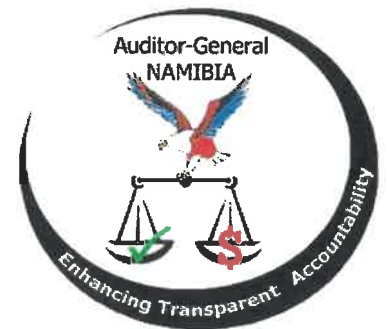




REPUBLIC OF NAMIBIA

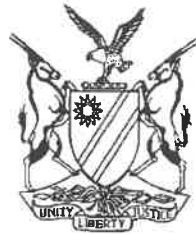


REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
KARAKUL BOARD OF NAMIBIA
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

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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 2017, in terms of Article 127(2) of the Namibian Constitution. The report is transmitted to the Honourable Minister of Agriculture in terms of Section 17(4) of the Karakul Pelts and Wool Act, 1982 (Act No.14 of 1982) to be laid upon the Table of the National Assembly.

A handwritten signature in black ink, appearing to read 'Junias Etuna Kandjeke'.

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

WINDHOEK, February 2018

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
KARAKUL BOARD OF NAMIBIA
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017**

1. REPORT ON THE FINANCIAL STATEMENTS

1.1 INTRODUCTION

The accounts of the Karakul Board of Namibia for the financial year ended 31 March 2017 is presented to the National Assembly in accordance with Section 17 (2) of the Karakul Pelts and Wool Act, 1982 (Act No. 14 of 1982).

Figures in the report are rounded to the nearest Namibia dollar and deficits are indicated in (brackets).

I certify that I have audited the accompanying financial statements of the Karakul Board of Namibia for the financial year ended 31 March 2017. These financial statements comprise of the following:

Annexure A: Statement of financial position;
Annexure B: Statement of comprehensive income;
Annexure C: Statement of changes in equity;
Annexure D: Statement of cash flow; and
Annexure E: Notes to the financial statements.

The Karakul Board's financial statements were submitted timeously on 13 August 2017 by the Board to the Auditor-General as stipulated in terms of Section 17(3) of the Karakul Pelts and Wool Act, 1982 (Act No. 14 of 1982).

2. MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Section 17 (1) of the Karakul Pelts and Wool Act, 1982 (Act No. 14 of 1982) and relevant legislation, and for such internal control as management determines it necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

3. AUDITOR'S RESPONSIBILITY

My responsibility is to express an opinion on these financial statements based on the audit. I conducted the audit in accordance with International Standards for Supreme Audit Institutions (ISSAIs). These standards require that I comply with ethical requirements, plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement

Powers and duties

Section 25(1) (c) of the State Finance Act, 1991, provides that the Auditor-General should satisfy himself that:

- (a) All reasonable precautions have been taken to ensure that all monies due to the State are collected, and that the laws relating to the collection of such monies have been complied with;
- (b) All reasonable precautions have been taken to safeguard the receipt, custody and issue of and accounting for, the State's assets, such as stores, equipment, securities and movable goods; and
- (c) The expenditure has taken place under proper authority and is supported by adequate vouchers or other proof.

In addition, Section 26(1)(b)(iv) of the State Finance Act, 1991, empowers the Auditor-General to investigate and report on the economy, efficiency and effectiveness of the use of the State's resources.

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.

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

4. ACKNOWLEDGEMENT

The assistance and co-operation given by the management and staff of the Karakul Board during the audit is appreciated.

5. KEY AUDIT FINDINGS

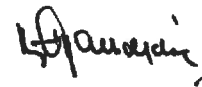
No material key audit findings were observed during the audit.

6. UNQUALIFIED AUDIT OPINION

The accounts of the Karakul Board of Namibia for the year ending 31 March 2017, summarized in Annexure A-E, were audited by me in terms of Section 17(2) of the Karakul Pelts and Wool Act, 1982 (Act No. 14 of 1982).

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Karakul Board of Namibia as at 31 March 2017, and their financial performance and cash flows for the year then ended.

WINDHOEK, February 2018



**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**KARAKUL BOARD OF NAMIBIA
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH**

COMPOSITION OF THE BOARD

The Board for the period 1 January 2013 to 31 December 2016 consist of the following members:

Substantive members:

- R von Hase	Chairperson - Swakara Producer
- G Biwa	Vice- chairperson - Swakara Producer
- D Honsbein	Marketing Organization
- A Klein	Marketing Organization
- J Meyer	Swakara Breeders' Society
- J Motinga	Swakara Producer
- PC Apollus	Swakara Producer

Alternate members:

- L van Wyk	Swakara Producer
- R Schreiber	Swakara Breeders' Society
- PH Hugo	Swakara Producer
- P Kazmaier	Marketing Organization
- S Goliath	Swakara Producer (from 1 January 2014)
- WJ Kohlman	Swakara Producer (from 1 January 2014)

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

- T le Roux	Manager: Swakara Breeders' Society
- B Rothkegel	Swakara Consultant
- J Duffield-Harding	AGRA Pelt Centre

The Board for the period 1 January 2017 to 31 December 2020 consits of the following members:

- J Meyer
- J Motinga
- PH Hugo
- WJ Kohlman
- AC Baisako
- A Klein

KARAKUL BOARD OF NAMIBIA
STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH

	Note	2017 N\$	2016 N\$
ASSETS			
Non-current assets		10 618 623	10 528 179
Property and equipment	3	4 289	43 751
Investments	4	10 572 262	10 416 870
Other loans	5	42 072	67 558
Current assets		8 124 885	7 438 243
Accounts receivable and prepayments	6	2 035 452	2 415 666
Cash and cash equivalents	7	6 089 433	5 022 577
Total assets		18 743 508	17 966 422
EQUITY AND LIABILITIES			
Funds and reserves		17 658 382	17 481 599
Retained income	2	17 658 382	17 481 599
Current liabilities		1 085 126	484 823
Trade and other payables	8	1 085 126	484 823
Total members' interest and liabilities		18 743 508	17 966 422

ANNEXURE B

KARAKUL BOARD OF NAMIBIA
STATEMENT OF COMPREHENSIVE INCOME AS AT 31 MARCH

	Note	2017 N\$	2016 N\$
Income	2	2 144 362	2 255 397
Expenditure	2	(3 007 380)	(3 291 821)
Net operating surplus		(863 018)	(1 036 424)
Other income		800	3 034
Net financial income	9	758 303	660 344
Dividends Agri Building		280 698	76 364
Fair value adjustment on Investment property	4	-	6 179 796
Net operating surplus for the year		176 783	5 883 114

KARAKUL BOARD OF NAMIBIA
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH

	Retained income	Total
	N\$	N\$
Balance as at 1 April 2015	11 598 485	11 598 485
Net surplus for the year	5 883 114	5 883 114
Balance as at 31 March 2016	17 481 599	17 481 599
Balance as at 1 April 2016	17 481 599	17 481 599
Net surplus for the year	176 783	176 783
Balance as at 31 March 2017	17 658 382	17 658 382

ANNEXURE D

KARAKUL BOARD OF NAMIBIA
STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 MARCH

	<u>Note</u>	<u>2017</u>	<u>2016</u>
		N\$	N\$
Cash flows from operating activities			
Cash utilized from operations	10	402 459	653 018
Net financial income	9	758 303	660 344
<i>Net cash flow from / (to) operating activities</i>		<u>1 160 762</u>	<u>1 313 362</u>
Cash flows from investing activities			
Decrease / (Increase) in investments		(155 392)	(1 948 246)
Property, plant and equipment sold/(acquired)	3	36 000	(8 578)
Decrease in Loans receivable		25 486	23 779
<i>Net cash flow from / (to) investing activities</i>		<u>(93 906)</u>	<u>(1 933 045)</u>
Net increase / (decrease) in cash and cash equivalents		1 066 856	(619 683)
Cash and cash equivalents			
at the beginning of the year		<u>5 022 577</u>	<u>5 642 260</u>
at the end of the year	7	<u>6 089 433</u>	<u>5 022 577</u>

KARAKUL BOARD OF NAMIBIA**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH**

1. ACCOUNTING POLICIES

The annual financial statements have been compiled in accordance with generally accepted accounting practice for similar organisations and the Karakul Pelts and Wool Act, 1982 (Act No. 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. These are presented in Namibia Dollar.

These accounting policies are consistent with the previous year.

1.1 Significant judgments and source of estimation uncertainty

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

Financial assets measured at cost and amortized cost

The Board assesses its financial assets measured at cost and amortized cost for impairment at each reporting date. In determining whether and impairment loss should be recorded in the statement of comprehensive income, the Board makes judgments as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset. The impairment measured for financial assets measured at cost and amortized 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.

**KARAKUL BOARD OF NAMIBIA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 MARCH (continued)**

1.2 Property, plant and equipment

Property, plant and equipment are stated at cost or at valuation where assets have been acquired by a grant or donation, less depreciation written off over the expected useful lives as determined by the Board from time to time. Property, plant and equipment acquired with loan funds are not depreciated until the loan is repaid, unless the expected lifetime of the assets 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.

Gains and losses on disposal of property, plant 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 amortized cost

Financial instruments may be designated to be measured at amortized cost less any impairment using the effective interest rate 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 recognized.

Financial instruments at cost

Equity instruments that are not publically traded and whose fair value cannot otherwise be measured reliably are measured at cost less impairment. This include 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 instrument measured at amortized 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.

KARAKUL BOARD OF NAMIBIA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 MARCH (continued)

1.4 Trade receivables

Trade receivables are carried at anticipated realizable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at the 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 amortized 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, 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 Operating Leases

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

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 recognized in profit and loss using the effective interest rate method.

1.10 Inventories and work in progress

Inventories are stated at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

KARAKUL BOARD OF NAMIBIA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 MARCH (continued)

	Note	2017	2016
		N\$	N\$
2. Own Funds			
Funds and reserves			
Opening balance		17 481 599	11 598 485
Surplus / (deficit) for the year		176 783	5 883 114
Total funds		17 658 382	17 481 599

Funds and reserves are presented by:

2.1 Karakul Pelt Levy Fund

Income

Levy on pelts	967 330	1 019 260
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Board expenses

Remuneration	107 095	94 980
Subsistence and transport cost	280 094	206 417
Insurance	15 528	15 528

General expenses

Agency fee	797 995	745 790
Consultancy fee	5 000	8 625
Staff subsistence & travel	29 098	26 517
Office rent	43 485	36 000
Post Office Services	18 691	13 275
Stationary & Printing	15 340	15 881
Lease Photocopier	18 799	18 615
Training	7 434	4 447
Insurance	3 648	4 388
Social Functions	35 585	17 112
Consumables	326	722
Incidental Expenses	286	1 692

KARAKUL BOARD OF NAMIBIA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 MARCH (continued)

	Note	2017	2016
		N\$	N\$
Printing of annual report		29 072	-
Financial & Audit fees		115 252	35 650
Capital expenditure		10 045	7 076
Bank charges		7 840	12 409
Swakara Industry Forum		47 180	37 901
Travel assistance		-	2 900
Grant NNFU		-	2 800
Affiliation fee NAU		3 059	2 898
Surplus/(Deficit) for the year		(623 522)	(292 363)
Fund Balance at the beginning of the year		813 119	1 105 482
Fund Balance at the end of the year		189 597	813 119
2.2 Special Karakul Pelt Levy Fund			
Income		1 170 036	1 235 639
Levy on pelts		967 330	1 019 260
Grant from International Fur Trade Federation		202 706	216 379
Expenses		1 187 536	1 499 882
Swakara labels		5 357	8 741
IFTF membership		11 055	9 492
National/International Newsletters		3 350	9 319
Webpage development		1 185	2 124
Sandy Parker reports		2 138	2 364
Ars Arpel magazine		2 493	3 071
Deutshes Pelz Institut membership		3 677	4 567
Swakara/Kopenhagen Fur promotion project		712 148	777 605
Design School		81 054	75 534
Unforseen		-	300

ANNEXURE E

KARAKUL BOARD OF NAMIBIA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 MARCH (continued)

	Note	2017 N\$	2016 N\$
Overseas visit - Greece		27 272	-
Overseas visit - Hong Kong		71 309	84 915
Overseas visit - Premier vision		32 409	103 551
Overseas visit - IFTF meetings		40 485	29 176
Overseas visit - Copenhagen		72 543	6 853
Printing of Annual Report with SBS Yearbook		45 000	45 000
Promotional material		46 710	147 043
Parliament Info Pack		-	9 798
LAIN membership		500	500
Namibian Young Designers Competition		-	127 236
Unforeseen		-	1 434
Overseas visitors		-	15 959
Training courses and Information days		18 851	10 300
Keetmanshoop Show		10 000	25 000
Surplus/(Deficit) for the year		(17 500)	(264 243)
Fund Balance at the beginning of the year		868 119	1 132 362
Fund Balance at the end of the year		850 619	868 119
2.3 Wool Levy Fund			
Income			
Wool levy		6 996	498
Expenses		-	13 400
Wool felting		-	13 400
Surplus/(Deficit) for the year		6 996	(12 902)
Fund Balance at the beginning of the year		(211 852)	(198 950)
Fund Balance at the end of the year		(204 856)	(211 852)

KARAKUL BOARD OF NAMIBIA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 MARCH (continued)

	Note	2017 N\$	2016 N\$
2.4 General Reserve Fund			
Income		1 039 801	6 919 538
Net financial income		758 303	660 344
Dividends Agri Building		280 698	76 364
Fair value adjustment - Investment property		-	6 179 796
Other income		800	3 034
Expenses		12 781	11 440
Depreciation		2 857	6 780
Bad debts		9 320	4 660
Loss on Property, plant and equipment sold/written off		604	-
Surplus/(Deficit) for the year		1 027 020	6 908 098
Fund Balance at the beginning of the year		9 830 062	2 921 964
Fund Balance at the end of the year		10 650 191	9 830 062
2.5 Contingency Reserve Fund			
Expenses		216 211	455 476
Claims damaged pelts		-	455 476
Code of practice		85 000	-
Wool Industry Project		119 369	-
Brucella Ovis Awareness Campaign		11 842	-
Surplus/(Deficit) for the year		(216 211)	(455 476)
Fund Balance at the beginning of the year		1 214 621	1 670 097
Fund Balance at the end of the year		998 410	1 214 621

**KARAKUL BOARD OF NAMIBIA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 MARCH (continued)**

	Note	<u>2017</u> N\$	<u>2016</u> N\$
Own Funds (continued)			
2.6 General Fund			
Fund Balance at the beginning of the year		<u>2 834 660</u>	<u>2 834 660</u>
Fund Balance at the end of the year		<u>2 834 660</u>	<u>2 834 660</u>
2.7 Consolidated Support Account			
Fund Balance at the beginning of the year		<u>1 497 386</u>	<u>1 497 386</u>
Fund Balance at the end of the year		<u>1 497 386</u>	<u>1 497 386</u>
2.8 Funds utilized for assets			
Fund Balance at the beginning of the year		<u>635 485</u>	<u>635 485</u>
Fund Balance at the end of the year		<u>635 485</u>	<u>635 485</u>

KARAKUL BOARD OF NAMIBIA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 MARCH (continued)

3. Property, plant and equipment

	Office Equipment	Furniture & Fittings	Total
	N\$	N\$	N\$
3.1 31 March 2017			
Opening net book amount	7 142	36 609	43 751
Sale of assets/Written off	(7)	(36 598)	(36 605)
Depreciation	(2 857)	-	(2 857)
Closing net book amount	4 278	11	4 289
Cost	45 430	38 213	83 643
Accumulated depreciation	(41 152)	(38 202)	(79 354)
Net book amount	4 278	11	4 289
3. Property, plant and equipment (continued)			
3.2 31 March 2016			
Opening net book amount	2 039	39 911	41 950
Additions/Revaluations	8 578	-	8 578
Depreciation	(3 475)	(3 302)	(6 777)
Closing net book amount	7 142	36 609	43 751
Cost	63 974	76 739	140 713
Accumulated depreciation	(56 832)	(40 130)	(96 962)
Net book amount	7 142	36 609	43 751

*NB! Note 3.1 Sale of assets/written off do not agree to the cash flow statement. See paragraph 5.1

KARAKUL BOARD OF NAMIBIA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 MARCH (continued)

	Note	2017 N\$	2016 N\$
4. Investments			
Investment House Namibia - Money market and Treasury bills		2 103 638	1 948 246
Investment property - The Control Body of the Agricultural Board's Building		8 468 623	8 468 623
Investment - International Marketing Company (Pty) Ltd		1	1
		10 572 262	10 416 870

On 31 March 2016 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 Board.

Movement in Investment property

Opening balance	8 468 623	2 288 827
Revaluation of Investment	-	6 179 796
Closing balance	8 468 623	8 468 623

5. Other loans

PJB Steyn	42 072	67 558
	42 072	67 558

The loan was made to PJB Steyn for the procurement of wool shearing equipment. The loan is repayable over 5 years in 10 bi-annual instalments. The loan bears interest at prime less 3% per annum.

KARAKUL BOARD OF NAMIBIA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 MARCH (continued)

	Note	2017 N\$	2016 N\$
6. Trade and other receivables			
Trade and other receivables		126 451	47 992
Swakara Pelt Advances		1 909 001	2 367 674
		2 035 452	2 415 666
7. Cash and cash equivalents			
Petty cash		11	(930)
Bank Windhoek Call Account		4 218	4 045
Investment House Namibia Call Account		5 974 009	4 986 099
Bank Windhoek - Current account		111 195	33 363
		6 089 433	5 022 577
8. Trade and other payables			
Provision for audit fees		-	31 165
Trade payables		1 085 126	155 084
Provision for damage pelts claims		-	298 574
		1 085 126	484 823
9. Net financial income			
Interest on investments		648 609	508 421
Interest on pelt advances		109 694	151 923
		758 303	660 344

KARAKUL BOARD OF NAMIBIA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 MARCH (continued)

	Note	2017	2016
		N\$	N\$
10. Cash flow from Operations			
Reconciliation of net surplus to cash utilized in operations:			
Net surplus before adjustments:		176 783	5 883 114
Adjusted for:			
Interest income		(758 303)	(660 344)
Depreciation		2 857	6 780
Fair value adjustment		-	(6 179 796)
Loss on Property, plant and equipment sold/written off		604	-
Change in working capital:			
Decrease in trade and other receivables		380 214	1 473 401
Increase in trade and other payables		600 304	129 863
Cash (utilized in)/obtained from operations		402 459	653 018