



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

NAMIBIA PRESS AGENCY

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011

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REPUBLIC OF NAMIBIA



TO THE HONOURABLE SPEAKER OF THE NATIONAL ASSEMBLY

I have the honour to submit herewith my report on the accounts of the Namibia Press Agency for the financial year ended 31 March 2011, 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, December 2011

**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 2011**

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 Namibian Press Agency Act, 1992, (Act 3 of 1992). The accounts of the Namibian Press Agency for the year ended 31 March 2011 are being reported on in accordance with the provisions set out in the State Finance Act, 1991 (Act 31 of 1991) and the Namibian Press Agency Act, 1992 (Act 3 of 1992).

The firm Grand 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 the suppliers of the news and information on the one hand and customers on the other hand.

The principal objectives are to be customer needs 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 Namibia 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 Namibian Press Agency Act, of 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: Detailed 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 year ended 31 March 2011 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 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 judgments 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 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 fraud or error;
- in all material respects, the expenditure and income have been applied to the purposes intended; and
- the financial transactions conform to the authorities who govern them.

4. AUDIT OBSERVATIONS AND COMMENTS

4.1 Going concern

The annual financial statements were prepared on a going concern basis.

The Agency has strategic plans to reduce reliance on Government grants such as to venture into the printing business. The Agency submitted a proposal to the Government to acquire new equipment for the printing business and is waiting for the approval thereof. The Agency is also rezoning its property in Pionierspark to convert it into townhouses which will be let to the public to generate additional income.

The other reasons as to why going concern cannot be qualified are 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.

The Agency made a profit of N\$ 1 767 555 (2010: NS 8 321 909) for the year under review.

4.2 Restatement of 2010 figures

The figures for subscriptions income (news) and accounts receivable for the 2010 was restated retrospectively as explained in note 9 of Annexure D.

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 profit as at 01/04/2010			*5 382 244
Revenue			
Subscription news		1 726 339	
IT Trading income		560 240	
Interest received		334 415	
Sundry income		11 832	
Government subsidy		11 500 000	
Total income		14 132 826	
Expenditure			
Cost of sales - Subscription fees and editorial pay cost	5 828 397		
Cost of sales - IT Trading – Maintenance	424 159		
Administrative expenditure	6 112 715		
Total expenditure	12 365 271		
Net profit for the year 2011			1 767 555
Accumulated profit at 31/03/2011			7 149 799

* See paragraphs 4.2.

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:

	2011	2010
	N\$	N\$
Call account	408 533	389 930
Current account	153 478	(56 089)
Namibia Cash Plus Fund	5 996 060	6 166 363
Cash on hand	1 883	1 175
	6 559 954	6 501 379

8. INVESTMENTS AND INTEREST PROCEEDS

No long-term investments have been made. On 31 March 2011 interest received on short-term deposits amounted to N\$ 334 415 (2010: N\$ 361 968).

9. DISPOSAL OF PROPERTY

The Agency disposed of assets with a net book value of N\$ 16 284 (2010: N\$ 1 519).

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.

	2011	2010	Variance	Percentage
	N\$	N\$	N\$	%
Administration pay costs	1 479 338	1 536 339	(57 001)	(4%)
Editorial service pay costs	4 160 542	3 843 317	317 225	8%
IT Department pay costs	811 678	791 618	20 060	3%
Management pay costs	1 167 428	1 160 214	7 214	1%
Total	7 618 986	7 331 488	287 498	4%

12. AGENCY BOARD MEMBERS

Allowances for Board members of the Agency increased by 16% to N\$ 82 500 (2010: NS 71 000) during the year under review.

13. AUDIT OPINION

The accounts of the Namibia Press Agency for the financial year ended 31 March 2011, 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 operations are funded by Government grants. This condition indicates 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 2011 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, December 2011

JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL

NAMIBIA PRESS AGENCY

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2011

	Notes	2011 N\$	2010 N\$ Restated
ASSETS			
Non-current assets			
Property, plant and equipment	6	11 427 365	11 424 101
Current assets			
Other debtors	7	118 774	171 079
Accounts receivable	8	296 221	266 161
Cash and cash equivalents	10.2	6 559 954	6 501 379
TOTAL ASSETS		18 402 314	18 362 720
EQUITY AND LIABILITIES			
Share capital			
Government contributions – Assets transferred		1 981 816	1 981 816
Revaluation account		7 279 747	7 279 747
Retained income/(loss)		5 382 244	(2 877 179)
Operating profit for current year		1 767 555	8 259 423
Non-current liabilities			
Finance lease – Long-term portion	13	578 887	587 507
Current liabilities			
Accounts payable	11	96 653	254 215
Other payables	12	823 636	916 107
Finance lease – Short-term portion	13	329 749	243 702
Receiver of Revenue		162 027	1 717 382
TOTAL EQUITY AND LIABILITIES		18 402 314	18 362 720

NAMIBIA PRESS AGENCY

DETAILED INCOME STATEMENT AT 31 MARCH

	Notes	2011 N\$	2010 N\$ Restated
REVENUE			
Subscription news	1.1	2 286 579	2 716 004
IT Trading income		1 726 339	2 228 969
		560 240	487 035
LESS: COST OF SALES		6 252 556	5 846 077
Subscriptions fees and editorial pay costs		5 828 397	5 522 302
IT Trading – Maintenance		424 159	323 775
Gross loss		(3 965 977)	(3 130 073)
Interest and penalties waived		-	4 992 743
VAT credit		-	146 591
Government subsidy	2	11 500 000	11 500 000
Total contribution to running costs		7 534 023	13 509 261
LESS : ADMINISTRATIVE EXPENSES		6 112 715	5 628 690
Administration pay costs		1 479 338	1 536 339
Advertisements and promotion		33 848	6 870
Audit fees		41 349	37 380
Bad debts		3 744	-
Bank charges		26 238	25 661
Board members - Other expenses	3	11 729	-
Board members sitting allowance	3	82 500	71 000
Building maintenance		332 148	214 309
Casual staff pay costs		6 500	5 250
Computer stationery		29 237	19 329
Consulting fees		58 076	82 341
Depreciation		528 408	391 515
Donations		2 000	10 000
Electricity and water		158 974	140 972
Entertainment: Board and management		45 567	21 567
Equipment repairs		5 121	-
Insurance		137 247	132 812
Interest paid and finance charges		82 754	84 441
Interest paid - Inland Revenue		592	-
Balance carried forward		3 065 370	2 779 786

NAMIBIA PRESS AGENCY

DETAILED INCOME STATEMENT AT 31 MARCH 2011 (continued)

	Note	2011 N\$	2010 N\$ Restated
Balance brought forward		3 065 370	2 779 786
		3 047 345	2 848 904
IT Department pay costs		811 678	791 618
Legal fees		15 821	5 140
Leasing charges	4	-	25 102
Licenses		3 546	-
Loss on foreign exchange		-	1 347
Management pay costs		1 167 428	1 160 214
Materials and supplies		13 099	17 739
Motor vehicle expenses		243 660	231 661
Office rental – Regions		20 471	18 414
Office stationery		21 231	19 262
Penalties - Inland Revenue		45 923	-
Postage and courier charges		6 116	4 815
Publication printing		38 777	10 309
Rentals and charges – Photocopier		27 864	26 519
Security costs		3 284	22 541
Staff welfare		6 536	3 819
Telephone and fax		133 653	115 626
Taxes withheld – Foreign		9 538	10 508
Telephone IT dedicated line		249 375	216 908
Training and workshops		69 396	15 014
Travel and accommodation		159 949	152 348
Net operating profit		1 421 308	7 880 571
Other income		346 247	378 852
Interest received		334 415	361 968
Profit on sale on disposal of assets		2 765	1 866
Profit on foreign exchange		2 949	-
Sundry income		6 118	15 018
NET PROFIT FOR THE YEAR		1 767 555	8 259 423

NAMIBIA PRESS AGENCY

STATEMENT OF CASH FLOW AS AT 31 MARCH 2011

	<u>Notes</u>	<u>2011</u>	<u>2010</u>
		N\$	N\$
			Restated
Cash flow from operating activities			
Cash receipts from customers		2 319 005	2 237 468
Receipts from Government subsidies		11 500 000	11 500 000
Cash paid to suppliers and employees		(13 560 611)	(12 087 701)
Cash generated by operations	10.1	258 394	1 649 767
Investment income		334 415	361 968
Finance charges		(82 754)	(84 441)
Net cash inflow from operating activities		510 055	1 927 294
Cash flow from investing activities			
Property, plant and equipment acquired		(547 956)	(896 169)
Property, plant and equipment disposed		19 049	3 386
		(528 907)	(892 783)
Cash flow from financing activities			
Finance lease		77 427	461 351
Net change in cash and cash equivalents		58 575	1 495 862
Cash and cash equivalents at the beginning of the year		6 501 379	5 005 517
Cash and cash equivalents at the end of the year	10.2	6 559 954	6 501 379

NAMIBIA PRESS AGENCY

NOTES TO THE FINANCIAL STATEMENT AS AT 31 MARCH

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 (2010: N\$ 11 500 000).

NAMIBIA PRESS AGENCY

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH 2011 (continued)

3. BOARD MEMBERS REMUNERATION

2011		
Meeting costs	Other costs	Total
N\$ 82 500	N\$ 11 729	N\$ 94 229
2010		
Meeting costs		
N\$ 71 000	N\$ -	N\$ 71 000

4. LEASING COSTS

The operating lease on vehicles ended last financial year. The Agency did not pay any leasing costs during the year under review (2010: N\$ 25 102).

5. TAXATION

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

6. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Computer equipment	Furniture & fittings	Motor vehicles	Total assets
	N\$	N\$	N\$	N\$	N\$
Carrying amount at 01/04/2010	10 298 000	357 473	91 377	677 251	11 424 101
At cost	1 284 873	1 415 600	213 435	1 071 821	3 985 729
At valuation	9 013 127	304 294	19 970	-	9 337 391
Accumulated depreciation	-	(1 362 421)	(142 028)	(394 570)	(1 899 019)
Additions	-	170 000	39 847	338 109	547 956
Disposal during the year	-	(16 283)	(1)	-	(16 284)
Depreciation during the year	-	(198 374)	(20 085)	(309 949)	(528 408)
Carrying amount at 31/03/2011	10 298 000	312 816	111 138	705 411	11 427 365
At cost	1 284 873	1 569 317	253 281	1 409 930	4 517 401
At valuation	9 013 127	304 294	19 970	-	9 337 391
Accumulated depreciation	-	(1 560 795)	(162 113)	(704 519)	(2 427 427)

NAMIBIA PRESS AGENCY

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH 2011 (continued)

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

Land and buildings comprise of Erf 8010 – NAMPA head office, valued at N\$8 600 000 and Erf 814 situated in Pionierspark, Windhoek, valued at N\$1 698 000.

	<u>2011</u>	<u>2010</u>
	N\$	N\$
		Restated
7. OTHER DEBTORS		
Salary advances	5 487	13 982
Rent deposit	700	700
Other	30 046	55 364
VAT	31 319	28 251
Sundry debtors	51 222	72 783
	<u>118 774</u>	<u>171 079</u>

8. ACCOUNTS RECEIVABLE

Accounts receivable	489 430	479 770
Provision for doubtful debts	(193 209)	(213 609)
	<u>296 221</u>	<u>266 161</u>

9. CORRECTION OF PRIOR PERIOD ERROR

Invoices of six clients were incorrectly included in prior year subscription income. The contracts of the clients were terminated. This error has been corrected retrospectively and the comparative figure have been appropriately restated. The effect of the correction of the error on the results for 2010 is as follows:

Decrease in subscription income	-	62 486
Decrease in profit	-	62 486
Decrease in accounts receivable	-	62 486
Decrease in equity	-	62 486

10. NOTES TO THE CASH FLOW STATEMENT**10.1 Cash generated from operating activities:**

Net profit	1 767 555	8 259 423
Adjustments for :		
- Investment income	(334 415)	(361 968)
- Profit on sale of assets	(2 765)	(1 866)
- Finance costs	82 754	84 441
- Depreciation	528 408	391 515
Operating capital before working capital changes	<u>2 041 537</u>	<u>8 371 545</u>

NAMIBIA PRESS AGENCY

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH 2011 (continued)

Cash generated from operating activities (continued)

	2011	2010
	N\$	N\$
Working capital changes :		Restated
- Decrease/(Increase) in other debtors	52 305	(53 689)
- (Increase) in accounts receivable	(30 060)	(49 108)
- (Decrease) in accounts payable	(1 805 388)	(6 618 981)
Cash utilized by operating activities	258 394	1 649 767

10.2 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	1 883	1 175
Standard Bank - Call account	408 533	389 930
Standard Bank - Current bank account	153 478	(56 089)
Standard Bank – Namibia Money Market Fund	5 996 060	6 166 363
Cash and cash equivalents	6 559 954	6 501 379

11. ACCOUNTS PAYABLE

Trade payables	96 653	254 215
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12. OTHER PAYABLES

Income received in advance	27 621	36 326
Provision for leave	441 532	575 039
Provision for bonuses	219 963	112 273
Employees cost accruals	134 520	192 469
	823 636	916 107

13. FINANCE LEASE

Payable within one year	329 749	243 702
Long-term portion	578 887	587 507
	908 636	831 209

Above liabilities under finance lease are payable over a period of fifty four months, at an effective average interest rate of 8,25% with a monthly instalment of N\$ 28 897 and are secured by motor vehicles with a total book value of N\$ 705 411.

14. NON-DISTRIBUTABLE RESERVE

The non-distributable reserve of N\$ 7 279 747 represent the fair value adjustment that resulted from the valuation of properties on the 13th and 14th of March 2009 of Erf 8010 – NAMPA head office and Erf 814 situated in Pionierspark, Windhoek.