



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

KARAKUL BOARD OF NAMIBIA

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2010

Published by authority

Price (Vat excluded) N\$ 41.14
Report no: 986

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 Karakul Board of Namibia for the financial year ended 31 March 2010, 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, August 2011

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE KARAKUL BOARD OF
NAMIBIA FOR THE FINANCIAL YEAR ENDED
31 MARCH 2010**

1. INTRODUCTION

The accounts of the Karakul Board of Namibia, hereinafter referred to as the Board, for the year ended 31 March 2010 are being reported on in accordance with the provisions set out in the Karakul Pelts and Wool Act, 1982 (Act 14 of 1982), hereinafter referred to as the Act. The main objective of the Board, namely to promote the interest of the Karakul Industry and Wool Industry on Namibia, are stated in Section 3 of the Act.

The firm PKF (Namibia) of Windhoek has been appointed in terms of Section 17 of the Act, to audit the accounts of the Karakul Board of Namibia on behalf of the Auditor-General and under his supervision.

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

2. FINANCIAL STATEMENTS

The Board's financial statements were submitted to the Auditor-General by the Board Members in compliance with Section 17(1), of the Act. The audited financial statements are in agreement with the general ledger and are filed in the Office of the Auditor-General. The balance sheet is a true reflection of the original.

The following annexures are attached to this report:

Annexure A: Detailed annual financial statements as prepared by the Karakul Board of Namibia.
Annexure B: Report to management.

3. SCOPE OF THE AUDIT

The Board Members of the Karakul Board of Namibia are 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.

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 the financial transactions included in the financial statements;
- b) Assessment of the significant estimates and judgements made by the Board in the preparation of the financial statements and whether the accounting policies are appropriate to the Board'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 for the purposes intended; and
- The financial transactions conform to the authorities which govern them.

4. AUDIT OBSERVATIONS AND COMMENTS

The report to management presented to the Board refers (Annexure B). Comments have been obtained from management and are included in the report. Observations and comments with regards to the following listed points are included in the report to management:

a) Segregation of duties

The auditors noted that the Board has only two dedicated staff members who attend to the daily activities of the Board. The auditors further observed that most of the internal cheque requisitions forms were not signed by both signatories for those expenses subjected to the testing procedures. The relevant cheque issued, was however, in all cases signed by two signatories. Sign-off of cheque requisitions indicates that control procedures have been performed and that correct processing in the accounting records is achieved.

b) Non-compliance with the Karakul Pelts and Wool Act 1982 (Act 14 of 1982)

The Karakul Pelts and Wool Act, 1982 (Act 14 of 1982) states is section 17 – refer to extract below:

17 Financial statements auditing and submission of reports to Council of Ministers and National Assembly

(1) The board shall in respect of every account referred to in section 14, cause to be prepared in each year a statement of its income and expenditure during its last preceding financial year and a balance sheet showing its financial position at the end of that financial year.

(2) All accounts of the board and the statement and balance sheet referred to in subsection (1) shall be audited by the Auditor-General.

(3) The board shall in each year, within six months after the close of its financial year, submit to the Council of Ministers a report in regard to its activities during the last preceding calendar year, together with a copy of the audited statement and balance sheet referred to in subsection (1) in respect of the said financial year.

(4) The said report shall within fourteen days of its release, be laid upon the Tables of the National Assembly, or if the National Assembly is not then in session, within seven days after the first day upon which it again assembles.

With regard to subsection (3) and (4) the Board has failed to comply to submit audited annual financial statements within six month after year end to the Council of Ministers and to have the report laid upon tables of the National Assembly. This represents a contravention of the Act by the Board.

c) Service fee agreement – agency fees

The auditors review of the agency fee expense account revealed the following:

The agency fee as approved per 2010 budget amounts to N\$ 308 000 covering the period 1 April 2009 to 31 March 2010.

The auditors review of the relevant signed service agreement noted the following:

- Agreement signed 26 June 2009; and
- Agreement effective from 1 July 2009.

A discrepancy period between the budget approved and the agreement signed from 1 April to 30 June 2009 thus exists.

5. ACKNOWLEDGEMENT

The courteous assistance given to the auditors by the Board's personnel during the audit is appreciated.

6. FORMAL AND INFORMAL QUERIES

Formal and informal queries are embodied in this report.

7. QUALIFIED AUDIT OPINION

The accounts of the Karakul Board of Namibia for the financial year ended 31 March 2010, summarised per Annexure A, have been audited in accordance of provisions of Section 25(1)(b) of the State Finance Act, 1991 read with Section 17(2) of the Karakul Pelts and Wool Act, 1982 (Act 14 of 1982).

In common with similar organisations, it is not feasible for the Board to institute accounting controls over cash collections from grants, levies and donations prior to the initial entry of the collection in the accounting records. Accordingly it was impracticable for the auditors to extend the examination beyond the receipts actually recorded.

In terms of the Karakul Pelts and Wool Act, 1982 (Act 14 of 1982) Section 17(3) the board shall for each financial reporting period, within six months after the close of its financial reporting period, submit to the Council of Ministers a report in regard to its activities, together with a copy of the audited financial statements for the financial reporting period under review. Compliance with this requirement was not met for the financial reporting period ended 31 March 2010.

The audit opinion was modified based on the above two paragraphs.

Except for the reasons mentioned above, in my opinion, these financial statements fairly present the financial position of the Karakul Board of Namibia at 31 March 2010, and the results of operations and cash flows for the year ended in accordance with International Financial Reporting Standard for Small and Medium-sized Entities.

**Date: August 2011
WINDHOEK**

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

KARAKUL BOARD OF NAMIBIA
ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2010

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KARAKUL BOARD OF NAMIBIA
BOARD MEMBERS' RESPONSIBILITIES AND APPROVAL
for the year ended 31 March 2010

The Board members' are required by the Karakul Pelts and Wool Act, 1982 (Act 14 of 1982), to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the board as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standard for Small and Medium-sized Entities. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with International Financial Reporting Standard for Small and Medium-sized Entities and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The Board members' acknowledges that they are ultimately responsible for the system of internal financial control established by the board and place considerable importance on maintaining a strong control environment. To enable the board members' to meet these responsibilities, the directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the board and all employees are required to maintain the highest ethical standards in ensuring the board's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the board is on identifying, assessing, managing and monitoring all known forms of risk across the board. While operating risk cannot be fully eliminated, the board endeavors to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Board members' are of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The Board members' have reviewed the board's cash flow forecast for the year to 31 March 2011 and, in the light of this review and the current financial position, they are satisfied that the board has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the board's annual financial statements. The annual financial statements have been examined by the Board's external auditors and their report is presented on pages 7 to 8.

The annual financial statements set out on pages 5 to 21, which have been prepared on the going concern basis, were approved and authorised for issue by the directors and are signed on its behalf by:

.....
Board Member

.....
WH Visser - Financial Controller

.....
Date

Independent Auditor's Report

To the board members' of Karakul Board of Namibia

Report on the financial statements

We have audited the annual financial statements of Karakul Board of Namibia, which comprise the statement of financial position at 31 March 2010, and the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the directors' report, as set out on pages 5 to 18.

Board Members' Responsibility for the Financial Statements

The Board members' are responsible for the preparation and fair presentation of these annual financial statements in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and in the manner required by the Karakul Pelts and Wool Act, 1982 (Act 14 of 1982). This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of annual financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these annual financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the annual financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the annual financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report (continued)

To the board members' of Karakul Board of Namibia (continued)

Basis for qualified opinion

In common with similar organisations, it is not feasible for the board to institute accounting controls over cash collections from grants, levies and donations prior to the initial entry of the collection in the accounting records. Accordingly it was impracticable for us to extend our examination beyond the receipts actually recorded.

In terms of the Karakul Pelts and Wool Act, 1982 (Act 14 of 1982) Section 17(3) the Board shall for each financial reporting period, within six months after the close of its financial reporting period, submit to the Council of Ministers a report in regard to its activities, together with a copy of the audited financial statements for the financial reporting period under review. Compliance with this requirement was not met for the financial reporting period ended 31 March 2010.

Qualified opinion

In our opinion, except for the possible effects of the matters described in the basis for qualified opinion paragraph, the annual financial statements present fairly, in all material respects, the financial position of the Karakul Board of Namibia as at 31 March 2010 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standard for Small and Medium-sized Entities, and in the manner required by the Karakul Pelts and Wool Act, 1982 (Act 14 of 1982).

Other matter

The supplementary information set out on pages 30 to 33 do not form part of the annual financial statements and is presented as additional information. We have not audited this information and accordingly do not express an opinion thereon.

PKF (Namibia)

Per: Uwe Wolff

**Registered Accountants and Auditors
Chartered Accountants (Namibia)**

**Windhoek
30 June 2011**

KARAKUL BOARD OF NAMIBIA
BOARD MEMBERS' REPORT
for the year ended 31 March 2010

The board presents their report for the year ended 31 March 2010. This report forms part of the audited annual financial statements.

ENACTMENT

The Karakul Board of Namibia was established by Section 2 of the Karakul Pelts and Wool Act, 1982 (Act 14 of 1982).

NATURE OF BUSINESS

Section 3 of the Karakul Pelts and Wool Act, 1982 (Act 14 of 1982) stipulates that the main objective of the Board is to promote the interest of the Karakul Industry and the Wool Industry in Namibia and elsewhere.

STATE OF AFFAIRS AND RESULTS OF OPERATIONS

All matters material to the appreciation of the state of the Board's affairs and results of operations are accounted for in the annual financial statements and do not call for further comment.

GOING CONCERN

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

INTERNAL CONTROL

Management is responsible for the Board's system of internal financial control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability of assets and to prevent and detect misstatements and loss. Nothing has come to the attention of the management to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the period under review.

EVENTS SUBSEQUENT TO THE YEAR END

The board and management are not aware of any facts or circumstances of a material nature that have occurred between the accounting date and the date of this report.

Section 17(3) of the Karakul Pelts and Wool Act, 1982 (Act 14 of 1982) has not been complied with for the current period under review.

KARAKUL BOARD OF NAMIBIA
BOARD MEMBERS REPORT (continued)
for the year ended 31 March 2010

COMPOSITION OF THE BOARD

The full board for the year was represented by:

- HJ van Wyk	Chairperson - Karakul Breeders' Society
- R Schreiber	Vice-chairperson - Producers
- G Biwa	Producers
- PH Hugo	Marketing organisation
- JJ Jansen	Namibia National Farmers' Union
- E Kamboua	Ministry of Trade and Industry
- WJ Kohlman	Producers
- B Rothkegel	Ministry of Agriculture, Water and Forestry

The executive committee was represented by:

- HJ van Wyk	
- R Schreiber	
- JJ Jansen	(Alternate: B Rothkegel)

The co-opted members for the year were represented by:

- PM Kazmeier	Marketing organisation
- WH Visser	Manager: Karakul Board
- T le Roux	Manager: Karakul Breeders' Society
- W Ramdohr	Wool Weavers
- C von Hase	Wool Weavers
- GR von Wielligh	Producers
- J Duffield-Harding	Agra Pelt Sorting Centre

KARAKUL BOARD OF NAMIBIA
STATEMENT OF FINANCIAL POSITION
at 31 March 2010

	Notes	<u>2010</u> N\$	<u>2009</u> N\$
ASSETS			
Non-current assets			
Property and equipment	3	9 834	18 407
Investments	4	<u>4 712 122</u>	<u>5 076 108</u>
		<u>4 721 956</u>	<u>5 094 515</u>
Current assets			
Trade and other receivables	5	200 000	97 157
Cash and cash equivalents	6	<u>732 364</u>	<u>378 543</u>
		<u>932 364</u>	<u>475 700</u>
TOTAL ASSETS		<u><u>5 654 320</u></u>	<u><u>5 570 215</u></u>
EQUITY AND LIABILITIES			
Funds and reserves			
Retained income	2	5 646 020	5 439 090
Current liabilities			
Trade and other payables	7	<u>8 300</u>	<u>131 125</u>
TOTAL EQUITY AND LIABILITIES		<u><u>5 654 320</u></u>	<u><u>5 570 215</u></u>

KARAKUL BOARD OF NAMIBIA
STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 March 2010

	Notes	2010 N\$	2009 N\$
Revenue		1 562 027	1 696 304
Operating expenses		<u>(1 635 401)</u>	<u>(1 986 587)</u>
OPERATING DEFICIT		(73 374)	(290 283)
Financial income		244 290	559 703
Cost value adjustment: Investment Property	4	36 014	-
Profit on disposal of assets		<u>-</u>	<u>6 338</u>
TOTAL COMPREHENSIVE SURPLUS FOR THE YEAR	2	<u>206 930</u>	<u>275 758</u>

KARAKUL BOARD OF NAMIBIA
STATEMENT OF CHANGES IN EQUITY
for the year ended 31 March 2010

	Notes	Retained income	Total
Balance as at 1 April 2008		5 163 332	5 163 332
Total comprehensive surplus for the year		275 758	275 758
Balance as at 31 March 2009		5 439 090	5 439 090
Total comprehensive surplus for the year		206 930	206 930
Balance as at 31 March 2010	2	5 646 020	5 646 020

KARAKUL BOARD OF NAMIBIA
STATEMENT OF CASH FLOWS
for the year ended 31 March 2010

	Notes	<u>2010</u> N\$	<u>2009</u> N\$
Cash flow from operating activities			
Cash utilised from operations	8	(288 817)	(267 690)
Investment income		<u>244 290</u>	<u>559 703</u>
<i>Net cash (outflow) / inflow from operating activities</i>		<u>(44 527)</u>	<u>292 013</u>
Cash flows from investing activities			
Decrease / (increase) in investments		400 000	(100 000)
Proceeds on disposal of equipment		-	9 000
Additions to property and equipment		<u>(1 652)</u>	<u>(19 356)</u>
<i>Net cash inflow / (outflow) from investing activities</i>		<u>398 348</u>	<u>(110 356)</u>
Net change in cash and cash equivalents		353 821	181 657
Cash and cash equivalents at beginning of year		378 543	196 886
Cash and cash equivalents at end of year	6	<u><u>732 364</u></u>	<u><u>378 543</u></u>

KARAKUL BOARD OF NAMIBIA
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2010

1. ACCOUNTING POLICIES

The annual financial statements have been compiled in accordance with International Financial Reporting Standard for Small and Medium-sized Entities and the Karakul Pelts and Wool Act, 1982 (Act 14 of 1982). The financial statements have been prepared on the historical cost basis, as modified by the revaluation of investment property and financial instruments at fair value, and incorporate principal accounting policies set out below. They are presented in Namibian Dollar.

These accounting policies are consistent with the previous period.

1.1 Significant judgements and source of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Financial assets measured at cost and amortised cost

The Board assesses its financial assets measured at cost and amortised cost for impairment at each reporting period date. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the board makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset. The impairment for financial assets measured at cost and amortised cost is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting period that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Impairment testing

The Board reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors together with economic factors.

1.2 Property and equipment

Property and equipment 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. Property and equipment acquired with loan funds are not depreciated until the loan is repaid, unless the expected lifetime of the asset is less than the repayment period of the loan in which case depreciation is calculated on the shortfall.

Depreciation is provided using the straight-line method to write down the cost, less estimated residual value over the useful life of the property, plant and equipment.

KARAKUL BOARD OF NAMIBIA

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2010

1. ACCOUNTING POLICIES (continued)

1.2 Property and equipment (continued)

Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

1.3 Financial instruments

Financial instruments at amortised cost

Financial instruments may be designated to be measured at amortised cost less any impairment using the effective interest method. These include trade and other receivables, loans and trade and other payables. At the end of each reporting period date, the carrying amounts of assets held in this category are reviewed to determine whether there is any objective evidence of impairment. If so, an impairment loss is recognised.

Financial instruments at cost

Equity instruments that are not publicly traded and whose fair value cannot otherwise be measured reliably are measured at cost less impairment. This includes equity instruments held in unlisted investments. Non-interest bearing borrowings are measured at cost. All financial assets whose fair value cannot otherwise be measured reliably, and which do not meet the criteria to be designated as an instruments measured at amortised cost, are measured at cost less impairment.

Financial instruments at fair value

All other financial instruments are measured at fair value through profit and loss.

1.4 Trade and other receivables

Trade receivables are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified.

1.5 Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

1.6 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and deposits held at call with banks, net of bank overdrafts, all of which are available for use by the Board unless otherwise stated. In the balance sheet, bank overdrafts are included in current liabilities.

1.7 Leases

Operating leases – lessee

Operating lease payments are recognised in the statement of comprehensive income. The difference between the amounts recognised as an expense and the contractual payments is recognised as an operating lease liability. This liability is not discounted.

KARAKUL BOARD OF NAMIBIA
NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2010

1. ACCOUNTING POLICIES (continued)

1.8 Investments

Investments are stated at cost. Dividends are brought to account as at the last day of registration in respect of listed shares and when declared in respect of unlisted shares.

1.9 Revenue

Revenue is measured at the fair value of the consideration received and represents amounts received on a cash basis for levy's, grants and other income.

Interest is recognised in profit and loss using the effective interest rate method.

Notes to the statement of financial position

	2010	2009
	N\$	N\$
2. OWN FUNDS		
<i>Funds and reserves</i>		
Opening balance	5 439 090	5 163 332
Surplus / (deficit) for the year	206 930	275 758
 Total funds	 5 646 020	 5 439 090
 <i>Funds and reserves are represented by:</i>		
2.1 Karakul Pelt Levy Fund		
Balance - 1 April	(209 492)	(20 294)
Surplus / (deficit) for the year	(179 552)	(189 198)
 Balance - 31 March	 (389 044)	 (209 492)

2.2 Special Karakul Pelt Levy Fund

Balance - 1 April	(764 094)	(1 009 691)
Surplus / (deficit) for the year	<u>356 147</u>	<u>245 597</u>
Balance - 31 March	<u><u>(407 947)</u></u>	<u><u>(764 094)</u></u>

2.3 Wool Levy Fund

Balance - 1 April	47 796	57 436
Surplus / (deficit) for the year	<u>(27 104)</u>	<u>(9 640)</u>
Balance - 31 March	<u><u>20 692</u></u>	<u><u>47 796</u></u>

KARAKUL BOARD OF NAMIBIA
NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2010

	<u>2010</u>	<u>2009</u>
	N\$	N\$
2. OWN FUNDS (continued)		
<i>Funds and reserves are represented by (continued):</i>		
2.4 General Reserve Fund		
Balance - 1 April	231 593	231 593
Surplus / (deficit) for the year	<u>36 014</u>	<u>-</u>
Balance - 31 March	<u><u>267 607</u></u>	<u><u>231 593</u></u>
2.5 Contingency Reserve Fund		
Balance - 1 April	1 670 097	1 738 947
Surplus / (deficit) for the year	<u>-</u>	<u>(68 850)</u>
Balance - 31 March	<u><u>1 670 097</u></u>	<u><u>1 670 097</u></u>
2.6 General Fund		
Balance - 1 April	3 141 674	3 062 846
Surplus / (deficit) for the year	<u>9 217</u>	<u>78 828</u>
Balance - 31 March	<u><u>3 150 891</u></u>	<u><u>3 141 674</u></u>
2.7 Consolidated Support Account		
Balance - 1 April	1 497 386	1 497 386
Surplus / (deficit) for the year	<u>-</u>	<u>-</u>
Balance - 31 March	<u><u>1 497 386</u></u>	<u><u>1 497 386</u></u>

2.8 Swakara Centenary Fund

Balance - 1 April	(829 378)	(1 048 399)
Surplus / (deficit) for the year	<u>12 208</u>	<u>219 021</u>
Balance - 31 March	<u><u>(817 170)</u></u>	<u><u>(829 378)</u></u>

2.9 Funds utilised for assets

Balance - 1 April	653 508	653 508
Surplus / (deficit) for the year	<u>-</u>	<u>-</u>
Balance - 31 March	<u><u>653 508</u></u>	<u><u>653 508</u></u>

KARAKUL BOARD OF NAMIBIA
NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2010

3. PROPERTY AND EQUIPMENT

	Office equipment	Total
	N\$	N\$
31 March 2010		
Opening net book value	18 407	18 407
Additions	1 652	1 652
Depreciation charge	(10 225)	(10 225)
Closing carrying amount	9 834	9 834
Cost	32 437	32 437
Accumulated depreciation	(22 603)	(22 603)
Net book value	9 834	9 834
31 March 2009		
Opening net book value	12 052	12 052
Additions	19 356	19 356
Disposals	(2 662)	(2 662)
Depreciation charge	(10 339)	(10 339)
Closing carrying amount	18 407	18 407
Cost	32 437	32 437
Accumulated depreciation	(14 030)	(14 030)
Net book value	18 407	18 407
	2010	2009
	N\$	N\$
Financed from:		
Revenue account	9 834	18 407
	9 834	18 407

KARAKUL BOARD OF NAMIBIA

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2010

	2010	2009
	N\$	N\$
4. INVESTMENTS		
Investment House Namibia - Money Market	4 000 000	4 400 000
Investment property - The Control Body of the Agricultural Boards' Building	694 882	658 868
Investment - International Marketing Company (Pty) Ltd	17 240	17 240
	4 712 122	5 076 108
 <i>Investment property</i>		
Opening balance	658 868	658 868
% Cost holding adjustment	36 014	-
Closing balance	694 882	658 868
<p>On 31 March 2010 the board held 100 "Class A" ordinary shares at cost. The company is currently dormant.</p> <p>Investment property consists of an 18% holding in the Control Body of the Agricultural Boards' Building represented by Erf 744 and 749, Windhoek. Investment property is revalued every three years. % Cost gains are accounted for through the General Reserve Fund.</p> <p><u>Market value:</u></p> <p>Land and buildings held in the Control Body of the Agricultural Boards' Building was revalued by FA Frank-Schultz, a qualified property valuer on 7 September 2008. Market value of land and buildings is stated as follows:</p>		
	21 671 000	21 671 000
18 % holding in the Control Body of the Agricultural Boards' Building	3 900 780	3 900 780
 5. TRADE AND OTHER RECEIVABLES		
Grant Ministry of Agriculture, Water and Forestry	200 000	97 157

6. CASH AND CASH EQUIVALENTS

Bank Windhoek Call Account	31 184	163 250
Investment House Namibia Call Account	668 852	245 567
Bank Windhoek - Current account / (Overdraft)	<u>32 328</u>	<u>(30 274)</u>
	<u><u>732 364</u></u>	<u><u>378 543</u></u>

KARAKUL BOARD OF NAMIBIA
NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2010

	2010	2009
	N\$	N\$
7. TRADE AND OTHER PAYABLES		
Accrual for audit fees	8 300	7 500
Trade payables	-	123 625
	8 300	131 125

Note to the cash flow statement

8. CASH FLOWS FROM OPERATIONS

Reconciliation of total comprehensive surplus to cash utilised in operations:

Total comprehensive surplus before adjustments:	206 930	275 758
Adjusted for:		
Interest income	(244 290)	(559 703)
Profit on disposal of equipment	-	(6 338)
Depreciation	10 225	10 339
Cost value adjustment: Investment Property	(36 014)	-
Changes in working capital:		
Increase in trade and other receivables	(102 843)	(97 072)
(Decrease) / increase in trade and other payables	(122 825)	109 326
Cash utilised from operations	(288 817)	(267 690)

Additional notes

9. OBJECTIVES OF FUNDS

9.1 Karakul Pelt Levy Fund

Objective

The Fund was established to cover the administrative costs of the board.

Allocation of levies

A levy of N\$ 2 per pelt is allocated to this fund.

Grants

The following grant was carried by the fund.

Grant to NNFU	<u>2 500</u>	<u>2 500</u>
The above grant was paid to the Namibia Agricultural Union for membership fees for the above organisation.		

Accrual for audit fees

Accrual for the current year	<u>8 300</u>	<u>7 500</u>
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KARAKUL BOARD OF NAMIBIA
NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2010

9. OBJECTIVES OF FUNDS (continued)

9.2 Special Karakul Pelt Levy Fund

Objective

The Fund was established to promote the Karakul pelt industry.

Allocation of levies

A levy of N\$ 2 per pelt is allocated to this fund.

9.3 Wool Levy Fund

Objective

The Fund was established to promote the Karakul industry.

Allocation of levies

A levy of 3% of the total value of wool sales is allocated to this fund.

9.4 General Reserve Fund

Establishment

The Fund was established to deposit all moneys, except levies received, including interest earned as provided for in terms of Section 14(1)(e) of the Karakul Pelts and Wool Act, 1982. These funds are to be transferred to any particular account as the need arises.

9.5 Contingency Reserve Fund

Establishment

The Fund was established in terms of a transfer from a Trust Fund held by the Karakul Producers Association of South Africa to the Karakul Board of Namibia. The Namibian Board received its share from this fund according to the pelt production and created a fund to be called the Contingency Reserve Fund. The Fund is to be used when a case of need arises, which necessitates a special effort and which cannot ordinarily be financed out of any other fund of the board.

9.6 Consolidated Support Account

Establishment and objective

Funds transferred to the Support Account from the Contingency Reserve Fund and the General Reserve Fund are to be used to finance development projects.

KARAKUL BOARD OF NAMIBIA
DETAILED INCOME AND EXPENDITURE ACCOUNTS
for the year ended 31 March 2010

	<u>2010</u>	<u>2009</u>
	N\$	N\$
KARAKUL PELT LEVY FUND		
INCOME		
Levy on Karakul Pelts	398 582	447 568
Profit on disposal of asset	-	6 338
	<u>398 582</u>	<u>453 906</u>
BOARD EXPENSES		
Remuneration	29 880	30 648
Subsistence and transport costs	109 060	109 364
Insurance	5 282	5 031
	<u>144 222</u>	<u>145 043</u>
GENERAL EXPENSES		
Affiliation fee - NAU	2 500	2 500
Agency fees	308 000	275 000
Audit fees	16 544	25 140
Bank charges	13 483	15 312
Consulting fees	5 175	61 147
Depreciation	10 225	10 339
Functions	5 322	2 742
Grant to Namibian National Farmers Union	2 500	2 500
Insurance	4 025	3 686
Karakul Producers meeting	19 020	21 663
Lease - Copy machine	555	7 529
Legal fees	3 067	-
Printing of annual report	-	5 043
Rent	8 909	9 599
Secretarial fees	1 656	4 226
Stationery	7 623	21 404
Subsistence and travel	12 876	14 924

Sundry expenses	1 271	1 175
Telephone and fax	10 497	9 680
Travel assistance	<u>664</u>	<u>4 452</u>
	<u>433 912</u>	<u>498 061</u>
TOTAL EXPENSES	<u>578 134</u>	<u>643 104</u>
DEFICIT FOR THE YEAR	<u><u>(179 552)</u></u>	<u><u>(189 198)</u></u>

KARAKUL BOARD OF NAMIBIA
DETAILED INCOME AND EXPENDITURE ACCOUNTS (continued)
for the year ended 31 March 2010

	<u>2010</u>	<u>2009</u>
	N\$	N\$
SPECIAL KARAKUL PELT LEVY FUND		
INCOME		
Levy on Karakul Pelts	480 612	534 790
Grant from Ministry of Agriculture, Water and Rural Development	252 058	252 315
Grant from ERFA	161 341	-
Grant from IFTF	218 500	190 250
	<u>1 112 511</u>	<u>977 355</u>
EXPENSES		
Consultancy fees - Gelap	16 904	20 267
Der Gross Preis	42 370	-
Foreign visitors	35 790	14 382
Printing of Code of Practice	19 677	-
Project expenses - EFRA	30 907	206 299
Promotions - foreign	421 042	165 837
Promotions - local	17 567	49 525
Traveling - foreign	172 107	275 448
TOTAL EXPENSES	<u>756 364</u>	<u>731 758</u>
SURPLUS FOR THE YEAR	<u>356 147</u>	<u>245 597</u>
WOOL LEVY FUND		
INCOME		
Levy on Wool	<u>38 726</u>	<u>52 360</u>
EXPENSES		
Windhoek Show expenses	<u>65 830</u>	<u>62 000</u>
DEFICIT FOR THE YEAR	<u>(27 104)</u>	<u>(9 640)</u>

KARAKUL BOARD OF NAMIBIA
DETAILED INCOME AND EXPENDITURE ACCOUNTS (continued)
for the year ended 31 March 2010

	<u>2010</u>	<u>2009</u>
	N\$	N\$
GENERAL RESERVE FUND		
INCOME		
Fair value adjustment - Investment property	36 014	-
EXPENSES		
	-	-
SURPLUS FOR THE YEAR		
	<u>36 014</u>	<u>-</u>
GENERAL FUND		
INCOME		
Interest on investment	244 291	559 704
EXPENSES		
Interest - Grey advance	755	9 585
Swakara Centenary expenses	234 319	471 291
	<u>235 074</u>	<u>480 876</u>
SURPLUS FOR THE YEAR		
	<u>9 217</u>	<u>78 828</u>
SWAKARA CENTENARY FUND		
INCOME		
Centenary income	12 208	219 021
EXPENSES		
	-	-
SURPLUS FOR THE YEAR		
	<u>12 208</u>	<u>219 021</u>