



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
KARAKUL BOARD OF NAMIBIA
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

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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 2021, 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.

WINDHOEK, November 2021

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

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
KARAKUL BOARD OF NAMIBIA
FOR THE YEAR ENDED 31 March 2021**

1. UNQUALIFIED AUDIT OPINION

I have audited the financial statements of the Karakul Board of Namibia for the financial year ended 31 March 2021. These financial statements comprise the statement of financial position, 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, the financial position of the Karakul Board of Namibia as at 31 March 2021 and its financial performance and their receipts and payments /cash flows for the year then ended are prepared, in accordance with 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 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. I have nothing to report in this regard.

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 the 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. The following matters were identified:

4.1 Going concern

The auditors observed with great concern that the Board has been reporting continuous losses for the past three financial years despite incurring fixed contractual agent fee expenses from which, with the collected levies, the Board cannot sustain its operations. Due to continuous

losses the Board runs the risk of sustaining its operations from reserves which could lead to depletion of equitable funds. The Board is recommended to ensure that its operations are remodelled in proportion to available funds from levies and other operations for sustainability.

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 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 used and the reasonableness of accounting estimates and related disclosures made by management.

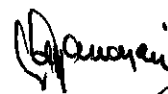
Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence, obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If I conclude 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 the audit 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. ACKNOWLEDGEMENT

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



WINDHOEK, November 2021

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

KARAKUL BOARD OF NAMIBIA

STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 MARCH

| ASSETS | Note | 2021 N\$ | 2020 N\$ |
|--|------|-------------------|-------------------|
| Non-current assets | | 13 002 161 | 14 710 482 |
| Property and equipment | 2 | 9 551 | 12 519 |
| Investment property | 3 | 7 974 000 | 8 460 000 |
| Investments at fair value | 6 | 5 018 610 | 6 237 963 |
| Current assets | | 1 951 223 | 1 716 094 |
| Inventory | 4 | 456 530 | 456 530 |
| Accounts receivable and prepayments | 5 | 1 024 357 | 1 129 198 |
| Cash and cash equivalents | 7 | 470 336 | 130 366 |
| Total assets | | 14 953 384 | 16 426 576 |
| EQUITY AND LIABILITIES | | | |
| Funds and reserves | | 14 945 967 | 16 420 555 |
| Retained income | | 14 945 967 | 16 420 555 |
| Current liabilities | | 7 417 | 6 021 |
| Trade and other payables | 8 | 7 417 | 6 021 |
| Total members' interest and liabilities | | 14 953 384 | 16 426 576 |

ANNEXURE B

**KARAKUL BOARD OF NAMIBIA
STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH**

| | Note | 2021 | 2020 |
|--|------|--------------------|--------------------|
| | | N\$ | N\$ |
| Income | 9 | 307 233 | 525 599 |
| Other operating gains (losses) | 10 | (486 000) | 138 600 |
| Expenditure | | (1 870 076) | (2 622 037) |
| Net operating loss | | (2 048 843) | (1 957 838) |
| Net financial income | 12 | 574 255 | 1 047 289 |
| Net operating (loss) surplus for the year | | (1 474 588) | (910 549) |

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 2019 | (1 387 470) | 840 887 | (196 505) | 12 720 925 | 385 736 | 2 834 660 | 1 497 386 | 635 485 | 17 331 104 | 17 331 104 |
| Loss for the year | (1 733 791) | (160 381) | - | 1 096 080 | (112 457) | - | - | - | (910 549) | (910 549) |
| Transfer between Funds and Reserves | (3121 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 |
| Loss for the year | (1 595 291) | 35 416 | - | 85 287 | - | - | - | - | (1 474 588) | (1 474 588) |
| Transfer between Funds and Reserves | (1 595 291) | - | - | (1 595 291) | - | - | - | - | - | - |
| Balance as at 31 March 2021 | - | 715 922 | - | 8 989 235 | 273 279 | 2 834 660 | 1 497 386 | 635 485 | 14 945 967 | 14 945 967 |

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

| | Note | <u>2021</u> | <u>2020</u> |
|---|------|--------------------|--------------------|
| | | N\$ | N\$ |
| Cash flows from operating activities | | | |
| Cash utilized from operations | 13 | (1 453 638) | (2 940 878) |
| Interest income | | 275 028 | 609 249 |
| Dividend income | | 29 227 | 438 040 |
| Net cash flow from / (to) operating activities | | (879 383) | (1 893 589) |
| Cash flows from investing activities | | | |
| Purchase of property plant and equipment | 2 | - | (97 791) |
| Sale of investment at fair value | | 1 219 353 | (110 825) |
| Net cash flow from / (to) investing activities | | (1 219 353) | (208 616) |
| Net increase / (decrease) in cash and cash equivalents | | 339 970 | (2 102 205) |
| Cash and cash equivalents | | | |
| at the beginning of the year | | 130 366 | 2 232 571 |
| at the end of the year | 7 | 470 336 | 130 366 |

**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.

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 derecognition 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

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

1.4 Financial instruments (continued)

- 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).

Note 14 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 5).

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 5) and the financial instruments and risk management note (note 14).

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

1.4 Financial instruments (continued)

Trade and other payables

Classification

Trade and other payables (note 8), amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

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.

:

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

1.6 Impairment of assets (continued)

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 use.

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.

KARAKUL BOARD OF NAMIBIA

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

| | 2021 | | | 2020 | | |
|---|----------------------------|------------------------------------|--------------------------|----------------------------|------------------------------------|--------------------------|
| | Cost / Valuation N\$ | Accumulated depreciation N\$ | Carrying Value N\$ | Cost / Valuation N\$ | Accumulated depreciation N\$ | Carrying Value N\$ |
| Furniture and fittings | 42 411 | (38 489) | 3 922 | 42 411 | (39 426) | 2 985 |
| Office Equipment | 61 063 | (55 434) | 5 629 | 61 063 | (55 529) | 9 534 |
| | 103 474 | (93 923) | 9 551 | 103 474 | (90 955) | 12 519 |
| Reconciliation of investment property - 2021 | | | | | | |
| | | Opening balance | | Depreciation | | Total |
| Furniture and fittings | | N\$ 2 985 | | N\$ 937 | | N\$ 3 922 |
| Office Equipment | | 9 534 | | (3 905) | | 5 629 |
| | | 12 519 | | (2 968) | | 9 551 |

**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 |

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

| 3. Investment property | 2021 | | | 2020 | | |
|---|----------------------------|------------------------------------|--------------------------|------------------------------------|--|--------------------------|
| | Cost / Valuation N\$ | Accumulated depreciation N\$ | Carrying Value N\$ | Cost / Valuation N\$ | Accumulated depreciation N\$ | Carrying Value N\$ |
| Investment property | 7 974 000 | - | 7 974 000 | 8 460 000 | - | 8 460 000 |
| Reconciliation of investment property - 2021 | | | | | | |
| Investment property | | | | Opening balance N\$ | Fair Value Adjustment N\$ | Total N\$ |
| | | | | 8 460 000 | (486 000) | 7 974 000 |
| Reconciliation of investment property - 2020 | | | | | | |
| Investment property | | | | Opening balance N\$ | Fair Value Adjustment N\$ | Total N\$ |
| | | | | 8 321 400 | 138 600 | 8 460 000 |

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

| | 2021 | 2020 |
|--|------------------|------------------|
| | 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 | 7 974 000 | 8 460 000 |
| Details of valuation | | |
| The effective date of the revaluations was 29 September 2020. 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 | 456 530 |
| 5. Trade and other receivables | 1 024 357 | 1 129 198 |
| Financial instruments: Trade receivables | 65 949 | 273 269 |
| Swakara Pelt Advances | 958 408 | 855 929 |
| Split between non-current and current portions | | |
| Current assets | 1 024 357 | 1 129 198 |
| 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 | 5 018 609 | 6 237 962 |
| Designated at fair value through profit and loss: | | |

KARAKUL BOARD OF NAMIBIA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH

(continued)

| | 2021 | 2020 |
|--|------------------|------------------|
| | N\$ | N\$ |
| 6. Investment at fair value (continue) | 5 018 609 | 6 237 963 |
| Namibia Treasury Bills | - | 976 040 |
| Fixed Deposits | - | 4 856 476 |
| Money Market | 5 018 609 | 405 446 |
| 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. | | |
| Split between non-current and current portions | | |
| Non-current assets | 5 018 610 | 6 237 963 |
| 7. Cash and cash equivalents | 470 336 | 130 336 |
| Cash and cash equivalents consist of: | | |
| Cash on hand | 129 | 6 |
| Bank balances | 465 616 | 125 773 |
| Short-term deposits | 4 591 | 4 587 |
| 8. Trade and other payables | 7 417 | 6 022 |
| Financial instruments: Trade payables | 6 509 | 4 514 |
| Other payables PAYE | 908 | 1 508 |
| 9. Revenue | | |
| Revenue from contracts with customers | | |
| Normal and Special Pelts levies | 307 233 | 525 599 |
| 10. Other Operating gains (losses) | | |
| Fair value gains (loss) | | |
| Investment Property | (486 000) | 138 600 |
| 11. Operating profit (loss) | | |
| Operating loss for the year is stated after charging (crediting) the following, amongst others : | | |
| Audit fees | 101 519 | 135 840 |
| Depreciation of property , plant and equipment | 2 968 | 5 320 |

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

| | 2021 | 2020 |
|---|--------------------|--------------------|
| | N\$ | N\$ |
| 11. Operating profit (loss)(continue) | | |
| Impairment losses | | |
| Property , plant and equipment | - | 81 594 |
| 12. Investment income | 574 255 | 1 047 289 |
| Dividend income | | |
| Equity instruments at fair value through profit or loss: | | |
| Unlisted investments - Local | 299 227 | 438 040 |
| Interest income | | |
| Investments in financial assets: | | |
| Bank and other cash | 241 207 | 564 068 |
| Loans receivable at amortised cost | 33 821 | 45 181 |
| 13. Cash (used in)generated from operations | (1 453 638) | (2 940 878) |
| Profit (Loss) before taxation | (1 474 588) | (910 549) |
| Adjustments for: | | |
| Depreciation and amortisation | 2 968 | 5 320 |
| Dividend income | (299 227) | (438 040) |
| Interest income | (275 028) | (609 249) |
| Fair value gains (loss) | 486 000 | (138 600) |
| Net impairments and movements in credit loss allowances | (1) | - |
| Changes in working capital: Inventories | - | 81 594 |
| Inventories | - | 87 029 |
| Trade and other receivables | 104 841 | (840 524) |
| Trade and other payables | 1 397 | (177 859) |

KARAKUL BOARD OF NAMIBIA

ANNEXURE E

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- 2021

| | Note | Fair value through P/L Mandatory | Fair value through P/L Designated | Amortised Cost | Total | Fair value |
|-----------------------------|------|--|---|-------------------|------------------|------------------|
| | N\$ | N\$ | N\$ | N\$ | N\$ | N\$ |
| Investment at fair value | 6 | 1 | 5 018 609 | - | 5 018 610 | 5 018 610 |
| Trade and other receivables | 5 | - | - | 1 024 357 | 1 024 357 | 1 024 357 |
| Cash and cash equivalent | 7 | - | - | 470 336 | 470 336 | 470 336 |
| | | 1 | 5 018 609 | 1 494 693 | 6 513 303 | 6 513 303 |

Categories of Financial assets- 2020

| | Fair value through P/L Mandatory | Fair value through P/L Designated | Amortised Cost | Total | Fair value |
|-----------------------------|--|---|-------------------|------------------|------------------|
| | N\$ | N\$ | N\$ | N\$ | N\$ |
| Investment at fair value | 1 | 6 237 962 | - | 6 237 963 | 6 237 963 |
| Trade and other receivables | - | - | 1 129 198 | 1 129 198 | 1 129 198 |
| Cash and cash equivalent | - | - | 130 366 | 130 366 | 130 366 |
| | 1 | 6 237 962 | 1 259 564 | 7 497 527 | 7 497 527 |

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- 2021

| | | Amortised cost | Total | Fair value |
|--------------------------|----------|---------------------------|--------------|-------------------|
| | Not e | N\$ | N\$ | N\$ |
| Trade and other payables | 8 | 7 418 | 7 418 | - |

Categories of Financial liabilities- 2020

| | | Amortised cost | Total | Fair value |
|--------------------------|---|---------------------------|--------------|-------------------|
| | | N\$ | N\$ | N\$ |
| Trade and other payables | 8 | 6 021 | 6 021 | - |

Pre-tax gains and losses on financial instruments

Gains and losses on financial assets - 2021

| | | Fair value through P/L Mandatory | Amortise d cost | Total |
|--------------------------|----|---|----------------------------|----------------|
| | | N\$ | N\$ | N\$ |
| Interest income | 12 | - | 275 028 | 275 028 |
| Dividend income | 12 | 299 227 | - | 299 227 |
| Net gains(losses) | | 299 227 | 275 028 | 574 255 |

Gains and losses on financial assets - 2020

| | | Fair value through P/L Mandatory | Amortise d cost | Total |
|--------------------------|----|---|----------------------------|------------------|
| | | N\$ | N\$ | N\$ |
| Interest income | 12 | - | 609 249 | 609 249 |
| Dividend income | 12 | 438 040 | - | 438 040 |
| Net gains(losses) | | 438 040 | 609 249 | 1 047 289 |

KARAKUL BOARD OF NAMIBIA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH

(continued)

| | Note | 2021 N\$ | 2020 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 | 7 418 | 6 021 |
| Cash and cash equivalents | 7 | (470 336) | (130 366) |
| Net borrowings | | (462 918) | (124 345) |
| Equity | | 14 945 965 | 16 420 555 |
| Gearing ratio | | -3% | -1% |

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)

Credit risk

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:

| | 2021 | | | 2020 | | | |
|--|-----------------------|-----------------------|----------------------------|-----------------------|-----------------------|----------------------------|------------------|
| | 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\$ | |
| Investment at fair value through profit and loss | 6 | 5 018 609 | - | 5 018 609 | 6 237 962 | - | 6 237 962 |
| Trade and other receivables | 5 | 1 024 357 | - | 1 024 357 | 1 129 198 | - | 1 129 198 |
| Cash and cash equivalents | 7 | 470 336 | - | 470 336 | 130 366 | - | 130 366 |
| | | 6 513 302 | - | 6 513 302 | 7 497 526 | - | 7 497 526 |

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.

| | | Carrying amount 2021 |
|--------------------------|---|-------------------------------------|
| | | <u>N\$</u> |
| Current liabilities | | |
| Trade and other payables | | 7 418 |
| | | Carrying amount 2020 |
| | | <u>N\$</u> |
| Current liabilities | | |
| Trade and other payables | 8 | 6 021 |

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)

15. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realization of assets and liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The COVID-19 virus outbreak was declared a global health emergency on 30 January 2020 and as a global pandemic on 11 March 2020. On 17 March, the Namibian Government declared a State of emergency. This ongoing global pandemic and subsequent global and local economic lockdowns are affecting all the major economic and financial markets. Virtually all industries are facing challenges associated with the economic conditions resulting from efforts to address it. As the pandemic ensues globally and locally, all entities are experiencing a cross-functional impact on their business relating to financial reporting, operational concerns and supply chain management. The continuation of these circumstances could result in an even broader economic downturn that could have a negative impact on the financial results of the organization. An estimate of the financial effects of this event cannot be made at this stage.

However, the directors are of the opinion, that as at the signature date of the financial statement, no significant impairment provision are required to write down the value of assets. The directors are also not aware of any other undisclosed actual or contingent liabilities that existed at the reporting date due to this event.

