



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

KARAKUL BOARD OF NAMIBIA

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012

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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 Karakul Board of Namibia for the financial year ended 31 March 2012, 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, February 2014

**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 2012**

1. INTRODUCTION

The accounts of the Karakul Board of Namibia for the year ended 31 March 2012 are being reported on in accordance with the provisions set out in the State Finance Act, 1991 (Act 31 of 1991) and 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 in 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 and Section 26(2), of the State Finance Act, 1991 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. Deficits are indicated in brackets.

2. FINANCIAL STATEMENTS

The Board's financial statements were submitted to the Auditor-General by the Accounting Officer. The audited financial statements are in agreement with the general ledger and are filed in the Office of the Auditor-General. The statement of financial position at Annexure A is a true reflection of the original.

The financial statements also include:

- Annexure B: Statement of comprehensive income;
- Annexure C: Statement of changes in equity;
- Annexure D: Statement of cash flows;
- Annexure E: Notes to the financial statements; and
- Annexure F: Detailed income and expenditure accounts.

3. SCOPE OF THE AUDIT

Management's responsibility for the financial statements

The Accounting Officer of the Board is responsible for the preparation and fair presentation of these financial statements and for ensuring the regularity of the financial transactions. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, 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

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 said firm conducted the audit in accordance with International Standards on Auditing. Those standards require that the firm complies with ethical requirements and plans and performs the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 internal 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 financial statements.

4. AUDIT OBSERVATIONS AND COMMENTS

During the audit of the Karakul Board of Namibia the following observations were made with regards to the financial year under review. The report to management presented to the Karakul Board of Namibia without management comments is attached as Annexure G of this report. Observations with regards to the following listed points are included in the report to management:

4.1 Cash basis of accounting versus accrual basis of accounting

The auditors noted that the payments are processed on cash basis not on an accrual basis. This fact was also reported on by the internal audit consultant in the report dated 30 November 2012.

As a result of the application of the cash basis of accounting the matching of income and expenses is not achieved. Understatement of expenses and liabilities and overstatement of surplus in the period in which the expense or liability is not recorded occurs.

Recommendation

Management should consider implementing the accrual basis of accounting in order to ensure that matching of revenue and expenditure is achieved in the financial reporting period to which it relates. This will assist with budget preparation procedures for subsequent financial reporting periods. It also ensures that management accounts presented reflect the correct financial position of the Board at a specific reporting date.

Payments are to be processed from invoices. Invoices are to be captured against creditor's accounts on the applicable invoice date and the payments should be captured on the payment date (not bank statement clearing date).

4.2. Inventory of stunning apparatus (see paragraph 4.10)

The auditors review of the stunning apparatus revenue and expense accounts indicated that stunning apparatus and relevant accessories are not capitalized as inventory in the statement of financial position. Currently all stunning apparatus and relevant accessories acquired are expensed. The relevant matching of stunning apparatus purchased and sold does not occur.

Although a manual inventory control system is in place, possible losses could be experienced. At the current situation assets are understated in the financial statements of the Board.

In the same instance funds receivable for stunning apparatus sold are not accounted for as these are recovered from members pelt sales at bi-annual auctions.

Recommendation

Management should consider the implementation of an inventory control system with regards to the stunning apparatus purchased and to be sold to members. Regular inventory counts are to be conducted in order to ensure that physical stock on hand agrees to theoretical stock on hand as per accounting records. Any discrepancies are to be followed up and cleared.

On the same basis any sales of stunning apparatus are to be accounted for in trade receivables if the recovery of the sales value is only expected during an upcoming pelt auction.

4.3. Property and equipment

Audit finding

As part of the auditors testing with regards to property and equipment we 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.

As part of the verification procedure we noted one asset which is no longer in use. This particular asset (fax machine) has been fully depreciated.

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.

With regards to the physical verification procedures performed as set out above, the risk of not being able to identify a selected asset exists. The possibility of misappropriation of assets belonging to the board thus exists.

Assets no longer in use tend to overstate cost and accumulated depreciation in the accounting records of the Board. Maintenance and management of the fixed asset register may also become burdensome. This also applies to all assets that are capitalized to the fixed asset register with costs of below N\$ 500.

Recommendation

Management should consider the following:

- Identify all assets that are no longer in use and approve the scrapping thereof at a board meeting; and
- Consider implementing a capitalization policy for assets acquired by approving a limit below which assets that are acquired are expensed to the income statement.

The above recommendations will ensure that the management and maintenance of the fixed asset register will be simplified and location of assets can be tested on a regular basis without too much administrative effort.

4.4. 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 in section 17 that:

- (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 the table of the National Assembly. This represents a contravention of the Act by the Board.

Section 19 Offences, Penalties and Presumptions of the Karakul Pelts and Wool Act, 1982 (Act 14 of 1982) and in particular Section 19(1) (j) could be enforced on the Board.

Recommendation

Management should ensure that full compliance with the requirements of the Act is achieved at all times.

4.5 Investment in International Marketing Company (Pty) Ltd

The financial statements reflect an equity investment of N\$ 17 240 in International Marketing Company (Pty) Ltd. On analyzing the financial statements for three consecutive years including the year under review, it was noted that this company is dormant and not trading.

Investments in the company thus appear to be overstated by N\$ 17 240. The Karakul Board owns 100% of the issued share capital of International Marketing Company (Pty) Ltd which is stated in the annual financial statements of the company as N\$ 100.

Recommendation

Management should consider its investment policy and should consider as to whether the investment is to be impaired or not. The relevant resolution is to be signed should a decision be taken to impair the current investment of N\$ 17 240 to N\$ 1.

4.6 Service fee agreement – agency fees

The auditors review of the agency fee expense account for the year under review indicated that the terms of a service agreement entered into are not adhered to. No signed version of the agreement was handed to the auditors during the audit fieldwork stage.

The agency fee documented in the agreement under paragraph 5 states that a service fee of N\$ 308 000 per annum is payable commencing on 1 July 2009. Annual minimum increase is documented to be the weighted average of the consumer price index published from time to time in the government Gazette.

Based on the auditors calculations using the annual service fee per agreement as a base and the applicable consumer price index for the years 2010 to 2012 the auditors calculated an annual agency fee payable of N\$ 361 125. This amount differs materially from the actual agency fees paid for the current year under review of N\$ 506 460.

Recommendation

Management should consider amending the signed service agreement via an addendum rectifying the discrepancy period noted or should consider entering into a new service / agency fee agreement. This agreement should be duly signed by both parties.

4.7 Valid contracts

Audit finding

As part of the auditors review of operating lease rental expenses the auditors noted that no valid legally binding agreements are in place to formalize the operating lease rental relationship between Karakul Board of Namibia and Agra / Walton's with regards to offices rental/ photocopying machine rental respectively.

As a result of the non-existence of valid and signed rental agreements possible disagreements with regards to rental increase percentages might arise. Budgetary planning for the next financial reporting periods is also not possible.

Recommendation

Management should consider formalizing the operating lease rental arrangements with the relevant parties in order to be able to fix operating lease rental expenses and in order to improve on budgetary control procedures.

4.8 Misallocated income with regards to stunning apparatus and inventory on hand (see paragraph 4.2)

Audit finding

The auditors' review of trade and other payables indicated that income relating to the 2013 financial reporting period was accounted for as accounts payable / income received in advance.

It was further noted that stunning apparatus are not accounted for inventory on hand. Auditors observed during the performance of the audit fieldwork that stunning apparatuses were on hand and not accounted for as inventory.

As a result of the above it was noted that the board is overstating its expenditure. In addition matching of expenses incurred for acquiring of stunning apparatus and the sale thereof is not achieved.

Recommendation

The Board should consider the implementation of proper control procedure. This will ensure that improved control over all stunning apparatus purchased and sold is implemented. Together with the performance of monthly / bi-monthly or quarterly stock counts management will be able to improve control and ensure that matching of income and expense is achieved in any given financial reporting period.

4.9 Cut off

As part of the auditors cut off testing procedures performed it was noted that the expenses amounting to N\$ 76 961 being incurred with invoice dates after year end and as a result not applicable to the current year under review.

These expenses have been accounted for in the income statement and thus overstate expenditure incurred and understate the surplus reported on for the current year under review. Matching of expenditure incurred to the correct financial reporting period to which they relate has not been achieved.

Recommendation

Management should ensure that for prepayment of expenses effected that the relevant asset (Pre-paid expense) in the balance sheet is raised in order to achieve correct matching of expenses incurred in the relevant and applicable reporting period.

4.10 Segregation of duties

As per the auditors 2011 and 2010 report it was 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 subjected to the 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.

The auditors also observed that an internal auditor was appointed to assist with various compliance issues which represents a positive step forward in order to address the short comings with regards to segregation of duties that exist in an organization such as the Karakul Board of Namibia.

Circumvention of controls due to the limited number of dedicated staff members allocated to oversee the Boards daily activities might easily occur. This risk is however decreased due to the appointment of an internal auditor.

Recommendation

Management accounts are to be presented on a regular basis to the Board members. Review of management accounts and comparing expenditure incurred versus budgeted expenditure by board members will ensure that the current limitation of segregation of duties due to limited number of allocated staff members will be improved.

Implementation of the internal auditor recommendations as set out in his reports issued are to be implemented as soon as possible.

5. ACKNOWLEDGEMENT

I express my appreciation for the courteous assistance given to my representatives by the Karakul Board of Namibia personnel during the audit.

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 2012, summarized per Annexure A to E, have been audited in terms of Section 17(2) of the Karakul Pelts and Wool Act, 1982 read with Section 25(1)(b) of the State Finance Act, 1991.

Basis for Qualified Opinion

In common with similar organizations, 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 paragraphs

Qualified Opinion

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, these financial statements present fairly, in all material respects, the financial position of the Karakul Board of Namibia as at 31 March 2012, and its financial performance and cash flows for the year then ended in accordance with basis of accounting applicable to the Karakul Board of Namibia, The Karakul Pelts and Wool Act, 1982 (Act 14 of 1982) and the State Finance Act, 1991 (Act 31 of 1991).

WINDHOEK, February 2014

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

KARAKUL BOARD OF NAMIBIA

STATEMENT OF FINANCIAL POSITION

at 31 March 2012

	Notes	2012 N\$	2011 N\$
ASSETS			
Non-current assets			
Property and equipment	3	30 456	14 951
Investments	4	8 650 720	6 004 458
		<u>8 681 176</u>	<u>6 019 409</u>
Current assets			
Trade receivables	5	-	4 881
Cash and cash equivalents	6	141 330	759 673
		<u>141 330</u>	<u>764 554</u>
TOTAL ASSETS		<u><u>8 822 506</u></u>	<u><u>6 783 963</u></u>
EQUITY AND LIABILITIES			
Funds and reserves			
Retained income	2	8 667 109	6 774 283
Current liabilities			
Trade and other payables	7	155 397	9 680
TOTAL EQUITY AND LIABILITIES		<u><u>8 822 506</u></u>	<u><u>6 783 963</u></u>

KARAKUL BOARD OF NAMIBIA

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2012

	Notes	2012 N\$	2011 N\$
Income		2 715 481	2 294 257
Expenditure		<u>(2 463 014)</u>	<u>(1 843 307)</u>
OPERATING DEFICIT		252 467	450 950
Financial income		386 069	557 169
Cost value adjustment: Investment Property		<u>1 254 289</u>	<u>120 144</u>
TOTAL COMPREHENSIVE SURPLUS FOR THE YEAR	2	<u><u>1 892 826</u></u>	<u><u>1 128 263</u></u>

KARAKUL BOARD OF NAMIBIA

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2012

	Notes	Retained income	Total
Balance as at 1 April 2010		5 646 020	5 646 020
Total comprehensive surplus for the year		<u>1 128 263</u>	<u>206 930</u>
Balance as at 31 March 2011		6 774 283	5 852 950
Total comprehensive surplus for the year		<u>1 892 826</u>	<u>1 892 826</u>
Balance as at 31 March 2012	2	<u>8 667 109</u>	<u>7 745 776</u>

KARAKUL BOARD OF NAMIBIA

CASH FLOW STATEMENT

for the year ended 31 March 2012

	Notes	2012 N\$	2011 N\$
Cash flow from operating activities			
Cash utilised from operations	8	1 670 211	775 614
Investment income		<u>386 069</u>	<u>557 169</u>
<i>Net cash inflow / (outflow) from operating activities</i>		<u>2 056 280</u>	<u>1 332 783</u>
Cash flows from investing activities			
Increase in investments		(2 646 262)	(1 292 336)
Additions to property, plant and equipment	3	<u>(28 361)</u>	<u>(13 138)</u>
<i>Net cash inflow from investing activities</i>		<u>(2 674 623)</u>	<u>(1 305 474)</u>
Net change in cash and cash equivalents		(618 343)	27 309
Cash and cash equivalents at beginning of year		759 673	732 364
Cash and cash equivalents at end of year	6	<u><u>141 330</u></u>	<u><u>759 673</u></u>

KARAKUL BOARD OF NAMIBIA

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2012

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 2012

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 2012

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

	2012	2011
	N\$	N\$
2. OWN FUNDS		
<i>Funds and reserves</i>		
Opening balance	6 774 283	5 646 020
Surplus / (deficit) for the year	<u>1 892 826</u>	<u>1 128 263</u>
Total funds	<u><u>8 667 109</u></u>	<u><u>6 774 283</u></u>
<i>Funds and reserves are represented by:</i>		
2.1 Karakul Pelt Levy Fund		
Balance - 1 April	(277 185)	(389 044)
Surplus / (deficit) for the year	<u>315 130</u>	<u>111 859</u>
Balance - 31 March	<u><u>37 945</u></u>	<u><u>(277 185)</u></u>

ANNEXURE E

KARAKUL BOARD OF NAMIBIA

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2012

	<u>2012</u>	<u>2011</u>
	N\$	N\$
2.2 Special Karakul Pelt Levy Fund		
Balance - 1 April	83 648	(407 947)
Surplus / (deficit) for the year	<u>639 909</u>	<u>491 595</u>
Balance - 31 March	<u><u>723 557</u></u>	<u><u>83 648</u></u>
2.3 Wool Levy Fund		
Balance - 1 April	(2 197)	20 692
Surplus / (deficit) for the year	<u>(13 149)</u>	<u>(22 889)</u>
Balance - 31 March	<u><u>(15 346)</u></u>	<u><u>(2 197)</u></u>

KARAKUL BOARD OF NAMIBIA

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2012

	2012	2011
	N\$	N\$
2. OWN FUNDS (continued)		
<i>Funds and reserves are represented by (continued):</i>		
2.4 General Reserve Fund		
Balance - 1 April	387 751	267 607
Surplus / (deficit) for the year	<u>878 486</u>	<u>120 144</u>
Balance - 31 March	<u><u>1 266 237</u></u>	<u><u>387 751</u></u>
2.5 Contingency Reserve Fund		
Balance - 1 April	<u>1 670 097</u>	<u>1 670 097</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	3 576 043	3 150 891
Surplus / (deficit) for the year	<u>70 075</u>	<u>425 152</u>
Balance - 31 March	<u><u>3 646 118</u></u>	<u><u>3 576 043</u></u>

KARAKUL BOARD OF NAMIBIA

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2012

	<u>2012</u>	<u>2011</u>
	N\$	N\$
2.7 Consolidated Support Account		
Balance - 1 April	<u>1 497 386</u>	<u>1 497 386</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	(814 768)	(817 170)
Surplus / (deficit) for the year	<u>2 375</u>	<u>2 402</u>
Balance - 31 March	<u><u>(812 393)</u></u>	<u><u>(814 768)</u></u>
2.9 Funds utilised for assets		
Balance - 1 April	<u>653 508</u>	<u>653 508</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 2012

3. PROPERTY AND EQUIPMENT

	Office equipment	Furniture and Fittings	Total
	N\$	N\$	N\$
31 March 2012			
Opening net book value	5 119	9 832	14 951
Additions	13 784	14 577	28 361
Depreciation charge	<u>(6 777)</u>	<u>(6 079)</u>	<u>(12 856)</u>
Closing carrying amount	<u>12 126</u>	<u>18 330</u>	<u>30 456</u>
Cost	50 198	25 390	75 588
Accumulated depreciation	<u>(38 072)</u>	<u>(7 060)</u>	<u>(45 132)</u>
Net book value	<u>12 126</u>	<u>18 330</u>	<u>30 456</u>
31 March 2011			
Opening net book value	9 834	- -	9 834
Additions	2 325	10 813	13 138
Depreciation charge	<u>(7 040)</u>	<u>(981)</u>	<u>(8 021)</u>
Closing carrying amount	<u>5 119</u>	<u>9 832</u>	<u>14 951</u>
Cost	36 414	10 813	47 227
Accumulated depreciation	<u>(31 295)</u>	<u>(981)</u>	<u>(32 276)</u>
Net book value	<u>5 119</u>	<u>9 832</u>	<u>14 951</u>

KARAKUL BOARD OF NAMIBIA

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2012

	<u>2012</u>	<u>2011</u>
	N\$	N\$
Financed from:		
Revenue account	<u>30 456</u>	<u>14 951</u>
	<u>30 456</u>	<u>14 951</u>

KARAKUL BOARD OF NAMIBIA

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2012

	2012	2011
	N\$	N\$
4. INVESTMENTS		
Investment House Namibia - Money Market	6 344 653	-
Bank Windhoek - Investment Fund	-	4 952 680
Investment property - The Control Body of the Agricultural Boards' Building	2 288 827	1 034 538
Investment - International Marketing Company (Pty) Ltd	17 240	17 240
	<u>8 650 720</u>	<u>6 004 458</u>
<i>Investment property</i>		
Opening balance	1 034 538	694 882
Additions: Cost sharing	1 254 289	219 512
% Cost holding adjustment	-	120 144
	<u>2 288 827</u>	<u>1 034 538</u>
Closing balance	<u>2 288 827</u>	<u>1 034 538</u>

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 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.

KARAKUL BOARD OF NAMIBIA

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2012

	<u>2012</u>	<u>2011</u>
	N\$	N\$
<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	<u>2 009 794</u>	<u>2 009 794</u>
	<u>23 680 794</u>	<u>23 680 794</u>
18 % holding in the Control Body of the Agricultural Boards' Building	<u>4 262 543</u>	<u>4 262 543</u>
5. TRADE AND OTHER RECEIVABLES		
Pre-paid expenses - Kopenhagen Fur Project	<u>-</u>	<u>4 881</u>
Grant Ministry of Agriculture, Water and Forestry	<u>-</u>	<u>4 881</u>
6. CASH AND CASH EQUIVALENTS		
Petty cash	1 500	680
Bank Windhoek Call Account	236 688	1 018 306
Investment House Namibia Call Account	21 405	-
Bank Windhoek (Overdraft) / Current account	<u>(118 263)</u>	<u>(259 313)</u>
	<u>141 330</u>	<u>759 673</u>

KARAKUL BOARD OF NAMIBIA

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2012

	2012	2011
	N\$	N\$
7. TRADE AND OTHER PAYABLES		
Accruals	140 732	1 380
Provision for audit fees	14 665	8 300
	<u>155 397</u>	<u>9 680</u>

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:	1 892 826	1 128 263
Adjusted for:		
Interest income	(386 069)	(557 169)
Depreciation	12 856	8 021
Changes in working capital:		
Decrease/(increase) in trade and other receivables	4 881	195 119
Increase/(decrease) in trade and other payables	145 717	1 380
Cash utilised from operations	<u>1 670 211</u>	<u>775 614</u>

KARAKUL BOARD OF NAMIBIA

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2012

	2012	2011
	N\$	N\$
Additional notes		
9. OBJECTIVES OF FUNDS		
9.1 Karakul Pelt Levy Fund		
<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	14 665	8 300

KARAKUL BOARD OF NAMIBIA

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2012

9. OBJECTIVES OF FUNDS (continued)**9.1 Special Karakul Pelt Levy Fund**Objective

The Fund was established to promote the Karakul pelt industry.

Allocation of levies

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.

9.2 Wool Levy FundObjective

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.

9.3 General FundEstablishment

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.

9.4 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.

9.5 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 2012

	<u>2012</u>	<u>2011</u>
	N\$	N\$
KARAKUL PELT LEVY FUND		
INCOME		
Levy on Karakul Pelts	<u>1 157 617</u>	<u>947 962</u>
	<u>1 157 617</u>	<u>947 962</u>
BOARD EXPENSES		
Remuneration	42 539	50 307
Subsistence and transport costs	115 748	154 074
Insurance	<u>5 546</u>	<u>5 546</u>
	<u>163 832</u>	<u>209 927</u>
GENERAL EXPENSES		
Affiliation fee - NAU	2 500	2 500
Agency fees	506 460	460 920
Audit fees	26 269	2 472
Bank charges	15 176	11 913
Board structure development	-	30 658
Consulting fees	157	6 000
Depreciation	12 856	8 021
Functions	6 363	14 451
Grant to Namibian National Farmers Union	2 500	2 500
Insurance	3 625	3 887
Karakul Producers meeting	19 334	26 570

ANNEXURE E

KARAKUL BOARD OF NAMIBIA

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2012

	<u>2012</u>	<u>2011</u>
	N\$	N\$
Lease - Copy machine	9 968	2 376
Legal fees	15 000	-
Printing of annual report	8 993	8 820
Rent	18 868	11 201
Secretarial fees	-	1 726
Stationery	10 013	3 959
Subsistence and travel	6 332	14 804
Sundry expenses	6 841	3 494
Telephone and fax	5 536	9 904
Travel assistance	1 863	-
	<u>678 655</u>	<u>626 176</u>
TOTAL EXPENSES	<u>842 487</u>	<u>836 103</u>
SURPLUS / (DEFICIT) FOR THE YEAR	<u><u>315 130</u></u>	<u><u>111 859</u></u>

KARAKUL BOARD OF NAMIBIA

DETAILED INCOME AND EXPENDITURE ACCOUNTS (continued)

for the year ended 31 March 2012

	<u>2012</u>	<u>2011</u>
	N\$	N\$
SPECIAL KARAKUL PELT LEVY FUND		
INCOME		
Levy on Karakul Pelts	1 157 617	947 962
Grant from Ministry of Agriculture, Water and Rural Development	225 000	200 000
Grant from IFTF	165 000	187 500
	<u>1 547 617</u>	<u>1 335 462</u>
EXPENSES		
Der Gross Preis	9 457	--
Foreign visitors	7 243	16 403
Project expenses - EFRA / Expo 2010	--	39 134
Promotions - foreign	657 659	396 894
Promotions - local	31 637	27 660
Stunning apparatus	--	184 383
Traveling - foreign	201 713	179 393
	<u>907 708</u>	<u>843 867</u>
TOTAL EXPENSES	<u>907 708</u>	<u>843 867</u>
SURPLUS FOR THE YEAR	<u><u>639 909</u></u>	<u><u>491 595</u></u>
WOOL LEVY FUND		
INCOME		
Levy on Wool	7 872	8 431
EXPENSES		
Windhoek Show expenses	21 021	31 320
	<u>(13 149)</u>	<u>(22 889)</u>
DEFICIT FOR THE YEAR	<u><u>(13 149)</u></u>	<u><u>(22 889)</u></u>

KARAKUL BOARD OF NAMIBIA

DETAILED INCOME AND EXPENDITURE ACCOUNTS (continued)

for the year ended 31 March 2012

	2012	2011
	N\$	N\$
GENERAL RESERVE FUND		
INCOME		
Fair value adjustment - Investment property	1 254 289	120 144
EXPENSES	375 803	--
SURPLUS FOR THE YEAR	<u>878 486</u>	<u>120 144</u>
GENERAL FUND		
INCOME		
Interest on investment	386 069	557 169
EXPENSES		
Interest - Grey advance	2 143	1 914
Swakara Centenary expenses	313 852	130 103
	<u>315 994</u>	<u>132 017</u>
SURPLUS FOR THE YEAR	<u>70 075</u>	<u>425 152</u>

KARAKUL BOARD OF NAMIBIA

DETAILED INCOME AND EXPENDITURE ACCOUNTS

for the year ended 31 March 2012

SWAKARA CENTENARY FUND

	<u>2012</u>	<u>2011</u>
	N\$	N\$
INCOME		
Centenary income	<u>2 375</u>	<u>2 402</u>
EXPENSES	<u>-</u>	<u>-</u>
SURPLUS FOR THE YEAR	<u><u>2 375</u></u>	<u><u>2 402</u></u>