



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

KARAKUL BOARD OF NAMIBIA

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

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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 2019, 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 2020

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
KARAKUL BOARD OF NAMIBIA
FOR THE YEAR ENDED 31 MARCH 2019**

1. UNQUALIFIED AUDIT OPINION

I have audited the financial statements of the Karakul Board of Namibia for the financial year ended 31 March 2019. These financial statements comprise the statement of financial position, abridged income statement, statement of changes in equity, statement of cash flow and notes to the annual financial statements for the year then ended, and a summary of significant accounting policies.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Karakul Board of Namibia as at 31 March 2019 and its financial performance and their receipts and payments /cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

2. BASIS FOR AUDIT OPINION

I conducted my audit in accordance with International Standards for Supreme Audit Institutions (ISSAIs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the entity in accordance with the Code of Ethics for Supreme Audit Institutions together with the ethical requirements that are relevant to my audit of the financial statements in Namibia, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the Code of Ethics. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

3. KEY AUDIT MATTERS

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters. The following matters were identified:

MATTER	RECOMMENDATION
<p>3.1 At financial statement analysis it was observed that the Board used a wrong Financial Reporting Framework NAC 001 to prepare its financial statements for the year ended 31 March 2019.</p>	<p>The auditors analysed the requirements needed for the entity to utilise NAC001 Reporting Framework and the Board was found to be a public interest entity given the mandate as established in the Karakul Pelt and Wool Act, (Act No 14 of 1982). The Boards management was briefed on the matter and agreed to resubmit new financial statements in accordance IFRS.</p>

<p>3.2 Investment in property recognised at fair value in the financial statements pertaining to the Agricultural Board's Building with shareholding of 18% was confirmed to be overstated by N\$ 147 223 (19%) with confirmation from the Governing Body Financial Statements and latest revaluation reports on Erf 744 and Erf 749 respectively.</p>	<p>The auditors obtained the latest Agricultural Board's financial statements and valuation certificates and cast confirmed the shareholding in N\$ 46 230 000 of which 18% represent N\$ 8 321 400 against the disclosed N\$ 8 468 623. Management agreed to retrospectively rectify the overstatement in the financial statements with adjustments.</p>
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4. OTHER INFORMATION

Management is responsible for the other information. The auditor's opinion on the financial statements does not cover the other information and, accordingly, the auditor does not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. I have nothing to report in this regard.

5. RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Framework and legislation, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible of overseeing the Entity's financial reporting process.

6. AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE FINANCIAL STATEMENTS

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs), will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the International Standards for Supreme Audit Institutions, I exercise professional scepticism throughout the audit, I also;

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies uses and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence, obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date in the audit report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.
- I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in the audit report unless law or regulation precludes public disclosure about the matter or, when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

7. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The financial statements were submitted by the Accounting Officer to the Auditor-General in compliance with 17(2) of the Karakul Board of Namibia, (Act No 14 of 1982) except that they were only submitted to the Auditor-General on the 18 October 2019 instead of three months after the financial year-end.

8. ACKNOWLEDGEMENT

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

WINDHOEK, February 2020



**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

KARAKUL BOARD OF NAMIBIA
STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 MARCH

	Note	2019 N\$	2018 N\$
ASSETS			
Non-current assets		14 450 180	15 360 868
Property and equipment	3	1 642	4 054
Investments	6	6 127 138	7 020 865
Investment property	4	8 321 400	*8 321 400
Other loans		-	14 549
Current assets		3 064 804	3 444 409
Accounts receivable and prepayments	5	288 674	576 484
Inventory		543 559	543 559
Cash and cash equivalents	7	2 232 571	2 324 366
Total assets		17 514 984	18 805 277
EQUITY AND LIABILITIES			
Funds and reserves		17 331 104	18 112 421
Retained income	15	17 331 104	*18 112 421
Current liabilities		183 880	692 856
Trade and other payables	8	183 880	692 856
Total members' interest and liabilities		17 514 984	18 805 277

(*) See paragraph 3 page 1 and note 13 page 19 refer below:

The auditors obtained the latest Agricultural Board's financial statements and valuation certificates and cast confirmed the shareholding in N\$ 46 230 000 of which 18% represent N\$ 8 321 400 against the disclosed N\$ 8 468 623. Management agreed to retrospectively rectify the overstatement in the financial statements with adjustments.

KARAKUL BOARD OF NAMIBIA
ABRIDGED INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH

		2019	2018
	Note	N\$	N\$
Income	9	1 232 289	2 787 679
Expenditure	16	<u>(2 977 036)</u>	<u>(3 247 120)</u>
Net operating surplus		(1 744 747)	(459 441)
Other investment income	11	963 430	1 060 702
Net operating (loss)/surplus for the year		<u>(781 317)</u>	<u>601 261</u>

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

	Karakul Pelt Levy Fund	Special Karakul Pelt levy Fund	Wool Levy Fund	General Reserve Fund	Contingent Reserve Fund	General Fund	Consolidated Support Fund	Fund utilization for assets	Total funds and reserves	Funds and Reserves
	N\$	N\$	N\$	N\$	N\$	N\$	N\$	N\$	N\$	N\$
Balance as at 1 April 2017	189 597	850 619	(204 859)	10 709 859	998 410	2 834 660	1 497 386	635 485	17 511 157	17 511 157
Profit for the year	(292 719)	239 284	7 725	1 056 834	(409 863)	-	-	-	601 261	601 261
Total comprehensive income for the year	(292 719)	239 284	7 725	1 056 834	(409 863)	-	-	-	601 261	601 261
Balance as at 01 April 2018	(103 122)	1 089 903	(197 134)	11 766 693	588 547	2 834 660	1 497 386	635 485	18 112 418	18 112 418
Loss for the year	(1 284 348)	(249 016)	626	954 232	(202 811)	-	-	-	(781 317)	(781 317)
Total comprehensive loss for the year	(1 284 348)	(249 016)	626	954 232	(202 811)	-	-	-	(781 317)	(781 317)
Balance as at 31 March 2019	(1 387 470)	840 887	(196 508)	12 720 925	385 736	2 834 660	1 497 386	635 485	17 331 101	17 331 101

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

	Note	2019 N\$	2018 N\$
Cash flows from operating activities			
Cash utilized from operations	12	(1 963 502)	67 567
Net financial income		629 437	721 521
Dividend income		333 993	339 181
Net cash flow from / (to) operating activities		(1 000 072)	1 128 269
Cash flows from investing activities			
Decrease / (Increase) in investments		893 728	1 056 783
Property, plant and equipment sold/(acquired)	3	-	(3 633)
Decrease in Loans receivable		14 549	27 523
Net cash flow from / (to) investing activities		908 277	1 080 673
Net increase / (decrease) in cash and cash equivalents		(91 795)	2 208 942
Cash and cash equivalents			
at the beginning of the year		2 324 366	115 424
at the end of the year	7	2 232 571	2 324 366

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

ACCOUNTING POLICIES

1. Significant accounting policies

The principal accounting policies applied in the preparation of these annual financial statements are set out below.

1.1 Basis of preparation

The annual financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these annual financial statements and the Karakul Pelts and Wool Act, 1982.

The annual financial statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below. They are presented in Namibia Dollars, which is the Board's functional currency.

These accounting policies are consistent with the previous period, except for the changes set out in note 2.

1.2 Investment property

Investment property is recognised as an asset when, and only when, it is probable that the future economic benefits that are associated with the investment property will flow to the enterprise, and the cost of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

A gain or loss arising from a change in fair value is included in net profit or loss for the period in which it arises.

1.3 Property, plant and equipment

Property, plant and equipment are tangible assets which the Board holds for its own use or for rental to others and which are expected to be used for more than one year.

An item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the company, and the cost of the item can be measured reliably.

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

1.3 Property, plant and equipment (continued)

Property, plant and equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset, including the capitalisation of borrowing costs on qualifying assets and adjustments in respect of hedge accounting, where appropriate.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value. Using a method that best reflects the pattern in which the asset's economic benefits are consumed by the Board. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

The useful lives of items of property, plant and equipment have been assessed as follows :

Item	Depreciation method	Average useful life
Furniture and fixtures	Straight line	3 years
Office equipment	Straight line	3 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

1.3 Property, plant and equipment (continued)

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the de-recognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

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

1.4 Financial instruments

Financial instruments held by the Board are classified in accordance with the provisions of IFRS 9 Financial Instruments.

Broadly, the classification possibilities, which are adopted by the Board, as applicable, are as follows:

Financial assets which are equity instruments;

Mandatorily at fair value through profit or loss; or

Designated as at fair value through other comprehensive income (This designation is not available to equity instruments which are held for trading or which are contingent consideration in a business combination).

Financial assets which are debt instruments:

Amortised cost. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows); or

Fair value through other comprehensive income (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is achieved by both collecting contractual cash flows and selling the instruments); or

Mandatorily at fair value through profit or loss (This classification automatically applies to all debt instruments which do not qualify as at amortised cost or at fair value through other comprehensive income); or

Designated at fair value through profit or loss (This classification option can only be applied when it eliminates or significantly reduces an accounting mismatch).

Derivatives which are not part of a hedging relationship:

- Mandatorily at fair value through profit or loss.

Financial liabilities:

- Amortised cost; or
- Mandatorily at fair value through profit or loss (This applies to contingent consideration in a business combination or to liabilities which are held for trading); or
- Designated at fair value through profit or loss (This classification option can be applied when it eliminates or significantly reduces an accounting mismatch; the liability forms part of a group of financial instruments managed on a fair value basis; or it forms part of a contract containing an embedded derivative and the entire contract is designated as at fair value through profit or loss).

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

1.4 Financial instruments (continued)

Note 15 Financial instruments and risk management presents the financial instruments held by the Board based on their specific classifications.

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the Board are presented below:

Trade and other receivables**Classification**

Trade and other receivables, excluding, when applicable, VAT and prepayments, are classified as financial assets subsequently measured at amortised cost (note 6).

They have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the Board's business model is to collect the contractual cash flows on trade and other receivables.

Recognition and measurement

Trade and other receivables are recognised when the Board becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Credit risk

Details of credit risk are included in the trade and other receivables note (note 6) and the financial instruments and risk management note (note 15).

Trade and other payables**Classification**

Trade and other payables (note 9), amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

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

1.4 Financial instruments (continued)
Recognition and measurement

They are recognised when the Board becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

If trade and other payables contain a significant financing component, and the effective interest method results in the recognition of interest expense, then it is included in profit or loss in finance costs (note).

Trade and other payables expose the Board to liquidity risk and possibly to interest rate risk. Refer to note 15 for details of risk exposure and management thereof.

Cash and cash equivalents

Cash and cash equivalents are stated at carrying amount which is deemed to be fair value.

1.5 Inventories

Inventories are measured at the lower of cost and net realisable value on the first-in-first-out basis.

1.6 Impairment of assets

The Board assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Board estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the Board also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.
- tests goodwill acquired in a business combination for impairment annually .

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in.

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

1.6 Impairment of assets (Continued)

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

1.7 Revenue

Revenue comprises of levies, grants and other income. Revenue is measured at the fair value of the consideration received.

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

Dividends are recognised as income in the year they are declared.

2. Changes in accounting policy

The annual financial statements have been prepared in accordance with International Financial Reporting Standards. During the prior financial years the organisation compiled the financial statements in accordance with generally accepted accounting practice for similar organisations.

The aggregate effect of the changes in accounting policy on the annual financial statements for the year ended 31 March 2018

Statement of Financial Position	2019	2018
	N\$	N\$
Investment property		
Adjustment	-	8 468 623
Investments Previously stated	-	9 917 273
Adjustment	-	(2 896 408)
	-	7 020 865
Cash and cash equivalents		
Previously stated	-	7 896 580
Adjustment	-	(5 572 215)
	-	2 324 365

3. Property plant and equipment

2019	Cost or revaluation	Accumulated depreciation	Carrying value
	N\$	N\$	N\$
Furniture and fittings	38 213	(38 202)	11
Office equipment	49 063	(47 432)	1 631
	87 276	(85 634)	1 642

KARAKUL BOARD OF NAMIBIA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH

(continued)

3. Property plant and equipment (continued)

2018	Cost or	Accumulated	Carrying value
	revaluation	depreciation	
	N\$	N\$	N\$
Furniture and fittings	38 213	(38 202)	11
Office equipment	49 063	(45 020)	4 043
	87 276	(83 222)	4 054

Reconciliation of property plant and equipment 2019

	Opening	Depreciation	Total
	balance		
	N\$	N\$	N\$
Furniture and fittings	11	-	11
Office equipment	4 043	(2 412)	1 631
	4 054	(2 412)	1 642

Reconciliation of property plant and equipment 2018

	Opening	Additions	Depreciation	Total
	balance			
	N\$	N\$	N\$	N\$
Furniture and fittings	11	-	-	11
Office equipment	4 278	3 633	(3 868)	4 043
	4 289	3 633	(3 868)	4 054

ANNEXURE E

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

	2019		2018	
	Cost / Valuation	Accumulated depreciation	Carrying Value	Cost / Valuation
	N\$	N\$	N\$	N\$
4. Investment property				
Investment property	8 321 400	-	8 321 400	8 321 400
				-
				8 321 400
Reconciliation of investment property - 2019			Opening balance	Total
Investment property			8 321 400	8 321 400
Reconciliation of investment property - 2018			Opening balance	Total
Investment property			8 321 400	8 321 400

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

	2019 N\$	2018 N\$
4 Investment property (continued)		
Details of property		
Building of the Control Body of the Agricultural Board		
The investment property consists of 18% of the properties Erf 744 and Erf 749 registered jointly in the name of Swakara, the Control Body of the Agricultural Board and The Meat Board of Namibia.		
Fair value on investment property	8 321 400	8 321 400
Details of valuation		
The effective date of the revaluations was 31 March 2015. The revaluation was performed by an independent value, Gert Hamman Property Valuers. The valuers are not connected to the Board and have recent experience in location and category of the investment property being valued. The investment property is revalued every 5 years by the Control Body of the Agricultural Board.		
5. Trade and other receivables		
Financial instruments: Trade receivables	71 293	125 503
Swakara Pelt Advances	217 381	450 981
Total trade and other receivables	288 674	576 484
Split between non-current and current portions		
Current assets	288 674	576 484
Categorisation of trade and other receivables		
Trade and other receivables are categorised as follows in accordance with IFRS 9: Financial Instruments :		
At amortised cost	288 674	576 484
6. Investments at fair value		
Investments held by the Board which are measured at fair value , are as follows : Equity investments at fair value through profit or loss	6 127 138	7 020 865
Mandatorily at fair value through profit or loss :		
PSG Namibia Money Market	4 234 086	5 572 215
Namibia Treasury Bills	534 405	538 916
PSG Namibia Money Market - Pelt Advance Account	1 358 646	909 734

KARAKUL BOARD OF NAMIBIA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH
(continued)

	2019	2018
	N\$	N\$
6. Investments at fair value (continued)		
Other equity investment - International Marketing Company (Ply) Ltd	1	1
The Board holds 100 "Class A" ordinary shares of International Marketing Company (Ply) Ltd at cost. The company is currently dormant. All statutory expenses incurred by the company are borne by the Board.		
	<u>6 127 138</u>	<u>7 020 865</u>
Split between non-current and current portions		
Non-current assets	<u>6 127 138</u>	<u>7 020 865</u>
IFRS 9 Financial Instruments was adopted in the current year and replaces IAS 39. This note reflects the application of IFRS 9 to the specified instruments. Prior year figures		
7. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	2	162
Bank balances	2 228 098	2 319 854
Short-term deposits	4 471	4 350
	<u>2 232 571</u>	<u>2 324 366</u>
8. Trade and other payables		
Financial instruments :		
Trade payables	<u>183 880</u>	<u>692 857</u>
9. Revenue		
Revenue from contracts with customers		
Normal and Special Pelts levies	<u>1 232 289</u>	<u>2 787 679</u>
10. Operating profit (loss)		
Operating loss for the year is stated after charging (crediting) the following, amongst others :		
Audit fees	<u>98 901</u>	<u>60 555</u>
Depreciation and amortisation		
Depreciation of property , plant and equipment	<u>2 412</u>	<u>3 868</u>

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

	2019	2018
	N\$	N\$
11. Investment income		
Dividend income		
Equity instruments at fair value through profit or loss:		
Unlisted investments - Local	333 993	339 181
Interest income		
Investments in financial assets:		
Bank and other cash	557 696	646 584
Loans receivable at amortised cost	71 741	74 937
Total interest income	629 437	721 521
Total investment income	963 430	1 060 702
12. Cash (used in) generated from operations		
Loss before taxation	(781 317)	601 261
Adjustments for:		
Depreciation and amortisation	2 412	3 868
Dividend income	(333 993)	(339 181)
Interest income	(629 437)	(721 521)
Changes in working capital: Inventories		(543 559)
Trade and other receivables	287 810	1 458 968
Trade and other payables	(508 977)	(392 269)
	(1 963 502)	67 567
13. Prior period errors		
The value of investment property was not accurately disclosed as per the value obtained during the 2015 year. The value of the investment has now been adjusted retrospectively.		
The correction of the error(s) results in adjustments as follows :		
Statement of Financial Position	-	(147 223)
Investment Property Opening retained earnings	-	147 223

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

14. Financial instruments and risk management (continued)

**Categories of Financial instruments
Categories of Financial assets**

2019	Note	Fair value through P/L Mandatory	Amortised cost	Total	Fair value
		N\$	N\$	N\$	N\$
Investment at fair value	6	6 127 138	-	6 127 138	6 127 138
Trade and other receivables	5	-	288 674	288 674	288 674
Cash and cash equivalent	7	-	2 232 571	2 232 571	2 232 571
		6 127 138	2 521 245	8 648 383	8 648 383
2018		Fair value through P/L Mandatory	Amortised cost	Total	Fair value
		N\$	N\$	N\$	N\$
Investment at fair value	6	7 020 865	-	7 020 865	7 020 865
Trade and other receivables	5	-	576 484	576 484	576 484
Cash and cash equivalent	7	-	2 324 366	2 324 366	-
		7 020 865	2 900 850	9 921 715	7 597 349

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

14. Financial instruments and risk management (continued)

Categories of financial liabilities

2019		Amortised cost	Total	Fair value
		N\$	N\$	N\$
Trade and other payables	Note 8	183 880	183 880	-
		183 880	183 880	-

2018		Amortised cost	Total	Fair value
		N\$	N\$	N\$
Trade and other payables	8	692 856	692 856	-
		692 856	692 856	-

Pre-tax gains and losses on financial instruments

Gains and losses on financial assets

2019		Fair value through P/L Mandatory	Amortised cost	Total	Fair value
		N\$	N\$	N\$	N\$
Interest income	11	-	629 437	629 437	-
Dividend income	11	333 993	-	333 993	-
		333 993	629 437	963 430	-

2018		Fair value through P/L Mandatory	Amortised cost	Total	Fair value
		N\$	N\$	N\$	N\$
Interest income	11	-	721 521	721 521	-
Dividend income	11	339 181	-	339 181	-
		339 181	721 521	1 060 702	-

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

	Note	2019 N\$	2018 N\$
14. Financial instruments and risk management (continued)			
Capital risk management			
The Board's objective when managing capital (which includes borrowings, working capital and cash and cash equivalents) is to maintain a flexible capital structure that reduces the cost of capital to an acceptable level of risk and to safeguard the Board's ability to continue as a going concern while taking advantage of strategic opportunities in order to maximise stakeholder returns sustainably.			
The capital structure and gearing ratio of the company at the reporting date was as follows :			
Trade and other payables	8	183 880	692 857
Cash and cash equivalents	7	(2 232 571)	(2 324 366)
Net borrowings		(2 048 691)	(1 631 509)
Equity		17 331 103	18 112 421
Gearing ratio		(12)%	(9)%

Financial risk management

Overview

The company is exposed to the following risks from its use of financial instruments :

- Credit risk;
- Liquidity risk; and
- Market risk (interest rate risk and price risk).

The Board has overall responsibility for the establishment and oversight of the Board's risk management framework. The board has established the FRAC committee, which is responsible for developing and monitoring the Board's risk management policies. The committee reports quarterly to the Board on its activities.

The company's risk management policies are established to identify and analyse the risks faced by the Board, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Board's activities.

KARAKUL BOARD OF NAMIBIA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH (continued)

14. Financial instruments and risk management (continued)**Credit risk**

Credit risk is the risk of financial loss to the Board if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Board is exposed to credit risk on loans receivable, trade and other receivables and cash and cash equivalents.

Credit risk for exposures other than those arising on cash and cash equivalents, are managed by making use of credit approvals, limits and monitoring. The Board only deals with reputable counterparties with consistent payment histories. Sufficient collateral or guarantees are also obtained when necessary. Each counterparty is analysed individually for creditworthiness before terms and conditions are offered. The analysis involves making use of information submitted by the counterparties as well as external bureau data (where available).

Credit risk exposure arising on cash and cash equivalents is managed by the group through dealing with well-established financial institutions with high credit ratings.

The maximum exposure to credit risk is presented in the table below:

		2019			2018		
		Gross carrying amount	Credit loss allowance	Amortised cost /fair value	Gross carrying amount	Credit loss allowance	Amortised cost /fair value
		N\$	N\$	N\$	N\$	N\$	N\$
Trade and other receivables	5	288 674	-	288 674	576 484	-	576 484
Cash and cash equivalents	7	2 232 571	-	2 232 571	2 324 366	-	2 324 366
		2 521 245	-	2 521 245	2 900 850	-	2 900 850

Liquidity risk

The maturity profile of contractual cash flows of non-derivative financial liabilities, and financial assets held to mitigate the risk, are presented in the following table. The cash flows are undiscounted contractual amounts.

2019		Carrying amount
		N\$
Current liabilities		
Trade and other payables	8	183 880
2018		Carrying amount
		N\$
Current liabilities		
Trade and other payables	8	692 856

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

Interest rate risk

Fluctuations in interest rates impact on the value of investments and financing activities, giving rise to interest rate risk.

The Board's policy with regards to financial assets, is to invest cash at floating rates of interest and to maintain cash reserves in short-term investments in order to maintain liquidity.

There have been no significant changes in the interest rate risk management policies and processes since the prior reporting period

Price risk

The company is exposed to price risk because of its investments in equity instruments which are measured at fair value. The exposure to price risk on equity investments is managed through a diversified portfolio, and through the use of option contracts on relevant indexes, where necessary.

The company is not exposed to commodity price risk.

There have been no significant changes in the price risk management policies and processes since the prior reporting period.

15. Summary of Funds and Reserves

	2019	2018
	N\$	N\$
Own Funds and reserves		
Opening balance	18 112 421	17 511 160
Surplus / (deficit) for the year	(781 317)	601 261
Total funds	17 331 104	18 112 421

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

16. Summary of Funds and Reserves(continue)	2019	2018
	N\$	N\$
16.1 Karakul Pelt Levy Fund		
Income		
Levy on pelts	508 276	1 294 365
Board expenses	489 526	415 492
Remuneration	166 225	133 700
Subsistence and transport cost	306 996	266 264
Insurance	16 305	15 528
General expenses	1 303 098	1 171 592
Agency fee	922 183	857 845
Staff subsistence & travel	58 680	35 582
Office rent	62 988	58 144
Post Office Services	22 868	19 880
Stationary & Printing	18 289	11 911
Lease Photocopier	21 735	26 365
Training	9 344	8 869
Insurance	2 985	3 143
Social Functions	16 817	17 834
Consumables	389	-
Incidental Expenses	902	69
Legal fees	5 281	7 486
Financial & Audit fees	98 901	60 555
Capital expenditure	3 063	1 516
Bank charges	14 198	12 844
Swakara Industry Forum	36 280	34 302
Affiliation fee NAU	4 600	4 600
Subscriptions	-	1 632
IMCO Financial fees	3 595	-
Annual duties	-	9 015
Surplus/(Deficit) for the year	(1 284 348)	(292 719)
Fund Balance at the beginning of the year	(103 122)	189 597
Fund Balance at the end of the year	(1 387 470)	(103 122)

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

	2019	2018
	N\$	N\$
16.2 Special Karakul Pelt Levy Fund		
Income	723 386	1 485 589
Levy on pelts	508 276	1 294 365
Grant from International Fur Trade Federation	215 110	191 224
Expenses	972 402	1 246 305
IFTF membership	8 774	8 801
National/International Newsletters	5 796	2 645
Webpage development	-	1 203
Sandy Parker reports	2 256	2 199
Media and Marketing	83 273	-
Ars Arpel magazine	1 705	2 982
Swakara/Kopenhagen Fur promotion project	498 006	751 329
Miscellaneous	2 050	442
Overseas visit - China	-	74 713
Overseas visit - Greece	24 771	62 369
Overseas visit - Hong Kong	79 758	71 753
Overseas visit - Premier vision	37 031	51 382
Overseas visit - IFTF meetings	55 235	38 313
Overseas visit - Copenhagen	61 383	101 552
Printing of Annual Report with SBS Yearbook	40 000	45 000
Promotional material	8 996	14 350
LAIN membership	500	500
Training courses and Information days	27 849	-
Keetmanshoop Show	5 000	10 000
Swakara Super farm	-	6 772
Certification of farm	30 019	-
Surplus/(Deficit) for the year	(249 016)	239 284
Fund Balance at the beginning of the year	1 089 903	850 619
Fund Balance at the end of the year	840 887	1 089 903

KARAKUL BOARD OF NAMIBIA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH

(continued)

	2019	2018
	N\$	N\$
16.3 Wool Levy Fund		
Income		
Wool levy	626	7 725
Surplus/(Deficit) for the year	626	7 725
Fund Balance at the beginning of the year	(197 131)	(204 856)
Fund Balance at the end of the year	(196 505)	(197 131)
16.4 General Reserve Fund		
Income	963 430	1 060 702
Net financial income	629 437	721 521
Dividends Agri Building	333 993	339 181
Expenses	9 198	3 868
Depreciation	2 412	3 868
Bad debts	6 007	-
Loss on foreign currency	779	-
Surplus/(Deficit) for the year	954 232	1 056 834
Fund Balance at the beginning of the year	*11 766 693	10 709 859
Fund Balance at the end of the year	12 720 925	*11 766 693

(*) See paragraph 3 page 1 and note 13 page 19

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

	2019	2018
	N\$	N\$
16.5 Contingency Reserve Fund		
Expenses	202 811	409 863
Implementing of COP (former Swakara Buyer)	12 775	-
Chinese Project	153 634	-
Wool Industry Project	36 402	65 692
Brucella Ovis Awareness Campaign	-	23 551
Swakara Buyers Booklet	-	67 657
110 Years Swakara Celebrations	-	252 963
Surplus/(Deficit) for the year	(202 811)	(409 863)
Fund Balance at the beginning of the year	588 547	998 410
Fund Balance at the end of the year	385 736	588 547
16.6 General Fund		
Fund Balance at the end of the year	2 834 660	2 834 660
16.7 Consolidated Support Account		
Fund Balance at the end of the year	1 497 386	1 497 386
16.8 Funds utilized for assets		
Fund Balance at the end of the year	635 485	635 485