



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

KARAKUL BOARD OF NAMIBIA

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

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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 2020, 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 2021

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
KARAKUL BOARD OF NAMIBIA
FOR THE YEAR ENDED 31 MARCH 2020**

1. UNQUALIFIED AUDIT OPINION

I have audited the financial statements of the Karakul Board of Namibia for the financial year ended 31 March 2020. These financial statements comprise the statement of financial position, statement of profit and loss and other comprehensive income, 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, the financial position of the Karakul Board of Namibia as at 31 March 2020 and its financial performance and their receipts and payments /cash flows for the year then ended are prepared, in accordance with International Financial Reporting Standards (IFRS).

2. BASIS FOR UNQUALIFIED 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 the audit 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 the 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 the audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming the audit opinion thereon, and I do not provide a separate opinion on these matters. The following matters were identified:

AUDIT MATTER	RESOLUTION
<p>3.1 Investment property is re-measured at fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in accordance to IAS 40. From the latest valuation certificate on Erf 744 and 749, the auditors observed a difference of N\$ 138 600 between the financial statements and latest valuation certificate.</p>	<p>The auditors obtained the latest Agricultural Board's valuation certificates and cast confirmed the shareholding in N\$ 47 000 000 of which 18% represent N\$ 8 460 000 against the disclosed N\$ 8 321 400. Management agreed to rectify the overstatement in the financial statements with adjustments.</p>

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 and auditor's report that includes the audit 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

KARAKUL BOARD OF NAMIBIA

STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 MARCH

ASSETS	Note	2020 N\$	2019 N\$
Non-current assets		14 710 482	14 450 180
Property and equipment	2	12 519	1 642
Investment property	3	8 460 000	8 321 400
Investments	6	6 237 963	6 127 138
Current assets		1 716 094	3 064 804
Inventory	4	456 530	543 559
Accounts receivable and prepayments	5	1 129 198	288 674
Cash and cash equivalents	7	130 366	2 232 571
Total assets		16 426 576	17 514 984
EQUITY AND LIABILITIES			
Funds and reserves		16 420 555	17 331 104
Retained income	16	16 420 555	17 331 104
Current liabilities		6 021	183 880
Trade and other payables	8	6 021	183 880
Total members' interest and liabilities		16 426 576	17 514 984

ANNEXURE C

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										
01 April 2018	(103 122)	1 089 903	(197 131)	11 766 693	588 547	2 834 660	1 497 386	635 485	18 112 421	18 112 421
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)
Loss for the year	(1 733 791)	(160 381)	-	1 096 080	(112 457)	-	-	-	(910 549)	(910 549)
Transfer between Funds and Reserves	3 121 261	-	196 505	(3 317 766)	-	-	-	-	-	-
Balance as at										
31 March 2020	-	680 506	-	10 499 239	273 279	2 834 660	1 497 386	635 485	16 420 555	(16 420 555)

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.

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)

1.4 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)

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 14 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.

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

2. Property plant and equipment (continued)

Reconciliation of property plant and equipment

2020	Opening Balance	Additions	Depreciation	Impairment loss	Total
	N\$	N\$	N\$	N\$	N\$
Plant and machinery	-	81 594	-	(81 594)	-
Furniture and fittings	11	4 198	(1 224)	-	2 985
Office equipment	1 631	11 999	(4 096)	-	9 534
	1 642	97 791	(5 320)	(81 594)	12 519

2019	Opening Balance	Depreciation	Total
	N\$	N\$	N\$
Furniture and fittings	11	-	11
Office equipment	4 043	(2 412)	1 631
	4 054	(2 412)	1 642

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

	2020	2019
	N\$	N\$
3 Investment property (continued)		
Details of property		
Property 1		
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	8 460 000	8 321 400
Details of valuation		
The effective date of the revaluations was 20 August 2019. 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.		
4. Inventories		
Stunners	456 530	534 559
5. Trade and other receivables		
Financial instruments: Trade receivables	273 269	71 293
Swakara Pelt Advances	855 929	217 381
Total trade and other receivables	1 129 198	288 674
Split between non-current and current portions		
Current assets	1 129 198	288 674
6. Investment 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		
Equity investment at fair value through profit and loss	1	1
Debt investment at fair value through profit and loss	6 237 962	6 127 138
Designated at fair value through profit and loss:		
Namibia Treasury Bills	976 040	534 405
Fixed Deposits	4 856 476	-
Money Market	405 446	5 592 732
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.		
	6 237 963	6 127 138
Split between non-current and current portions		
Non-current assets	6 237 963	6 127 138

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

	2020	2019
	N\$	N\$
13. Cash (used in)generated from operations		
Profit (Loss) before taxation	(910 549)	(781 317)
Adjustments for:		
Depreciation and amortisation	5 320	2 412
Dividend income	(438 040)	(333 993)
Interest income	(609 249)	(629 437)
Fair value gains	(138 600)	-
Net impairments and movements in credit loss allowance	81 594	-
Changes in working capital:		
Inventories	87 029	-
Trade and other receivables	(840 524)	287 810
Trade and other payables	(177 859)	(508 977)
	(2 940 878)	(1 963 502)

14. Financial instruments and risk management

Categories of Financial instruments

Categories of Financial assets

		Fair value through P/L Mandatory	Fair value through P/L Designated	Amortised Cost	Total Fair Value
2020	Note	N\$	N\$	N\$	N\$
Investment at fair value	6	1	6 237 962	-	6 237 963
Trade and other receivables	5	-	-	1 129 198	1 129 198
Cash and cash equivalent	7	-	-	130 366	130 366
		1	6 237 962	1 259 564	7 497 527
2019		Fair value through P/L Mandatory	Fair value through P/L Designated	Amortised Cost	Total Fair Value
		N\$	N\$	N\$	N\$
Investment at fair value	6	1	6 127 138	-	6 127 138
Trade and other receivables	5	-	-	288 674	288 674
Cash and cash equivalent	7	-	-	2 232 571	2 232 571
		1	6 127 138	2 521 245	8 648 383

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

	Note	2020 N\$	2019 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	6 021	183 880
Cash and cash equivalents	7	(130 366)	(2 232 571)
Net borrowings		(124 345)	(2 048 691)
Equity		16 363 548	17 331 103
Gearing ratio		(1)%	(12)%

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.

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.

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

14. Financial instruments and risk management (continued)

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.

2020		Carrying amount
		<u>N\$</u>
Current liabilities		
Trade and other payables	8	<u>6 021</u>
2019		Carrying amount
		<u>N\$</u>
Current liabilities		
Trade and other payables	8	<u>183 880</u>

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.

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

16. Summary of Funds and Reserves (continued)	2020	2019
	N\$	N\$
16.1 Karakul Pelt Levy Fund		
Income		
Levy on pelts	158 220	508 276
Board expenses	520 453	489 526
Remuneration	192 499	166 225
Subsistence and transport cost	311 649	306 996
Insurance	16 305	16 305
General expenses	1 371 558	1 303 098
Agency fee	986 736	922 183
Consultancy fee	10 930	-
Staff subsistence & travel	23 830	58 680
Office rent	68 028	62 988
Post Office Services	13 842	22 868
Stationary & Printing	17 663	18 289
Lease Photocopier	31 356	21 735
Training	-	9 344
Insurance	3 934	2 985
Social Functions	15 000	16 817
Consumables	984	389
Incidental Expenses	431	902
Legal fees	-	5 281
Financial & Audit fees	135 840	98 901
Capital expenditure	632	3 063
Bank charges	17 126	14 198
Swakara Industry Forum	36 747	36 280
Affiliation fee NAU	4 600	4 600
Subscriptions	1 565	-
IMCO Financial fees	2 314	3 595
Surplus/(Deficit) for the year	(1 733 791)	(1 284 348)
Transfer from General Reserve Fund	3 121 261	-
Fund Balance at the beginning of the year	(1 387 470)	(103 122)
Fund Balance at the end of the year	-	(1 387 470)

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

16. Summary of Funds and Reserves (continued)	2020	2019
	N\$	N\$
16.3 Wool Levy Fund		
Income		
Wool levy	-	626
Surplus/(Deficit) for the year	-	626
Transfer from General Reserve Fund	197 505	-
Fund Balance at the beginning of the year	(196 505)	(197 131)
Fund Balance at the end of the year	-	(196 505)
16.4 General Reserve Fund		
Income	1 185 889	963 430
Net financial income	609 249	629 437
Dividends - Agri Building	438 040	333 993
Fair value adjustment – Investment property	138 600	-
Expenses	89 809	9 198
Depreciation	5 319	2 412
Impairment of property, plant and equipment	81 594	-
Bad debts	2 737	6 007
Loss on foreign currency	159	779
Surplus/(Deficit) for the year	1 096 080	954 232
Transfer to Pelt Levy Fund	(3 121 261)	-
Transfer to Wool Levy Fund	(196 505)	-
Fund Balance at the beginning of the year	12 720 925	11 766 693
Fund Balance at the end of the year	10 499 239	12 720 925
16.5 Contingency Reserve Fund		
Expenses	112 457	202 811
Implementing of COP (former Swakara Buyer)	-	12 775
Chinese Project	-	153 634
Code of Practice	40 293	-
Wool Industry Project	72 164	36 402
Surplus/(Deficit) for the year	(112 457)	(202 811)
Fund Balance at the beginning of the year	385 736	588 547
Fund Balance at the end of the year	273 279	385 736