



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

## KARAKUL BOARD OF NAMIBIA

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011

Published by authority

Price (Vat excluded) N\$ 32.99

Report no: 1020

**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 2011, 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, November 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 2011**

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**1. INTRODUCTION**

The accounts of the Karakul Board of Namibia, hereinafter referred to as the Board, for the year ended 31 March 2011 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 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: Board members' responsibilities and approval
- Annexure B: Report of the Board
- Annexure C: Balance sheet
- Annexure D: Income statement
- Annexure E: Statement of changes in equity
- Annexure F: Cash flow statement
- Annexure G: Notes to the financial statements
- Annexure H: Detailed income and expenditure accounts

**3. SCOPE OF THE AUDIT**

The Board 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 were included in the report to management:

##### ***a) Segregation of duties***

As reported in my previous report, it was again 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 signed by both signatories for those expenses that were subjected to audit testing procedures. All relevant cheques issued, were 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) Property and equipment***

As part of the audit tests with regards to property and equipment the auditors physically verified certain assets as recorded on the fixed asset register of the Board. As the fixed asset register does not indicate quantities and serial numbers it was difficult to physically verify the selected items.

The auditors review of the fixed asset register also indicated that items with a cost of less than N\$ 500 are recorded on the fixed asset register.

#### **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 2011, have been audited by me 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 their examination beyond the receipts actually recorded.

The audit opinion was modified based on the above paragraph.

Except for the reasons mentioned above, in my opinion, the financial statements fairly present the financial position of the Karakul Board of Namibia at 31 March 2011, 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.

**WINDHOEK, November 2011**

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**

**KARAKUL BOARD OF NAMIBIA  
ANNUAL FINANCIAL STATEMENTS**

**for the year ended 31 March 2011**

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**KARAKUL BOARD OF NAMIBIA**  
**BOARD MEMBERS' RESPONSIBILITIES AND APPROVAL**  
**for the year ended 31 March 2011**

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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 Board members set 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 5 to 6.

The annual financial statements set out on pages 9 to 24, 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**

**KARAKUL BOARD OF NAMIBIA**

**REPORT OF THE BOARD**

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The management presents their report for the year ended 31 March 2011. 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**

There have been no 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**  
**REPORT OF THE BOARD (continued)**  
**for the year ended 31 March 2011**

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**COMPOSITION OF THE BOARD**

The full Board for the period 1 April 2010 to 24 June 2010 was represented by:

|                   |   |
|-------------------|---|
| - HJ van Wyk      | Chairperson - Karakul Breeders' Society |
| - R von Hase      | Vice-chairperson - Producers            |
| - G Biwa          | Producers                               |
| - PH Hugo         | Marketing organisation                  |
| - JJ Jansen       | Namibia National Farmers' Union         |
| - GR von Wielligh | Producers                               |

The full Board for the period 25 June 2010 to 31 March 2011 was represented by:

|                                       |   |
|---------------------------------------|---|
| - HJ van Wyk (resigned 24 June 2010)  | Chairperson - Karakul Breeders' Society |
| - R von Hase (appointed 25 June 2010) | Chairperson - Producers                 |
| - GR von Wielligh                     | Vice-chairperson - Producers            |
| - R Schreiber                         | Karakul Breeders' Society               |
| - G Biwa                              | Producers                               |
| - PH Hugo                             | Marketing organisation                  |
| - JJ Jansen                           | Namibia National Farmers' Union         |

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                                |
| - J Duffield-Harding | Agra Pelt Sorting Centre                    |
| - E Kamboua          | Ministry of Trade and Industry              |
| - WJ Kohlman         | Producers                                   |
| - B Rothkegel        | Ministry of Agriculture, Water and Forestry |

## KARAKUL BOARD OF NAMIBIA

## BALANCE SHEET

As at 31 March 2011

|                                     | Notes | 2011<br>N\$      | 2010<br>N\$      |
|-------------------------------------|-------|------------------|------------------|
| <b>ASSETS</b>                       |       |                  |                  |
| <b>Non-current assets</b>           |       |                  |                  |
| Property and equipment              | 3     | 14 951           | 9 834            |
| Investments                         | 4     | 6 004 458        | 4 712 122        |
|                                     |       | 6 019 409        | 4 721 956        |
| <b>Current assets</b>               |       |                  |                  |
| Trade receivables                   | 5     | 4 881            | 200 000          |
| Cash and cash equivalents           | 6     | 759 673          | 732 364          |
|                                     |       | 764 554          | 932 364          |
| <b>TOTAL ASSETS</b>                 |       | <b>6 783 963</b> | <b>5 654 320</b> |
| <b>EQUITY AND LIABILITIES</b>       |       |                  |                  |
| <b>Funds and reserves</b>           |       |                  |                  |
| Retained income                     | 2     | 6 774 283        | 5 646 020        |
| <b>Current liabilities</b>          |       |                  |                  |
| Trade and other payables            | 7     | 9 680            | 8 300            |
| <b>TOTAL EQUITY AND LIABILITIES</b> |       | <b>6 783 963</b> | <b>5 654 320</b> |

**KARAKUL BOARD OF NAMIBIA**  
**INCOME STATEMENT**  
**for the year ended 31 March 2011**

|  | <u>Notes</u> | <u>2011</u>             | <u>2010</u>           |
|--|--------------|-------------------------|-----------------------|
|  |              | N\$                     | N\$                   |
| Income                                     |              | 2 294 257               | 1 562 027             |
| Expenditure                                |              | <u>(1 843 307)</u>      | <u>(1 635 401)</u>    |
| OPERATING DEFICIT                          |              | 450 950                 | ( 73 374)             |
| Financial income                           |              | 557 169                 | 244 290               |
| Cost value adjustment: Investment Property |              | <u>120 144</u>          | <u>36 014</u>         |
| TOTAL COMPREHENSIVE SURPLUS FOR THE YEAR   | 2            | <u><b>1 128 263</b></u> | <u><b>206 930</b></u> |

## KARAKUL BOARD OF NAMIBIA

## STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2011

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|  | <u>Notes</u> | <u>Retained<br/>income</u> | <u>Total</u>            |
|--|--------------|----------------------------|-------------------------|
|  |              | N\$                        | N\$                     |
| <b>Balance as at 1 April 2009</b>        |              | 5 439 090                  | 5 439 090               |
| Total comprehensive surplus for the year |              | <u>206 930</u>             | <u>206 930</u>          |
| <b>Balance as at 31 March 2010</b>       |              | 5 646 020                  | 5 646 020               |
| Total comprehensive surplus for the year |              | <u>1 128 263</u>           | <u>1 128 263</u>        |
| <b>Balance as at 31 March 2011</b>       | 2            | <u><u>6 774 283</u></u>    | <u><u>6 774 283</u></u> |

**KARAKUL BOARD OF NAMIBIA**  
**CASH FLOW STATEMENT**  
for the year ended 31 March 2011

|  | <b>Notes</b> | <b>2011</b>    | <b>2010</b>    |
|--|--------------|----------------|----------------|
|  |              | N\$            | N\$            |
| <b>Cash flow from operating activities</b>                   |              |                |                |
| Cash utilised from operations                                | 8            | 775 614        | ( 288 817)     |
| Investment income  |              | 557 169        | 244 290        |
| <i>Net cash inflow / (outflow) from operating activities</i> |              | 1 332 783      | ( 44 527)      |
| <b>Cash flows from investing activities</b>                  |              |                |                |
| Decrease in investments                                      |              | (1 292 336)    | 400 000        |
| Additions to property, plant and equipment                   | 3            | ( 13 138)      | ( 1 652)       |
| <i>Net cash inflow from investing activities</i>             |              | (1 305 474)    | 398 348        |
| <b>Net change in cash and cash equivalents</b>               |              | 27 309         | 353 821        |
| <b>Cash and cash equivalents at beginning of year</b>        |              | 732 364        | 378 543        |
| <b>Cash and cash equivalents at end of year</b>              | 6            | <b>759 673</b> | <b>732 364</b> |

**KARAKUL BOARD OF NAMIBIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 March 2011**

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## **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 Namibia 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 2011

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**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 2011**

**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.

|   | <b>2011</b>       | <b>2010</b>       |
|---|-------------------|-------------------|
|   | N\$               | N\$               |
| <b>2. OWN FUNDS</b>                           |                   |                   |
| <i>Funds and reserves</i>                     |                   |                   |
| Opening balance                               | 5 646 020         | 5 439 090         |
| Surplus / (deficit) for the year              | 1 128 263         | 206 930           |
| Total funds                                   | <b>6 774 283</b>  | <b>5 646 020</b>  |
| <i>Funds and reserves are represented by:</i> |                   |                   |
| <b>2.1 Karakul Pelt Levy Fund</b>             |                   |                   |
| Balance - 1 April                             | ( 389 044)        | ( 209 492)        |
| Surplus / (deficit) for the year              | 111 859           | ( 179 552)        |
| Balance - 31 March                            | <b>( 277 185)</b> | <b>( 389 044)</b> |
| <b>2.2 Special Karakul Pelt Levy Fund</b>     |                   |                   |
| <i>Balance - 1 April</i>                      | ( 407 947)        | ( 764 094)        |
| Surplus / (deficit) for the year              | 491 595           | 356 147           |
| Balance - 31 March                            | <b>83 648</b>     | <b>( 407 947)</b> |
| <b>2.3 Wool Levy Fund</b>                     |                   |                   |
| Balance - 1 April                             | 20 692            | 47 796            |
| Surplus / (deficit) for the year              | ( 22 889)         | ( 27 104)         |
| Balance - 31 March                            | <b>( 2 197)</b>   | <b>20 692</b>     |



**KARAKUL BOARD OF NAMIBIA**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**for the year ended 31 March 2011**

|            |   | <u>2011</u>              | <u>2010</u>              |
|------------|---|--------------------------|--------------------------|
|            |   | N\$                      | N\$                      |
| <b>2.</b>  | <b>OWN FUNDS (continued)</b>                              |                          |                          |
|            | <i>Funds and reserves are represented by (continued):</i> |                          |                          |
| <b>2.4</b> | <b>General Reserve Fund</b>                               |                          |                          |
|            | Balance - 1 April   | 267 607                  | 231 593                  |
|            | Surplus / (deficit) for the year                          | 120 144                  | 36 014                   |
|            | Balance - 31 March  | <u><b>387 751</b></u>    | <u><b>267 607</b></u>    |
| <b>2.5</b> | <b>Contingency Reserve Fund</b>                           |                          |                          |
|            | Balance - 1 April   | 1 670 097                | 1 670 097                |
|            | Surplus / (deficit) for the year                          | --                       | --                       |
|            | Balance - 31 March  | <u><b>1 670 097</b></u>  | <u><b>1 670 097</b></u>  |
| <b>2.6</b> | <b>General Fund</b>                                       |                          |                          |
|            | Balance - 1 April   | 3 150 891                | 3 141 674                |
|            | Surplus / (deficit) for the year                          | 425 152                  | 9 217                    |
|            | Balance - 31 March  | <u><b>3 576 043</b></u>  | <u><b>3 150 891</b></u>  |
| <b>2.7</b> | <b>Consolidated Support Account</b>                       |                          |                          |
|            | Balance - 1 April   | 1 497 386                | 1 497 386                |
|            | Surplus / (deficit) for the year                          | --                       | --                       |
|            | Balance - 31 March  | <u><b>1 497 386</b></u>  | <u><b>1 497 386</b></u>  |
| <b>2.8</b> | <b>Swakara Centenary Fund</b>                             |                          |                          |
|            | Balance - 1 April   | ( 817 170)               | ( 829 378)               |
|            | Surplus / (deficit) for the year                          | 2 402                    | 12 208                   |
|            | Balance - 31 March  | <u><b>( 814 768)</b></u> | <u><b>( 817 170)</b></u> |
| <b>2.9</b> | <b>Funds utilised for assets</b>                          |                          |                          |
|            | Balance - 1 April   | 653 508                  | 653 508                  |
|            | Surplus / (deficit) for the year                          | --                       | --                       |
|            | Balance - 31 March  | <u><b>653 508</b></u>    | <u><b>653 508</b></u>    |

## KARAKUL BOARD OF NAMIBIA

## NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2011

|                                  | Office<br>equipment<br>N\$ | Furniture<br>and Fittings<br>N\$ | Total<br>N\$  |
|----------------------------------|----------------------------|----------------------------------|---------------|
| <b>3. PROPERTY AND EQUIPMENT</b> |                            |                                  |               |
| <b>31 March 2011</b>             |                            |                                  |               |
| Opening net book value           | 9 834                      | --                               | 9 834         |
| Additions                        | 2 325                      | 10 813                           | 13 138        |
| Depreciation charge              | ( 7 040)                   | ( 981)                           | ( 8 021)      |
| <b>Closing carrying amount</b>   | <b>5 119</b>               | <b>9 832</b>                     | <b>14 951</b> |
| Cost                             | 36 414                     | 10 813                           | 47 227        |
| Accumulated depreciation         | ( 31 295)                  | ( 981)                           | ( 32 276)     |
| <b>Net book value</b>            | <b>5 119</b>               | <b>9 832</b>                     | <b>14 951</b> |
| <b>31 March 2010</b>             |                            |                                  |               |
| Opening net book value           | 18 407                     | --                               | 18 407        |
| Additions                        | 1 652                      | --                               | 1 652         |
| Depreciation charge              | ( 10 225)                  | --                               | ( 10 225)     |
| <b>Closing carrying amount</b>   | <b>9 834</b>               | <b>--</b>                        | <b>9 834</b>  |
| Cost                             | 34 089                     | --                               | 34 089        |
| Accumulated depreciation         | ( 24 255)                  | --                               | ( 24 255)     |
| <b>Net book value</b>            | <b>9 834</b>               | <b>--</b>                        | <b>9 834</b>  |
|                                  |                            | <b>2011</b>                      | <b>2010</b>   |
|                                  |                            | N\$                              | N\$           |
| Financed from:                   |                            |                                  |               |
| Revenue account                  |                            | 14 951                           | 9 834         |
|                                  |                            | <b>14 951</b>                    | <b>9 834</b>  |

## KARAKUL BOARD OF NAMIBIA

## NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2011

|  | 2011              | 2010              |
|--|-------------------|-------------------|
|  | N\$               | N\$               |
| <b>4. INVESTMENTS</b>  |                   |                   |
| Investment House Namibia - Money Market  | --                | 4 000 000         |
| Bank Windhoek - Investment Fund  | 4 952 680         | --                |
| Investment property - The Control Body of the Agricultural Boards' Building  | 1 034 538         | 694 882           |
| Investment - International Marketing Company (Pty) Ltd   | 17 240            | 17 240            |
|  | <b>6 004 458</b>  | <b>4 712 122</b>  |
| <i>Investment property</i>   |                   |                   |
| Opening balance  | 694 882           | 658 868           |
| Additions: Cost sharing  | 219 512           | --                |
| % Cost holding adjustment  | 120 144           | 36 014            |
| Closing balance  | <b>1 034 538</b>  | <b>694 882</b>    |
| On 31 March 2011 the Board held 100 "Class A" ordinary shares of International Marketing Company (Pty) Ltd at cost. The company is currently dormant. All expenses incurred by the company are borne by the Karakul Board of Namibia.                                |                   |                   |
| Investment property consist 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. |                   |                   |
| <u>Market value:</u>   |                   |                   |
| 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:   | 21 671 000        | 21 671 000        |
| Building share calculation allocation  | 2 009 794         | --                |
|  | <b>23 680 794</b> | <b>21 671 000</b> |
| 18 % holding in the Control Body of the Agricultural Boards' Building  | <b>4 262 543</b>  | <b>3 900 780</b>  |

## KARAKUL BOARD OF NAMIBIA

## NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2011

|   | 2011           | 2010           |
|---|----------------|----------------|
|   | N\$            | N\$            |
| <b>5. TRADE AND OTHER RECEIVABLES</b>             |                |                |
| Grant Ministry of Agriculture, Water and Forestry | --             | 200 000        |
| Pre-paid expenses - Kopenhagen Fur Project        | 4 881          | --             |
|   | <b>4 881</b>   | <b>200 000</b> |
| <b>6. CASH AND CASH EQUIVALENTS</b>               |                |                |
| Petty cash  | 680            | --             |
| Bank Windhoek Call Account                        | 1 018 306      | 31 184         |
| Investment House Namibia Call Account             | --             | 668 852        |
| Bank Windhoek (Overdraft) / Current account       | ( 259 313)     | 32 328         |
|   | <b>759 673</b> | <b>732 364</b> |
| <b>7. TRADE AND OTHER PAYABLES</b>                |                |                |
| Accruals  | 1 380          | --             |
| Provision for audit fees                          | 8 300          | 8 300          |
|   | <b>9 680</b>   | <b>8 300</b>   |

**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:    | 1 128 263      | 206 930           |
| Adjusted for:                                      |                |                   |
| Interest income                                    | ( 557 169)     | ( 244 290)        |
| Depreciation                                       | 8 021          | 10 225            |
| Fair value adjustment on Investment property       | -              | ( 36 014)         |
| Changes in working capital:                        |                |                   |
| Decrease/(increase) in trade and other receivables | 195 119        | ( 102 843)        |
| Increase/(decrease) in trade and other payables    | 1 380          | ( 122 825)        |
| Cash utilised from operations                      | <b>775 614</b> | <b>( 288 817)</b> |

## KARAKUL BOARD OF NAMIBIA

## NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2011

|  | 2011  | 2010  |
|--|-------|-------|
|  | N\$   | N\$   |
| <b>Additional notes</b>  |       |       |
| <b>9. OBJECTIVES OF FUNDS</b>  |       |       |
| <b>9.1 Karakul Pelt Levy Fund</b>  |       |       |
| <u>Objective</u>   |       |       |
| The Fund was established to cover the administrative costs of the Board.   |       |       |
| <u>Allocation of levies</u>  |       |       |
| A levy of 2 % per pelt is allocated to this fund calculated as follows:  |       |       |
| - 2% of the average gross pelt price achieved; or  |       |       |
| - N\$ 6 per pelt, if the price at which such pelt was achieved drops below N\$ 300, on the most recent pelt auction. |       |       |
| <u>Grants</u>  |       |       |
| The following grant was carried by the fund.   |       |       |
| Grant to NNFU  | 2 500 | 2 500 |
| The above grant was paid to the Namibia Agricultural Union for membership fees for the above organisation.           |       |       |
| <u>Accrual for audit fees</u>  |       |       |
| Accrual for the current year   | 5 828 | 8 300 |
| <b>9.2 Special Karakul Pelt Levy Fund</b>  |       |       |
| <u>Objective</u>   |       |       |
| The Fund was established to promote the Karakul pelt industry.   |       |       |
| <u>Allocation of levies</u>  |       |       |
| A levy of 2 % per pelt is allocated to this fund calculated as follows:  |       |       |
| - 2% of the average gross pelt price achieved; or  |       |       |
| - N\$ 6 per pelt, if the price at which such pelt was achieved drops below N\$ 300, on the most recent pelt auction. |       |       |
| <b>9.3 Wool Levy Fund</b>  |       |       |
| <u>Objective</u>   |       |       |
| The Fund was established to promote the Karakul industry.  |       |       |
| <u>Allocation of levies</u>  |       |       |
| A levy of 3% of the total value of wool sales is allocated to this fund.   |       |       |

**KARAKUL BOARD OF NAMIBIA**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**for the year ended 31 March 2011**

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**OBJECTIVES OF FUNDS (continued)****9.4 General 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 2011**

|  | <b>2011</b>           | <b>2010</b>              |
|--|-----------------------|--------------------------|
|  | N\$                   | N\$                      |
| <b>KARAKUL PELT LEVY FUND</b>            |                       |                          |
| <b>INCOME</b>                            |                       |                          |
| Levy on Karakul Pelts                    | 947 962               | 398 582                  |
| Profit on disposal of asset              | --                    | --                       |
|  | <u>947 962</u>        | <u>398 582</u>           |
| <b>BOARD EXPENSES</b>                    |                       |                          |
| Remuneration                             | 50 307                | 29 880                   |
| Subsistence and transport costs          | 154 074               | 109 060                  |
| Insurance                                | 5 546                 | 5 282                    |
|  | <u>209 927</u>        | <u>144 222</u>           |
| <b>GENERAL EXPENSES</b>                  |                       |                          |
| Affiliation fee - NAU                    | 2 500                 | 2 500                    |
| Agency fees                              | 460 920               | 308 000                  |
| Audit fees                               | 2 472                 | 16 544                   |
| Bank charges                             | 11 913                | 13 483                   |
| Board structure development              | 30 658                | --                       |
| Consulting fees                          | 6 000                 | 5 175                    |
| Depreciation                             | 8 021                 | 10 225                   |
| Functions                                | 14 451                | 5 322                    |
| Grant to Namibian National Farmers Union | 2 500                 | 2 500                    |
| Insurance                                | 3 887                 | 4 025                    |
| Karakul Producers meeting                | 26 570                | 19 020                   |
| Lease - Copy machine                     | 2 376                 | 555                      |
| Legal fees                               | --                    | 3 067                    |
| Printing of annual report                | 8 820                 | --                       |
| Rent                                     | 11 201                | 8 909                    |
| Secretarial fees                         | 1 726                 | 1 656                    |
| Stationery                               | 3 959                 | 7 623                    |
| Subsistence and travel                   | 14 804                | 12 876                   |
| Sundry expenses                          | 3 494                 | 1 271                    |
| Telephone and fax                        | 9 904                 | 10 497                   |
| Travel assistance                        | --                    | 664                      |
|  | <u>626 176</u>        | <u>433 912</u>           |
| <b>TOTAL EXPENSES</b>                    | <u>836 103</u>        | <u>578 134</u>           |
| <b>SURPLUS / (DEFICIT) FOR THE YEAR</b>  | <u><b>111 859</b></u> | <u><b>( 179 552)</b></u> |

## KARAKUL BOARD OF NAMIBIA

## DETAILED INCOME AND EXPENDITURE ACCOUNTS (continued)

for the year ended 31 March 2011

|   | <b>2011</b>             | <b>2010</b>             |
|---|-------------------------|-------------------------|
|   | N\$                     | N\$                     |
| <b>SPECIAL KARAKUL PELT LEVY FUND</b>                           |                         |                         |
| INCOME  |                         |                         |
| Levy on Karakul Pelts   | 947 962                 | 680 612                 |
| Grant from Ministry of Agriculture, Water and Rural Development | 200 000                 | 52 058                  |
| Grant from ERFA   | --                      | 161 341                 |
| Grant from IFTF   | 187 500                 | 218 500                 |
|   | <u>1 335 462</u>        | <u>1 112 511</u>        |
| EXPENSES  |                         |                         |
| Consultancy fees - Gelap  | --                      | 16 904                  |
| Der Gross Preis   | --                      | 42 370                  |
| Foreign visitors  | 16 403                  | 35 790                  |
| Printing of Code of Practice                                    | --                      | 19 677                  |
| Project expenses - EFRA / Expo 2010                             | 39 134                  | 30 907                  |
| Promotions - foreign  | 396 894                 | 421 042                 |
| Promotions - local  | 27 660                  | 17 567                  |
| Stunning apparatus  | 184 383                 | --                      |
| Traveling - foreign   | 179 393                 | 172 107                 |
|   | <u>843 867</u>          | <u>756 364</u>          |
| TOTAL EXPENSES  | <u>843 867</u>          | <u>756 364</u>          |
| SURPLUS FOR THE YEAR  | <u><b>491 595</b></u>   | <u><b>356 147</b></u>   |
| <b>WOOL LEVY FUND</b>   |                         |                         |
| INCOME  |                         |                         |
| Levy on Wool  | <u><b>8 431</b></u>     | <u>38 726</u>           |
| EXPENSES  |                         |                         |
| Windhoek Show expenses  | <u><b>31 320</b></u>    | <u>65 830</u>           |
| DEFICIT FOR THE YEAR  | <u><b>( 22 889)</b></u> | <u><b>( 27 104)</b></u> |



**KARAKUL BOARD OF NAMIBIA**  
**DETAILED INCOME AND EXPENDITURE ACCOUNTS (continued)**  
**for the year ended 31 March 2011**

|   | <b>2011</b>    | <b>2010</b>   |
|---|----------------|---------------|
|   | N\$            | N\$           |
| <b>GENERAL RESERVE FUND</b>                 |                |               |
| INCOME                                      |                |               |
| Fair value adjustment - Investment property | 120 144        | 36 014        |
| EXPENSES                                    |                |               |
|   | --             | --            |
| <b>SURPLUS FOR THE YEAR</b>                 | <b>120 144</b> | <b>36 014</b> |
| <b>GENERAL FUND</b>                         |                |               |
| INCOME                                      |                |               |
| Interest on investment                      | 557 169        | 244 291       |
| EXPENSES                                    |                |               |
| Interest - Grey advance                     | 1 914          | 755           |
| Swakara Centenary expenses                  | 130 103        | 234 319       |
|   | 132 017        | 235 074       |
| <b>SURPLUS FOR THE YEAR</b>                 | <b>425 152</b> | <b>9 217</b>  |
| <b>SWAKARA CENTENARY FUND</b>               |                |               |
| INCOME                                      |                |               |
| Centenary income                            | 2 402          | 12 208        |
| EXPENSES                                    |                |               |
|   | --             | --            |
| <b>SURPLUS FOR THE YEAR</b>                 | <b>2 402</b>   | <b>12 208</b> |