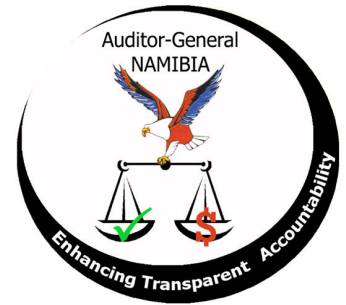




REPUBLIC OF NAMIBIA



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

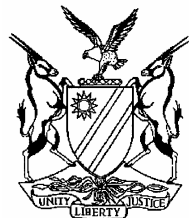
**NAMIBIA PRESS AGENCY**

**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2009**

Published by authority

Price (Vat excluded) N\$ 26.56  
Report no: 736

**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 2009, 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, September 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 2009**

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**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 Namibia Press Agency Act, 1992, (Act 3 of 1992). The accounts of the Namibia Press Agency for the year ended 31 March 2009 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 principal 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 2009 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 Receiver of Revenue - PAYE & VAT**

The audit revealed that the Agency has paid the outstanding amounts on PAYE and VAT debts with the Receiver of Revenue. Interest and penalties have accumulated over the years and currently debts are N\$ 7 572 310 (2008: N\$ 4 471 489) and N\$ 658 683 (2008: N\$ 660 240) 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.

The Agency has written letters to its line ministry, the Ministry of Information and Communication Technology for the waiving of penalties and interest by the Receiver of Revenue but as at the completion of the audit no positive feedback was received.

##### **4.2 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 technically insolvent. (From the records presented, this seems to be a historical problem as the Agency appears to have been underfunded since commercialization in 2001).
- Substantial trading losses for the past years although profits were shown during the previous two years.

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 was generating profits for the previous two years. The current year loss could have been a profit, 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\$ 5 017 534.

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			(2 059 547)
<b>Revenue</b>			
Subscription news		2 115 129	
IT Trading income		443 655	
Interest received		409 282	
Sundry income		22 020	
Government subsidy		11 500 000	
<b>Total income</b>		<b>14 490 085</b>	
<b>Expenditure</b>			
Cost of sales - Subscription news	5 237 937		
Cost of sales - IT Trading	371 937		
Administrative expenditure	9 697 844		
<b>Total expenditure</b>	<b>15 307 718</b>		
Net loss for the year 2009			(817 633)
Accumulated loss at 31/03/2009			<b>(2 877 180)</b>

## 7. CURRENT BANK ACCOUNT AND SHORT TERM DEPOSITS

The bank statement of the current account reflected a favourable balance at year-end and the balances kept in short term deposits are as follows:

	<b>2009</b>	<b>2008</b>
	N\$	N\$
Call account	368 576	38 448
Current account	177 448	380 745
32 Days notice deposit	533 151	2 405 031
Namibia Cash Plus Fund	3 925 247	138 864
Cash on hand	1 095	725
	<b>5 005 518</b>	<b>2 963 813</b>

## 8. INVESTMENTS AND INTEREST PROCEEDS

No long term investments have been made. On 31 March 2009 interest received on short term deposits amounted to N\$ 409 282 (2008: N\$ 129 677).

## 9. DISPOSAL OF PROPERTY

The Agency disposed of assets with a net book value of N\$ 640 (2008: N\$ 1 311).

## 10. TARIFF ADJUSTMENTS

The Agency adopted a policy whereby tariffs are being reviewed annually and adjusted if found necessary. A 10% increase on subscription fees was affected during the year under review.

## 11. PAYROLL COSTS

Payroll expenses have increased by 4% during the year under review. This increase is mainly due to salary increments and restructuring.

	<b>2009</b>	<b>2008</b>	<b>Variance</b>	<b>Percentage</b>
	N\$	N\$	N\$	%
Administration pay costs	1 354 605	1 359 480	(4 875)	0%
Editorial service pay costs	3 648 221	3 477 880	170 341	5%
IT Department pay costs	699 093	496 539	202 554	41%
Management pay costs	974 178	1 061 691	(87 513)	(8%)
<b>Total</b>	<b>6 676 097</b>	<b>6 395 590</b>	<b>280 507</b>	<b>4%</b>

## 12. AGENCY BOARD MEMBERS

Allowances for Board members of the Agency decreased by 59% to N\$ 32 500 (2008: NS 78 500) 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. The loss incurred in the current year is mainly due to the further provision of penalties and interest due to the Receiver of Revenue.

### **14. AUDIT OPINION**

The accounts of the Namibia Press Agency for the financial year ended 31 March 2009, 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\$ 4 265 089 (2008: N\$ 3 242 504) as at 31 March 2009. These conditions indicate the existence of a material uncertainty, which cast significant doubt on the Agency's ability to continue as a going concern.

In my opinion these financial statements are a true view of the Namibia Press Agency's (NAMPA) net assets as at 31 March 2009 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, September 2009**

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**

## ANNEXURE A

## NAMIBIA PRESS AGENCY

## BALANCE SHEET AS AT 31 MARCH

	Notes	2009 N\$	2008 N\$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	10 920 966	7 157 976
		10 920 966	7 157 976
<b>Current assets</b>			
Other debtors	7	5 339 958	3 292 081
Accounts receivable	8	117 391	105 263
Cash and cash equivalents	9	217 050	223 005
		5 005 517	2 963 813
<b>TOTAL ASSETS</b>		<b>16 260 924</b>	<b>10 450 057</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital</b>			
Government contributions - Assets transferred		6 384 383	3 546 018
Revaluation account		1 981 816	1 256 816
Retained income/(loss)		7 279 747	4 348 747
Operating (loss)/profit for current year		(2 059 547)	(2 482 137)
		(817 633)	422 592
<b>Current liabilities</b>			
Accounts payable	10	9 605 047	6 534 586
Other payables	11	304 913	338 425
Finance lease	12	970 777	977 405
Receiver of revenue		98 364	87 027
		8 230 993	5 131 729
<b>Non-current liabilities</b>			
Finance lease	12	271 494	369 453
		271 494	369 453
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>16 260 924</b>	<b>10 450 057</b>



## ANNEXURE B

## NAMIBIA PRESS AGENCY

## DETAILED INCOME STATEMENT AT 31 MARCH

	Notes	2009 N\$	2008 N\$
<b>REVENUE</b>	1.1	<b>2 558 783</b>	<b>2 293 139</b>
Subscription news		2 115 129	1 889 705
IT Trading income		443 654	403 434
<b>LESS: COST OF SALES</b>		<b>5 609 871</b>	<b>5 498 614</b>
Subscriptions fees and editorial pay costs		5 237 934	4 893 883
IT Trading – Maintenance		371 937	604 731
<b>Gross loss</b>		<b>(3 051 088)</b>	<b>(3 205 475)</b>
Government subsidy	2	11 500 000	9 700 000
<b>Total contribution to running costs</b>		<b>8 448 912</b>	<b>6 494 525</b>
<b>LESS : ADMINISTRATIVE EXPENSES</b>		<b>9 697 847</b>	<b>3 589 420</b>
Administration pay costs		1 354 605	1 359 480
Advertisements and promotion		30 773	17 670
Audit fees		30 074	31 455
Bad debts		5 829	156 979
Bank charges		19 124	16 334
Board members - Other expenses	3	549	1 276
Board members sitting allowance	3	32 500	78 500
Building maintenance		70 469	78 436
Casual staff pay costs		13 177	121 631
Computer stationery		11 671	4 957
Consulting fees		20 636	16 233
Depreciation		224 890	114 549
Donations		1 200	-
Electricity and water		91 596	121 283
Entertainment: Board and management		20 012	9 828
Insurance		95 728	73 778
Interest paid		59 928	22 743
Interest paid - Inland Revenue		3 508 021	1 364 288
<b>Balance carried forward</b>		<b>5 590 782</b>	<b>2 905 105</b>

## ANNEXURE B

## NAMIBIA PRESS AGENCY

## DETAILED INCOME STATEMENT AT 31 MARCH (continued)

	Note	2009	2008
		N\$	N\$
<b>Balance brought forward</b>		<b>5 590 782</b>	<b>2 905 105</b>
		<b>4 107 065</b>	<b>2 656 825</b>
IT Department pay costs		699 093	496 540
Legal fees		5 145	5 435
Leasing charges	4	103 678	122 890
Loss on forex		5 311	4 398
Management pay costs		974 178	1 061 692
Materials and supplies		9 041	10 889
Motor vehicle expenses		196 578	85 439
Office rental – Regions		16 917	14 107
Office stationery		22 752	32 562
Penalties - Inland Revenue		1 509 513	403 899
Postage and courier charges		8 881	6 363
Publication printing		2 025	-
Rentals - photocopier		19 875	-
Security costs		2 889	44 202
Telephone and fax		112 131	94 821
Taxes withheld – Foreign		8 665	7 088
Telephone IT dedicated line		243 472	207 750
Training and workshops		43 284	3 395
Transport allowances – Cleaners		7 670	7 200
Travel and accommodation		115 967	48 155
<b>Net operating (loss)/profit</b>		<b>(1 248 935)</b>	<b>248 280</b>
<b>Other income</b>		<b>431 302</b>	<b>174 312</b>
Interest received		409 282	129 677
Profit on sale on disposal of assets		7 308	23 176
Sundry income		14 712	21 459
<b>NET (LOSS) / PROFIT FOR THE YEAR</b>		<b>(817 633)</b>	<b>422 592</b>

## ANNEXURE C

## NAMIBIA PRESS AGENCY

## CASH FLOW STATEMENT AS AT 31 MARCH 2009

	<b>Notes</b>	<b>2009</b>	<b>2008</b>
		N\$	N\$
<b>Cash flows from operating activities</b>			
Cash receipts from customers		2 564 738	2 625 498
Receipts from Government subsidies		11 500 000	9 700 000
Cash paid to suppliers and employees		(11 961 195)	(9 519 032)
Cash utilized by operations	9.1	2 103 543	2 806 466
Investment income		409 282	129 677
Finance charges		(59 928)	(22 744)
<b>Net cash in/(out) flow from operating activities</b>		<b>2 452 897</b>	<b>2 913 399</b>
<b>Cash flows from investing activities</b>			
Property, plant and equipment acquired/revaluated		(332 519)	(797 852)
Property, plant and equipment disposed		7 948	24 487
		<b>(324 571)</b>	<b>(773 365)</b>
<b>Cash flows from financing activities</b>			
Finance lease		(86 622)	369 454
<b>Net change in cash and cash equivalents</b>		2 041 704	2 509 488
Cash and cash equivalents at beginning of year		2 963 813	454 325
<b>Cash and cash equivalents at end of year</b>	9.2	<b>5 005 517</b>	<b>2 963 813</b>

## NAMIBIA PRESS AGENCY

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH 2009

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**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\$ 11 500 000 (2008: N\$ 9 700 000).

## NAMIBIA PRESS AGENCY

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH 2009 (continued)

**3. BOARD MEMBERS REMUNERATION**

2009		
Meeting costs	Other costs	Total
N\$ 32 500	N\$ 549	N\$ 33 049
2008		
Meeting costs	Other costs	Total
N\$ 78 500	N\$ 1 276	N\$ 79 776

**4. LEASING COSTS**

The Agency has an operating lease on vehicles over a period of 2 years for which the Agency has paid N\$ 103 678 (2008: N\$ 122 890) 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**

2009	Land and buildings	Computer equipment	Furniture & fittings	Motor vehicles	Total assets
	N\$	N\$		N\$	N\$
Carrying amount at 01/04/2008	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)
Additions/Valuation during the year	3 724 380	163 587	100 552	-	3 988 519
Disposal during the year	-	(640)	-	-	(640)
Depreciation during the year	-	(90 369)	(18 359)	(116 162)	(224 890)
Carrying amount at 31/03/2009	10 298 000	219 842	103 037	300 086	10 920 965
At cost	1 284 873	1 135 750	217 991	464 649	3 103 263
Adjustment	-	-	(10 487)	-	(10 487)
At valuation	9 013 127	304 294	19 970	-	9 337 391
Accumulated depreciation	-	(1 220 202)	(124 437)	(164 563)	(1 509 202)

## NAMIBIA PRESS AGENCY

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH 2009 (continued)

<b>2008</b>	<b>Land and buildings</b>	<b>Computer equipment</b>	<b>Furniture &amp; fittings</b>	<b>Motor vehicles</b>	<b>Total assets</b>
	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)

	<b>2009</b>	<b>2008</b>
	N\$	N\$
<b>7. OTHER DEBTORS</b>		
Salary advances	5 408	5 415
Home loan guarantee	-	22 615
Rent deposit	700	700
Other	38 500	-
Sundry debtors	72 783	76 533
	<b>117 391</b>	<b>105 263</b>
<b>8. ACCOUNTS RECEIVABLE</b>		
Accounts receivable	430 659	436 614
Provision for doubtful debts	(213 609)	(213 609)
	<b>217 050</b>	<b>223 005</b>
<b>9. NOTES TO THE CASH FLOW STATEMENT</b>		
<b>9.1 Cash (utilized by) generated from operating activities:</b>		
Net (loss) / profit	(817 633)	422 592
Adjustments for :		
- Investment income	(409 282)	(129 677)
- Prior year adjustment	-	-
- Profit on sale of assets	(7 308)	(23 176)
- Loss on foreign exchanges	5 311	4 398
- Movement in provisions	-	(39 319)
- Finance costs	59 928	22 744
- Depreciation	224 890	114 549
Operating capital before working capital changes	(944 094)	372 111

## NAMIBIA PRESS AGENCY

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH 2009 (continued)

Working capital changes :	N\$	N\$
- Decrease / (increase) in other debtors	(17 439)	430 353
- (Increase)/decrease in accounts receivable	5 955	-
- (Decrease) / increase in accounts payable	3 059 120	2 004 002
Cash utilized by operating activities	<b>2 103 543</b>	<b>2 806 466</b>

**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	1 095	725
Standard Bank - Call account	368 576	38 448
Standard Bank - 32 Days notice account	533 151	2 405 031
Standard Bank - Current bank account	177 448	380 745
Standard Bank - Namibia Cash Plus Fund	3 925 247	138 864
<b>Cash and cash equivalents</b>	<b>5 005 517</b>	<b>2 963 813</b>

**10. ACCOUNTS PAYABLE**

Trade payables	<b>304 914</b>	<b>338 425</b>
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**11. OTHER PAYABLES**

Office of the Auditor General	-	42 700
Income received in advance	60 246	50 709
Provision for Leave	540 400	578 941
Provision for bonuses	196 111	188 662
Employees cost accruals	174 020	91 383
Accruals	-	25 010
	<b>970 777</b>	<b>977 405</b>

**12. FINANCE LEASE**

Payable within one year	98 364	87 027
Long term portion	271 494	369 454
	<b>369 858</b>	<b>456 481</b>

Above liabilities under instalment sale agreement are payable over a period of thirty eight months, at an effective interest rate of 12.75% with a monthly instalment of N\$11 933 and are secured by motor vehicles with a total book value of N\$ 298 710.