditor-General. The abridged balance sheet at annexure A, is a true reflection of the original. The following annexures are also attached to this report:

Annexure B: Abridged income statement

Annexure C: Cash flow statement

Annexure D: Notes to the financial statements

**3. SCOPE OF THE AUDIT**

The financial statements of the Agency for the period ended 31 March 2008 have been audited under the provisions of Section 15 of the Act and Section 25(1)(b) of the State Finance Act, 1991 (Act 31 of 1991).

The Chief Executive Officer is responsible for the preparation of the annual 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 statements 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 judgements made by the Chief Executive Officer of the Agency in preparation of the financial statements; and whether the accounting policies are appropriate to the Agency'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 Provision for doubtful debts - Accounts receivable**

The Agency did not raise adequate provision for doubtful debts on accounts receivable for the current year. The auditors' recalculation of this revealed that a provision of N\$ 295 537 is to be provided for on accounts receivable. The Agency however, provided for N\$ 213 609. Moreover the Agency has accounted for N\$ 69 038 as receivables whereas this amount's recoverability is uncertain as it depends on the outcomes of the court case against the former IT manager. Therefore the accounts receivable figure, as at year end, is misleading and an overstatement of the true situation.

It is thus recommended that management should review outstanding debts at year end to provide for possible doubtful debts and also not recognise the amount owed by the former IT manager as this is a contingent asset.

##### **4.2 Receiver of Revenue - PAYE & VAT**

The audit revealed that the Agency has large amounts of debts with the Receiver of Revenue being outstanding PAYE and VAT. Interest and penalties have accumulated over the years and currently debts are N\$ 4 471 489 (2007: N\$ 2 756 273) and N\$ 660 240 (2007: N\$ 851 518) for PAYE and VAT respectively. The Agency will experience cash flow difficulties if these debts are settled. Furthermore the settlement of these debts may eventually lead to going concern difficulties.

As recommended in the prior year report, management started to repay these amounts subsequently to this financial year-end.

### **4.3 Going concern**

The annual financial statements were prepared on a going concern basis, although the balance sheet demonstrates solvency and liquidity difficulties. These difficulties stem from the following:

- Negative net current asset position, which demonstrates that the Agency is commercially insolvent. (From the records presented, this seems to be a historical problem as the Agency appears to have been under-funded since commercialization in 2001).
- Substantial trading losses for the past years although profits were shown during the current and prior year.

If strategic decisions to reduce the reliance on Government grants, the increase of the income streams or the reduction of expenditure patterns are not taken, the Agency's foreseeable future may be doubtful.

The reasons as to why this predicament did not lead to an appropriate audit qualification were as follows:

- The Agency is receiving subsidies from the Namibian Government, the sole shareholder, who did not indicate so far that future budgetary allocations would not be honoured.
- Budgets for the next two years (if implemented) reflected positive trends i.r.o. decreasing operational losses and increases in revenue earnings from additional projects thus easing the Agency's liquidity problems.
- The Agency is generating profits for the past two years. The current year profit could have been even higher, if it was not for the further provision of penalties and interest on the outstanding VAT and PAYE Liability (Refer to paragraph 4.2) to the amount of N\$ 1 768 186.

It is recommended that management should ensure that:

- The Agency should increase revenue either by increasing tariffs and subscription fees or diversify its operations as a matter of urgency.
- The Agency should negotiate with the Government for an increase in subsidies which could be used to either assist with the diversification of the business direction or to settle significant debts.
- The need from outside grants or soft loans as a cash injection, may also be considered.

### **5. ACKNOWLEDGEMENT**

The co-operation and assistance given to the auditors by the Agency's personnel during the audit is appreciated.

## 6. FINANCIAL RESULTS

	N\$	N\$	Balance N\$
Accumulated surplus as at 01/04/2008			<b>(2 482 137)</b>
<b>Revenue</b>			
Subscription news		1 889 705	
IT Trading income		403 433	
Interest received		129 677	
Sundry income		44 635	
Government subsidy		9 700 000	
<b>Total Income</b>		<b>12 167 450</b>	
<b>Expenditure</b>			
Cost of sales - Subscription news	4 893 883		
Cost of sales - IT Trading	604 731		
Administrative expenditure	6 246 246		
<b>Total expenditure</b>	<b>11 744 860</b>		
Net profit for the year 2008			422 590
Accumulated loss at 31/03/2008			<b>(2 059 547)</b>

## 7. CURRENT BANK ACCOUNT

The bank statement reflected a favourable balance at year-end, as follows:

	2008	2007
	N\$	N\$
Call account	38 448	13 694
Current account	380 745	268 884
32 Days notice deposit	2 405 031	44 476
Namibia Cash Plus Fund	138 864	125 878
Cash on hand	725	1 393
	<b>2 963 813</b>	<b>454 325</b>

## 8. INVESTMENTS AND INTEREST PROCEEDS

On 31 March 2008 the interest received amounted to N\$ 129 677 (2007: N\$ 51 401).

## 9. DISPOSAL OF PROPERTY

The Agency disposed of assets with a net book value of N\$ 1 311 (2007: N\$ Nil)

## 10. TARIFF ADJUSTMENTS

The Agency adopted a policy whereby tariffs are being reviewed annually and adjusted if found necessary. A 5% increase on subscription fees was affected during the year under review.

## 11. PAYROLL COSTS

Payroll expenses have increased by 5% during the year under review. This increase is mainly due to salary increments.

	2008	2007	Variance	Percentage
	N\$	N\$	N\$	%
Administration pay costs	1 359 480	1 193 048	166 432	14%
Editorial service pay costs	3 477 880	2 981 176	496 704	17%
IT Department pay costs	496 539	442 344	54 195	12%
Management pay costs	1 061 691	1 736 690	(674 999)	-36%
<b>Total</b>	<b>6 395 590</b>	<b>6 353 258</b>	<b>42 332</b>	<b>1%</b>

## 12. AGENCY BOARD MEMBERS

Allowances for Board members of the Agency increased by 54% to N\$ 78 500 (2007: NS 51 000) during the year under review.

## 13. TRADING DIFFICULTIES

The annual financial statements indicate significant doubt that the Agency is commercially solvent stemming from severe trading difficulties. The situation raises fears that the Agency may not be a going concern in future if an urgent strategic re-think is not undertaken. However, its evident from the current year figures that an improvement was made compared to the prior year. The Agency made a profit after showing significant losses for the past years. This could be mainly attributed to the 38.5% increase in the Government subsidy.

## 14. AUDIT OPINION

The accounts of the Namibia Press Agency for the financial year ended 31 March 2008, summarized in Annexure A to C, were audited in terms of the provisions of Section 15 of the Namibia Press Agency Act, 1992 (Act 3 of 1992) and read with Section 25(1)(b) of the State Finance Act, (Act 31 of 1991).

Attention is drawn to the fact that the Agency's total current liabilities exceeded its total current assets by N\$ 3 242 504 (2007: N\$ 3 352 558) as at 31 March 2008. These conditions indicate the existence of a material uncertainty, which cast significant doubt on the Agency's ability to continue as a going concern. Although a positive trend is portrayed by a profit of N\$ 422 597 (2007: N\$ 261 914) for the year under review it is mainly due to an increased subsidy.

In my opinion these financial statements are a true view of the Namibia Press Agency's (NAMPA) net assets as at 31 March 2008 and of its operational profit and cash flows for the year then ended, and have been properly prepared in accordance with the NAMPA Act, 1992 and the State Finance Act, (Act 31 of 1991).

WINDHOEK, March 2009

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

## ANNEXURE A

## NAMIBIA PRESS AGENCY

## BALANCE SHEET AS AT 31 MARCH

	Notes	2008 N\$	2007 N\$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	7 157 976	6 475 984
<b>Current assets</b>			
Other debtors	7	105 263	34 255
Accounts receivable	8	223 005	728 765
Cash and cash equivalents	9	2 963 813	454 325
<b>TOTAL ASSETS</b>		<b>10 450 057</b>	<b>7 693 329</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital</b>			
Government contributions - Assets transferred		1 256 816	1 256 816
Revaluation account		4 348 747	4 348 747
Retained income/(loss)		(2 482 137)	(2 744 051)
Operating profit/(loss) for current year		422 592	261 914
<b>Current liabilities</b>			
Accounts payable	10	338 425	256 143
Other payables	11	977 405	913 046
Finance lease	12	87 027	
Receiver of revenue		5 131 729	3 400 714
<b>Non-current liabilities</b>			
Finance lease	12	369 453	
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>10 450 057</b>	<b>7 693 329</b>



## ANNEXURE B

## NAMIBIA PRESS AGENCY

## DETAILED INCOME STATEMENT AT 31 MARCH

	Notes	2008 N\$	2007 N\$
<b>REVENUE</b>	1.1	<b>2 293 139</b>	<b>2 901 678</b>
Subscription news		1 889 705	1 645 862
IT Trading income		403 434	1 255 816
<b>LESS: COST OF SALES</b>		<b>5 498 614</b>	<b>5 073 421</b>
Subscription fees and editorial pay costs		4 893 883	4 311 919
IT Trading - Maintenance		604 731	761 502
<b>Gross loss</b>		<b>(3 205 475)</b>	<b>(2 171 743)</b>
Government subsidy	2	9 700 000	7 000 000
<b>Total contribution to running costs</b>		<b>6 494 525</b>	<b>4 828 257</b>
<b>LESS : ADMINISTRATIVE EXPENSES</b>		<b>3 589 420</b>	<b>4 621 253</b>
Administration pay costs		1 359 480	1 193 049
Advertisements and promotion		17 670	5 249
Audit fees		31 455	64 192
Bad debts		156 979	-
Bank charges		16 334	21 325
Board members - Other expenses	3	1 276	455
Board members sitting allowance	3	78 500	51 000
Building maintenance		78 436	41 728
Casual staff pay costs		121 631	124 520
Computer stationery		4 957	6 195
Consulting fees		16 233	16 702
Depreciation		114 549	63 479
Electricity and water		121 283	79 957
Entertainment board and management		9 828	6 409
External audit fees		-	-
Insurance		73 778	63 164
Interest paid		22 743	1 346
Interest paid - Inland Revenue		1 364 288	-
<b>Balance carried forward</b>		<b>2 905 105</b>	<b>1 738 770</b>

## ANNEXURE B

## NAMIBIA PRESS AGENCY

## DETAILED INCOME STATEMENT AT 31 MARCH (continued)

	Note	2008	2007
		N\$	N\$
<b>Balance brought forward</b>		<b>2 905 105</b>	<b>1 738 770</b>
		<b>2 656 825</b>	<b>2 882 483</b>
IT Department pay costs		496 540	442 344
Legal fees		5 435	4 119
Leasing charges	4	122 890	153 630
Loss on forex		4 398	18 416
Licenses			3 068
Management pay costs		1 061 692	1 736 691
Materials and supplies		10 889	4 136
Motor vehicle expenses		85 439	92 281
Office rental - Regions		14 107	15 169
Office stationery		32 562	17 165
Penalties - Inland Revenue		403 899	-
Postage and courier charges		6 363	1 877
Publication printing			13 705
Security costs		44 202	45 000
Telephone and fax		94 821	120 922
Taxes withheld - Foreign		7 088	10 960
Telephone IT dedicated line		207 750	179 903
Training and workshops		3 395	2 117
Transport allowances - Cleaners		7 200	6 700
Travel and accommodation		48 155	14 280
<b>Net operating (loss)/profit</b>		<b>248 280</b>	<b>207 004</b>
<b>Other income</b>		174 312	54 910
Interest received		129 677	51 401
Profit on sale on disposal of assets		23 176	
Sundry income		21 459	3 509
<b>NET PROFIT / (LOSS) FOR THE YEAR</b>		<b>422 592</b>	<b>261 914</b>

## ANNEXURE C

## NAMIBIA PRESS AGENCY

## CASH FLOW STATEMENT AS AT 31 MARCH 2008

	<b>Notes</b>	<b>2008</b>	<b>2007</b>
		N\$	N\$
<b>Cash flows from operating activities</b>			
Cash receipts from customers		2 625 498	2 901 678
Receipts from Government subsidies		9 700 000	7 000 000
Cash paid to suppliers and employees		(9 519 032)	(9 919 753)
Cash utilized by operations	9.1	2 806 466	(18 075)
Investment income		129 677	51 401
Finance charges		(22 744)	-
<b>Net cash in/(out) flow from operating activities</b>		<b>2 913 399</b>	<b>33 326</b>
<b>Cash flows from investing activities</b>			
Property, plant and equipment acquired		(797 852)	(28 889)
Property, plant and equipment disposed		24 487	-
		<b>(773 365)</b>	<b>(28 889)</b>
<b>Cash flows from financing activities</b>			
Finance lease		369 454	-
<b>Net change in cash and cash equivalents</b>		2 509 488	4 437
Cash and cash equivalents at beginning of year		454 325	449 888
<b>Cash and cash equivalents at end of year</b>	9.2	<b>2 963 813</b>	<b>454 325</b>

**NAMIBIA PRESS AGENCY**

**NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH 2008**

---

**1. PRINCIPAL 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 Agency, which are set out below, had been consistent and comply with Namibian Statements of Generally Accepted Accounting Practices. The financial statements have been prepared in accordance with the requirements of the Namibia Press Agency Act, 1992 (Act 3 of 1992).

**1.1 Revenue recognition**

Revenue from services is recognized when the service is rendered. Revenue excludes VAT.

**1.2 Property, plant and equipment**

Fixed assets are stated at cost or at valuation where assets have been acquired by grant or donation, less depreciation written off over the expected useful lives as determined by the Board from time to time.

Computer equipment	3 years
Furniture and fittings	7 years
Motor vehicles	4 years

No depreciation is charged on property since it is considered to be an investment.

**1.3 Leased assets**

Leases of property, plant and equipment where the company assumes substantially all the benefits and risks of ownership, are classified as finance leases. Finance leases are capitalized at the estimated present value of the underlying lease payments. Each lease payment is allocated between the liability and finance charges to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance charge is charged to the income statement over the lease period. The property, plant and equipment acquired under finance leasing contracts are depreciated over the useful life of the assets.

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

**2. GOVERNMENT SUBSIDY**

The Government subsidy received by the Agency during the year amounted to N\$ 9 700 000 (2007: N\$ 7 00 000).

## NAMIBIA PRESS AGENCY

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH 2008 (continued)

## 3. BOARD MEMBERS REMUNERATION

2008		
Meeting costs	Other costs	Total
N\$ 78 500	N\$ 1 276	N\$ 79 776
2007		
Meeting costs	Other costs	Total
N\$ 51 000	N\$ 455	N\$ 52 455

## 4. LEASING COSTS

The Agency has an operating lease on vehicles over a period of 4 years for which the Agency has paid N\$122 890 (2007: N\$ 153 630) during the year under review.

## 5. TAXATION

The Agency is not subject to Namibian income tax as per enabling Act 3 of 1992.

## 6. PROPERTY, PLANT AND EQUIPMENT

2008	Land and buildings	Computer equipment	Furniture & fittings	Motor vehicles	Total assets
	N\$	N\$		N\$	N\$
Carrying amount at 01/04/2007	6 407 000	44 259	24 725	-	6 475 984
At cost	1 118 253	855 668	103 579	-	2 077 500
At valuation	5 288 747	304 294	19 970	-	5 613 011
Accumulated depreciation	-	(1 115 703)	(98 824)	-	(1 214 527)
Additions during the year	166 620	152 723	13 860	464 646	797 852
Disposal during the year	-	(1 311)	-	-	(1 311)
Depreciation during the year	-	(48 407)	(17 741)	(48 401)	(114 549)
Carrying amount at 31/03/2008	6 573 620	147 264	20 844	416 248	7 157 976
At cost	1 284 873	974 468	117 439	464 649	2 841 429
At valuation	5 288 747	304 294	19 970	-	5 613 011
Accumulated depreciation	-	(1 131 498)	(116 565)	(48 401)	(1 296 464)

## NAMIBIA PRESS AGENCY

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH 2008 (continued)

<b>2007</b>	<b>Land and buildings</b>	<b>Computer equipment</b>	<b>Furniture &amp; fittings</b>	<b>Total assets</b>
	N\$	N\$	N\$	N\$
Carrying amount at 01/04/2006	2 058 253	65 232	38 347	2 161 832
At cost	1 118 253	830 620	99 738	2 048 611
At valuation	940 000	304 294	19 970	1 264 264
Accumulated depreciation	-	(1 069 682)	(81 361)	(1 151 043)
Additions during the year	-	25 048	3 841	28 889
Revaluation during the year	4 348 747			4 348 747
Depreciation during the year	-	46 021	17 463	(63 484)
Carrying amount at 31/03/2007	6 407 000	44 259	24 725	6 475 984
At cost	1 118 253	855 668	103 579	2 077 500
At valuation	5 288 747	304 294	19 970	5 613 011
Accumulated depreciation	-	(1 115 703)	(98 824)	(1 214 527)

	<b>2008</b>	<b>2007</b>
	N\$	N\$
<b>7. OTHER DEBTORS</b>		
Salary advances	5 415	3 446
Home loan guarantee	22 615	22 615
Rent deposit	700	700
Sundry debtors	76 533	7 494
	<b>105 263</b>	<b>34 255</b>
<b>8. ACCOUNTS RECEIVABLE</b>		
Accounts receivable	436 614	728 764
Provision for doubtful debts	(213 609)	-
	<b>223 005</b>	<b>728 765</b>
<b>9. NOTES TO THE CASH FLOW STATEMENT</b>		
<b>9.1 Cash (utilized by) generated from operating activities:</b>		
Net profit / (loss)	422 592	261 914
Adjustments for :		
- Investment income	(129 677)	(51 401)
- Prior year adjustment	-	40 160
- Profit on sale of assets	(23 176)	-
- Loss on foreign exchanges	4 398	-
- Movement in provision	(39 319)	-
- Finance costs	22 744	-
- Depreciation	114 549	63 479
Operating capital before working capital changes	372 111	314 152

## NAMIBIA PRESS AGENCY

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH 2008 (continued)

Working capital changes :		
- Decrease / (increase) in other debtors	430 353	90 613
- Increase in accounts receivable	-	(231 683)
- (Decrease) / increase in accounts payable	2 004 002	(191 157)
Cash utilized by operating activities	<b>2 806 466</b>	<b>(18 075)</b>

## 9. NOTES TO THE CASH FLOW STATEMENT

## 9.2 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks, and investments in money market instruments. Cash and cash equivalents included in the cash flow statement comprise the following balance sheet accounts:

Cash on hand	725	1 393
Standard Bank - Call account	38 448	13 694
Standard Bank - 32 Days notice account	2 405 031	44 476
Standard Bank - Current bank account	380 745	268 884
Standard Bank - Namibia Cash Plus Fund	138 864	125 878
<b>Cash and cash equivalents</b>	<b>2 963 813</b>	<b>454 325</b>

## 10. ACCOUNTS PAYABLE

Trade payables	<b>338 425</b>	<b>256 143</b>
----------------	----------------	----------------

## 11. OTHER PAYABLES

Office of the Auditor General	42 700	87 245
Income received in advance	50 709	43 138
Provision for Leave	578 941	420 500
Provision for bonuses	188 662	166 330
Employees cost accruals	91 383	187 332
Accruals	25 010	130 702
	<b>977 405</b>	<b>913 046</b>

## NAMIBIA PRESS AGENCY

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH 2008 (continued)

<b>12. Finance lease</b>		
Payable within one year	87 027	-
Long term portion	369 454	-
	<b>456 481</b>	

Above liabilities under installment sale agreement are payable over a period of fifty months, at an effective interest rate of 14.25% with a monthly installment of N\$12 203 and are secured by motor vehicles with total book value of N\$ 414 340.