MEATCO
Namibia

from farm to fork

ANNUAL REPORT

2014/15

Meatco Annual Report 2014/15

Contents

Back-ground to this report

Why integrated reporting?

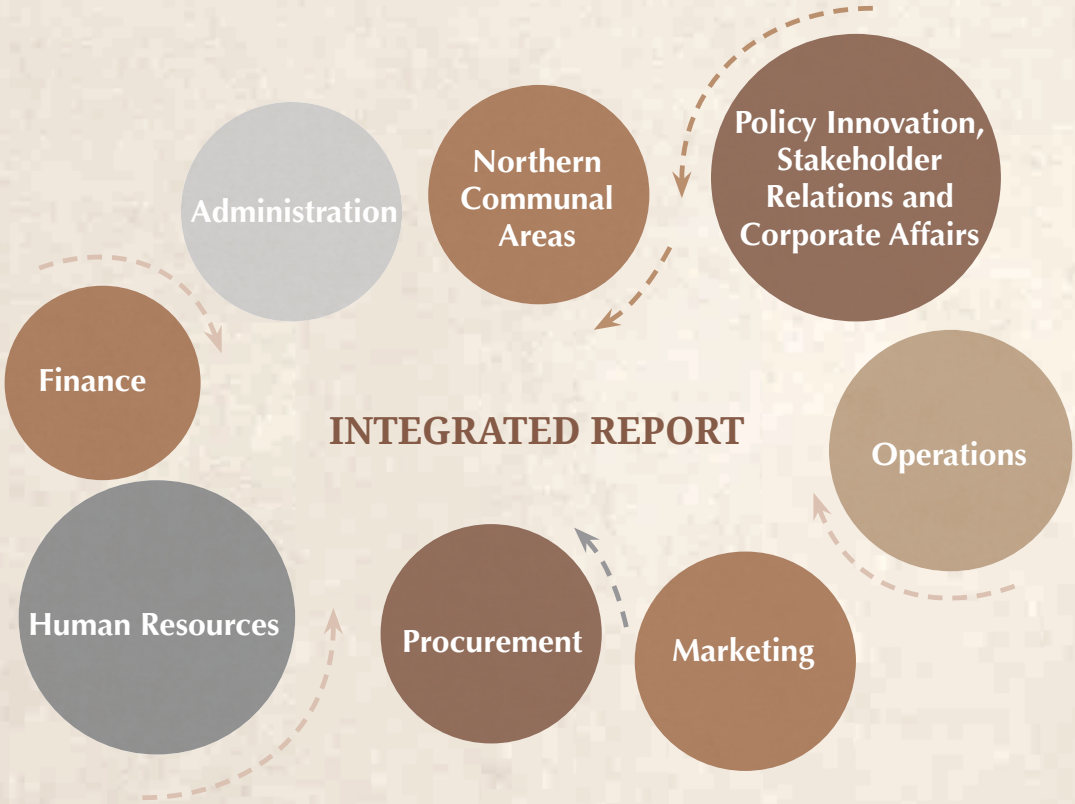
An integrated report is a concise communication about how an organisation creates value in the short, medium and long term. Sustainability is key to everything we do at Meatco and is a driving factor behind our strategic objectives and long-term commercial success; integrated reporting is an ideal way of expressing our commitment to this approach.

More about this integrated report

This integrated report is the principal account to stakeholders on the Meat Corporation of Namibia (*Meatco* or the *Corporation*) and includes information on our governance, strategy, performance and prospects. Its purpose is to provide a balanced view of key developments in the period 1st February 2014 to 31st January 2015.

We have endeavoured to provide a clear and concise story of how Meatco creates value over time and have taken into account the latest (prototype) framework of the International Integrated Reporting Council in the design of this document. The report also gives information on how we are addressing the social, economic, environmental, and governance issues that are important to our stakeholders and that have a material impact on the long-term sustainability of our business.

To create the report content we followed a structured approach, which included inputs from a broad range of key Meatco representatives. These included members of the Board, the Executive Committee, and various departments (as indicated on the diagram on the next page).



This report endeavours to address the issues that are material to the Corporation's sustainability. Thus we review not only the concerns that are most important to our stakeholders but also our ability to influence such concerns while taking into account our strategic objectives. These issues – which impact on our ability to remain commercially viable and socially relevant – are material to our stakeholders' assessment of, and decisions on, Meatco's commitment to their needs.

This report also includes the Corporation's Annual Financial Statements. All figures are reported on a comparable basis, with no re-statements. A copy of this report is available at www.meatco.com.na. We welcome feedback on it.

The Meatco Annual Report for 2014/15 was approved by its Board of Directors on 23 April 2015.

Reporting principles

In compiling its Annual Financial Statements, the Corporation applies International Financial Reporting Standards (IFRS) and complies with the Meat Corporation of Namibia Act, 2001 (Act 1 of 2001). We use local and global sustainability standards, protocols, and guidelines to report on our responsible business performance. The key frames of reference are the aforementioned Meat Corporation of Namibia Act and the NamCode of Corporate Governance.

Assurance

The Audit and Risk Committee oversees the drafting of the integrated report. The Audit and Risk Committee also approves the Annual Financial Statements, which are prepared under the supervision of the Group Chief Financial Officer, Mr Nico Weck.

Summary of our perfor-mance: 2014/15

A watershed year for Meatco and the producers of Namibia

Number of carcasses

Meatco slaughtered 116,771 (2013/14: 116,912) cattle during the reporting year – only 141 fewer animals than in the previous reporting year. This total is especially remarkable given that after an event such as the 2013 drought year, farmers were expected to build herd numbers again. The increased Norwegian quota enabled us to pay higher prices, which prompted producers to supply us with their cattle, while our own backwards integration strategies paid off as we could draw from our feedlot whenever supplies from producers decreased.

116,771

Gross profit

The gross profit percentage of the Group remained stable and increased slightly compared with 2013/14.

Group gross profit percentage increased slightly

Producer pricing

Despite challenging conditions in our international high-value markets and the drought of 2013, Meatco could still pay all our producers – commercial and communal – on average N$29.83/kg (dressed weight) (2013/14: N$24.24/kg), which is the highest average producer price (across all grades) in the history of the Corporation. Producer prices south of the Veterinary Cordon Fence increased to N$30.05/kg (2013/14: N$24.70).

Return and profit

Our revenue increased by 14.62% to N$1,611 million (2013/14: N$1,405.5 million). The net profit for the year after interest and taxation increased to N$14.3 million (2013/14: N$3.4 million profit), representing a 320% increase. This was a watershed year for Meatco in terms of our survival and sustainability, and in stark contrast to what we expected the 2014/15 reporting year would be.

Average carcass weight

The average cold dress weight of cattle south of the Veterinary Cordon Fence Area decreased by 2.13% (from 235.54 kg to 230.52 kg) and increased by 19.72% in the Northern Communal Areas (from 154.47 kg to 184.93 kg).

Administration costs

After compensating for a reclassification of Quality Assurance costs from Cost of Sales to administration costs, total Group administrative costs increased only by 1.17% when compared with the previous reporting period.

1

Perspective on our business

Meatco at a glance

Meatco serves niche markets locally and internationally with premium quality products that are traceable all the way from the farm to the fork.

Who we are

Meatco is a meat-processing and meat-marketing entity. We serve niche markets locally and internationally with premium quality products that are traceable all the way from the farm to the fork. We buy cattle from farmers engaged in extensive livestock farming practices that give our end product its unique characteristics. After processing through our world-class value chain, our meat fetches a significant premium in carefully selected markets across the globe. In recent years, Meatco has also started to integrate backwards into the value chain to produce slaughter-ready livestock in partnership with Namibian producers.

The Corporation was established and is regulated under the Meat Corporation of Namibia Act to serve, promote and coordinate the interests of livestock producers in Namibia. The Corporation is also listed as a state-owned enterprise under the State-owned Enterprises Governance Act, 2006 (Act 2 of 2006), although the Government has no shareholding or direct financial interest in Meatco.

Membership in the Corporation is restricted to those Namibian livestock producers who sell at least one unit of livestock to Meatco once every two years. Since we have no owners or shareholders, our overall objective is to pay participating producers the maximum sustainable prices for their cattle and retain only the minimum profit necessary for future capital requirements. We believe it is in the best interests of a sustainable cattle industry that producers receive the highest possible return for their cattle.

Our objectives

The overall objectives of the Corporation, set out in Section 3 of the Meat Corporation of Namibia Act, are the following:

Figure 1: Our objectives

What we do

In our efforts to become a leading and admired provider of premium products to niche markets, we have assumed the responsibility of running our business in accordance with the highest technical, ethical, social and environmental practices.

Our organisation and processes are regularly audited by independent, internationally recognised auditing companies such as SAI Global. All our facilities comply with International Organization for Standardization (ISO) 9002, Hazard Analysis and Critical Control Points (HACCP) 1033:2007 as well as the quality benchmarks set by the South African Bureau of Standards (SABS).

In addition, Meatco's export abattoir in the town of Okahandja holds an 'A' grading in terms of the internationally recognised British Retail Consortium (BRC) Standards, while our export abattoir in the capital, Windhoek, holds a 'B' grading. The BRC measures ethical and fair practices, animal welfare, and corporate social responsibility, as well as technical and operational factors in food production. The Corporation is also subject to various audits by our clients.

The heart of Meatco's business is of course its cattle producers. We act as a value-adding and marketing operation on behalf of producers and pass the value gained from various markets back to them through the producer price paid for cattle. In other words, our objective is not to return profits to the Corporation. In the year under review, the share of our business earnings that were passed on to producers was 66.3%, which is higher than in the previous financial year (2013/14: 63.18%). These high earnings remain our aim.

What drives Meatco

Figure 2: What drives Meatco

Ownership structure

Meatco operates in terms of the Meat Corporation of Namibia Act (Act 1 of 2001). Our ownership structure is as follows:

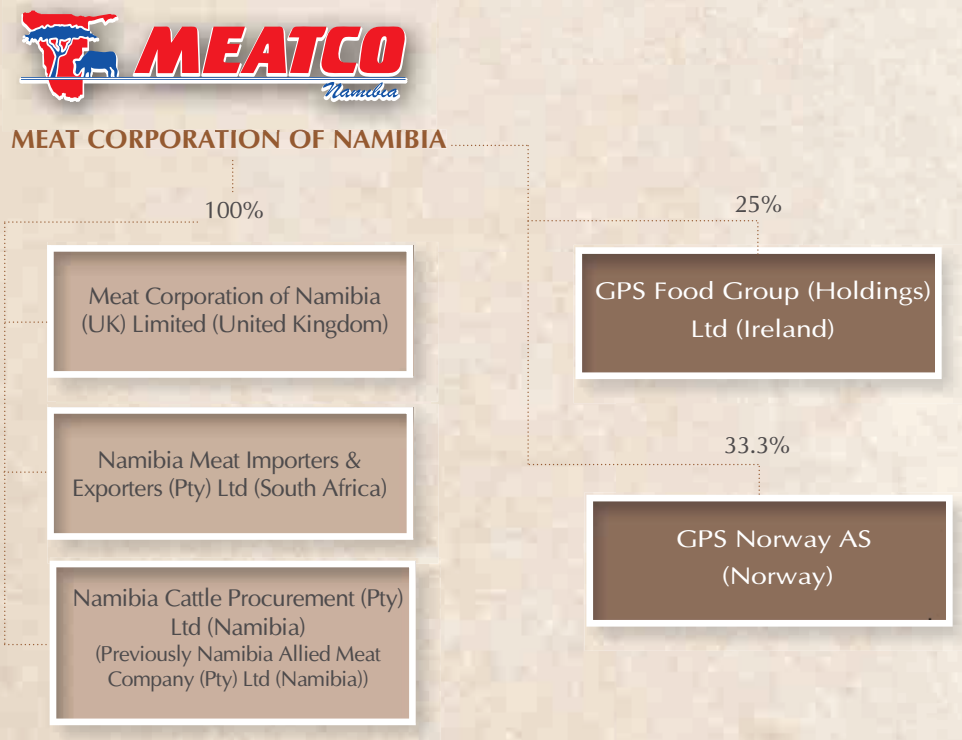


Figure 3: Ownership structure

Our business focus

To achieve our main objective of maximising producer prices sustainably within our business context, Meatco has identified key value drivers, as shown in Figure 4.

The Corporation believes that focusing on these areas will result in sustainably achieving the maximum producer prices, which in turn will lead to the sustainability of the industry and, therefore, Meatco's business.

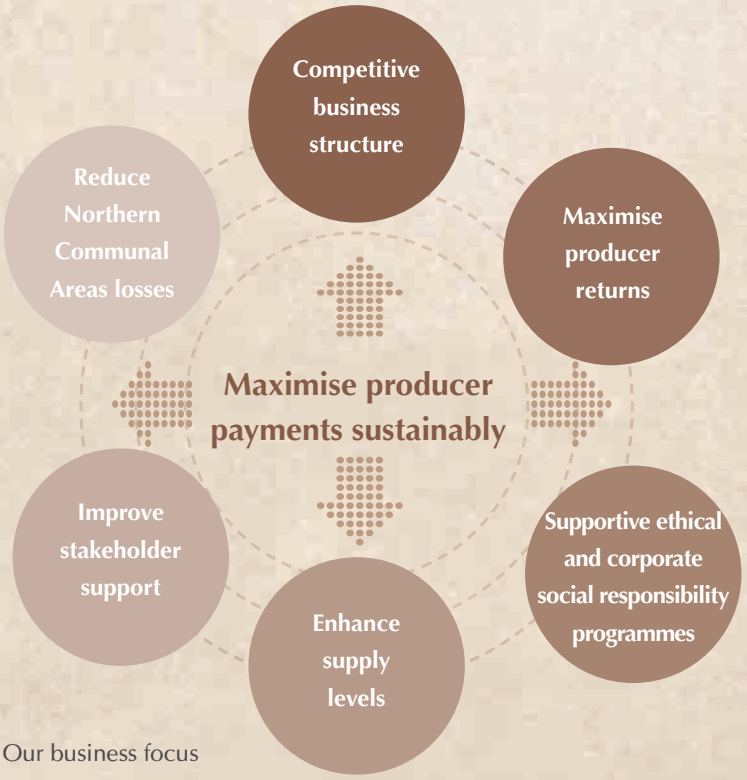


Figure 4: Our business focus

How we add value

Adding value to Namibian beef starts in the veld, where farmers rear free-range cattle using natural methods. Animals are raised on veld grass for the majority of their lives and no growth hormones or routine antibiotics are used in their rearing.

Apart from using naturally reared cattle for our production and ensuring they are treated according to strict animal welfare principles, we further differentiate ourselves by eschewing commodity trading as far as possible. So we do not sell carcasses in international markets but focus instead on producing value-added, deboned cuts of meat to meet various client specifications for customers across the world. Our aim is to add as much value to carcasses as possible and to thus closely align ourselves with the needs of the end consumer of our products. Our labour intensive value addition focus has assisted Meatco in creating more than 1,000 jobs.

As a consequence, we are constantly developing our value chain by placing greater emphasis on the quality and unique characteristics of our beef. Almost 100% of the slaughtered animal is processed and sold. In this way, we can maximise value addition opportunities.

To highlight the unique qualities of our product, we have developed our very own Natures Reserve brand of products, which – along with the Meatco brand – acts as a vehicle to extract the maximum value from international markets for the Corporation's livestock producers. Meatco's Natures Reserve brand has opened up free-range beef marketing channels and serves various international customers.

We believe that the key to the unique flavour of Natures Reserve products is our emphasis on healthy and contented cattle and animal welfare is therefore a priority. All farms registered with Meatco are required to be members of the Farm Assured Namibian Meat (FANMeat) scheme and to adhere fully to its high standards of livestock husbandry within the 'Five Freedoms', which are an internationally recognised means of assessing good animal welfare. (See page 80 for more details.)

All cattle in Namibia are allocated a unique identification ear tag to be able to trace their movements and monitor welfare standards, feed regimes, and any veterinary treatments they receive.

In Namibia, we launched the *Meatma* brand and in addition to the outlet next to our head office in Windhoek, we added

a second Meatma outlet in Okahandja, which provides an affordable, high-quality protein product directly to the Namibian public. Not only was this a prudent business move but it also reflects Meatco's commitment to feeding our nation in a cost-effective way.

We also have a strong range of canned meat brands in local and regional markets. These include the *Texan*, *Eloolo* and *Ranch* brands. In 2014, Meatco developed and launched two new canning labels or brands, aimed specifically at the African market: the *Cattleman* brand was designed for the Nigerian market and the *Long-horn* brand was mainly developed in order to create a platform for launching new products into the local and regional market. We have also established a

market for our *Texan* brand in Zimbabwe. The development of additional products – such as Chicken Loaf, Luncheon Roll, Spaghetti and Meat Balls, and Canned Viennas – is ongoing and these products are designed for the domestic and regional markets.

We are engaged in the production of premium wet-blue hides through the Meatco Okapuka Tannery.

The price that results from the value addition that Meatco generates from all these different markets and operations benefits all Namibian cattle producers – even those who do not sell to Meatco and those who are in the weaner production business (Meatco only slaughters adult animals). The price that Meatco pays for cattle is used locally by competitors to determine their price for slaughter animals. Meatco therefore sets the benchmark for cattle prices in Namibia and elevates it because of our ability to sell into export markets.

Business environment

We operate in a highly competitive business environment – locally, regionally and internationally. We have to position our products in strategic niche markets in competition with the big beef-producing countries such as Australia and Brazil. Through our world-class processes, consistent product quality, and our *Natures Reserve* brand, we have managed to successfully differentiate ourselves from other abattoirs and processors.

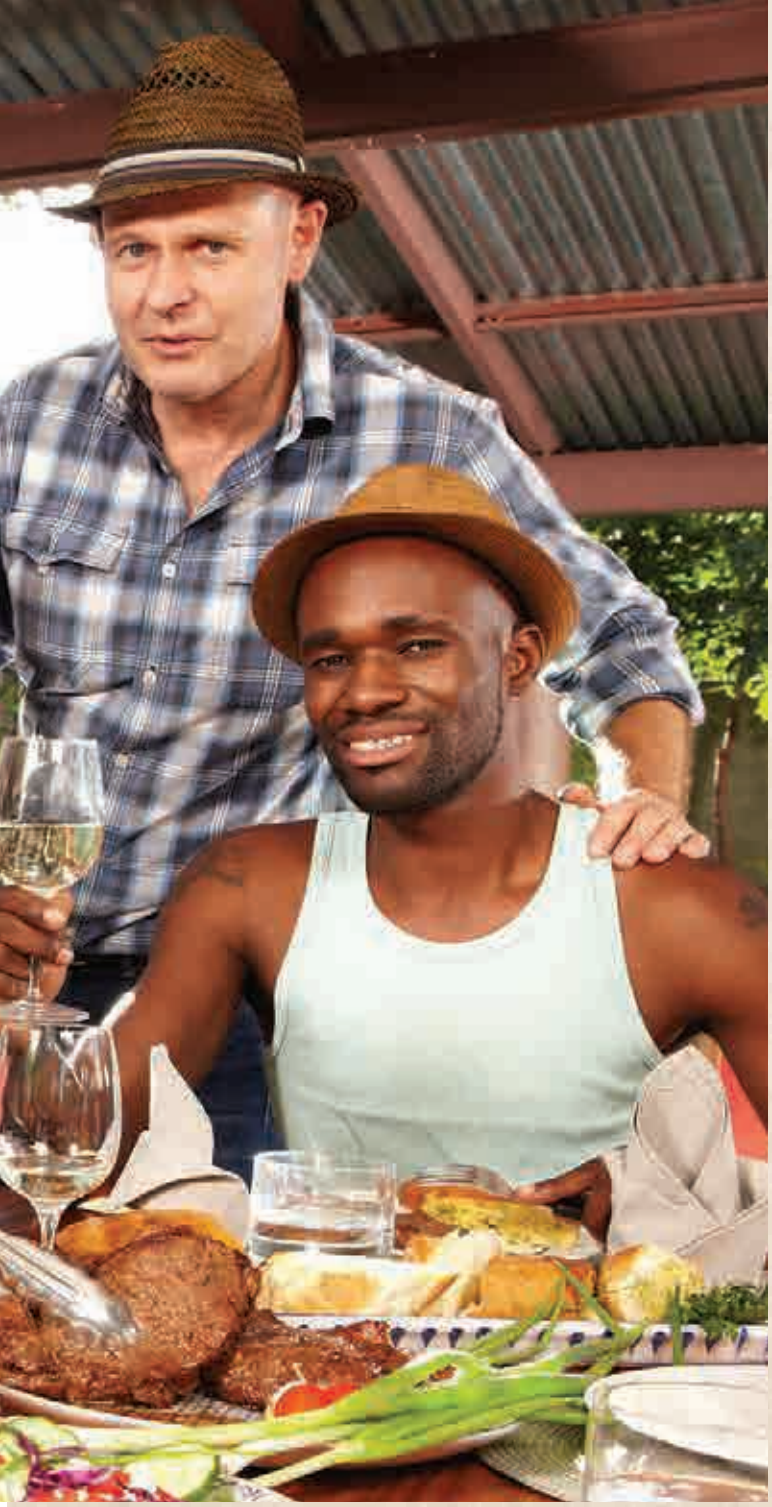
Markets

The European Union (EU) is a major export market for Namibian red meat, fish, and grapes, receiving 40-70% of Namibia's agricultural exports. Preferential access to the EU market for premium beef cuts has made it possible for the Namibian red meat industry to upgrade its production facilities and to meet international standards. Compliance with EU standards gives the country a competitive advantage over other beef producers in the world, including South Africa producers.

The highest value comes from our international markets, including Norway and the European Union (EU) – more specifically the United Kingdom (UK), Germany, Denmark and Italy. We export the bulk of our prime cuts (mostly from the hindquarters) to these countries as their markets provide the highest value for these particular products.

Meatco's biggest market by volume in Africa is in neighbouring South Africa, which receives 38.4% of the Corporation's exports. Due to South Africa's population size, income levels, and proximity, it remains a lucrative market for some of our beef products.

Compared with international buyers, the local market is not yet a high-value earner for Meatco, accounting for just 11.5% of actual sales currently. Nonetheless, the Namibian market has high strategic value for us: we need the raw material – the cattle – provided by local producers to enable us to sell high-



value cuts to our international clients. This means we act as a supplier in the local beef market to ensure we maintain our share of local raw materials. By supplying the local market with meat products we are competing on two fronts: selling our product to the local market, and procuring cattle from the local producers.

Having access to the EU market means we conform to the best quality standards internationally. This gives Meatco the potential to access other high-value markets – such as those in Asia, Russia, and the United States of America – since these countries regard compliance with the EU quality standards as a measurement of compliance with their own standards respectively. The unlocking of these markets would mean more value for our producers and broader market diversification for Meatco.

How we are managed

ETHICS

We are committed to being ethical and responsible in all our operations. Our values guide our behaviour. To succeed, trust has to be maintained between Meatco and our producers, and between Meatco and our customers, other industry players, business partners, regulators, Government authorities, and our other stakeholders. Our Code of Conduct, which informs our business principles and policies; and offers guidance on how to apply them, steers our interactions with our stakeholders.

GOVERNANCE

Good governance is fundamental to business sustainability. We therefore continue to ensure that our governance structures support effective decision making and robust control; and are aligned to changing requirements as well as local and international best practices.

RISK MANAGEMENT

There is no opportunity without risk. For this reason, we have appropriate structures in place to identify, monitor, and manage our risks effectively. Risk is managed at three distinct levels in the Corporation: the line manager at operational level, the Executive Committee, and the Audit and Risk Committee of the Board.

REMUNERATION

Our policy is to use remuneration as one of the tools with which to attract and retain leaders of the highest calibre, while making sure that our executives are compensated according to their performance. The latter aspect is measured not only with regard to financial and strategic delivery but also in terms of how faithfully they apply our business principles and Code of Conduct.

Board of Directors

Who governs us

The current Board of Directors was appointed on 4 October 2013 for a period of three years.

In terms of Section 5 of the Meat Corporation of Namibia Act, the Minister of Agriculture, Water and Forestry appoints Meatco's Board from individuals nominated by respective member and other stakeholder groups.

The Act provides for the Minister to be tasked with appointing six Directors to represent the interests of:

- the Corporation's employees (one person, nominated by employees)
- communal farmers (one person, nominated by the members of Meatco)
- commercial farmers (one person, nominated by the members of Meatco), and
- producers of livestock (two persons, nominated by the members of Meatco).

The sixth Director is nominated by the Minister.

Section 15 of the Act also allows the Board to co-opt a maximum of three additional persons to serve on it but such co-opted members have no voting rights.

MS MARTHA NAMUNDJEBO-TILAHUN
Chairperson

Appointment: nominated by Meatco's members for her specialist business expertise.
Formal education: BSc Business Administration and Management, St Paul's College, Lawrenceville, Virginia, USA; MBA, University of California, Berkeley, USA; MBA, University of Santa Clara, California, USA.

Ms Namundjebo-Tilahun is the Chairperson and co-owner of United Africa Group (Pty) Ltd (or UAG), the holding company of various property, service and hospitality business operations. She co-owns the ENP Hilton Hotel in Windhoek. Through her business activities, Ms Namundjebo-Tilahun has exhibited her great leadership values, pursued and synthesised through focus and team development. As a holder of an MBA in Finance, she has special skills in integrating financial and other operational resources to achieve set goals. She also serves on numerous boards of directors, including as Chairperson of Protea Namibia, Alstom Namibia, Rennies Travel (Namibia), Hope Villa, and AREVA Resources Namibia. In addition, she is a Director on the boards of the Diamond Company of Namibia and of Standard Bank Namibia, and is the President of the Namibia Chamber of Commerce and Industry as well as of Tullow Oil Namibia.

MR DIETHELM METZGER
Vice Chairperson

Appointment: nominated by Meatco's members to represent the interests of commercial producers.
Formal education: BSc (Agri), Pretoria University, Pretoria, South Africa; MAg, Texas A&M University, USA.

A respected commercial farmer and Simbra stud breeder, Mr Metzger is a third-generation Namibian whose grandfather arrived in the country from Germany more than a half-century ago. The family makes its living raising championship cattle and also operates hunting and photographic safaris for visitors. Mr Metzger has been the Chairperson of the Seeis Farmers' Association for ten years; Chairperson of the Seeis Conservancy for two years; and Vice President and then President of the Namibia Professional Hunting Association, between 2004 and 2010. He currently serves on the Board of the Simbra Breeders' Society.

MR RONALD LEONARD KUBAS
Director

Appointment: nominated by Meatco's members for his specialist expertise.
Formal education: BSc (Eng) (Electrical), University of Cape Town, Cape Town, South Africa.

Mr Kubas is a registered Professional Electrical Engineer and Managing Director of Burmeister & Partners Ltd with more than 20 years' experience in consulting engineering design and project management (including relevant experience in abattoir design). He has extensive board experience, having served on the Engineering Council of Namibia, as former President of the Association of Consulting Engineers in Namibia, and on the boards of several private companies. Mr Kubas has been a commercial cattle farmer since 2002 and a Meatco producer since 2011.

MS SOPHIA KASHEETA
Director

Appointment: appointed by the Minister of Agriculture, Water and Forestry to represent the interests of the Government of Namibia.
Formal education: Diploma in Animal Production, Egerton University, Nakuru, Kenya; Diploma in Public Administration, United Nations Institute for Namibia, Lusaka, Zambia; Postgraduate Diploma in Extension and Development Studies, University of Reading, UK.

Ms Kasheeta started her career working for the Ministry of Agriculture, Water and Forestry as an Agricultural Extension Officer in its Directorate of Extension and Engineering Services (DEES). She was promoted to Chief Agricultural Extension Officer, then to Deputy Director, and currently serves as Director of the DEES.

MR CHARLES /URIB
Director

Appointment: nominated by Meatco's members to represent the interest of the communal producers.
Formal education: National Diploma S2 Electrical Engineering.

Mr /Urib is an electrical engineering contractor by profession. In addition, he stud farms Simbra cattle and Boer goats. He serves on the boards of Madawa Investment (Pty) Ltd and All Technology Namibia. His focus is on participating in a meaningful and collaborative manner at all Meatco Board sessions to enable Meatco to play a pivotal role in the meat industry. He also serves on the Human Resources Board Committee.

MR ISRAEL ITAMUNUA NGANGANE
Director

Appointment: nominated by Meatco's employees to represent their interests.
Formal education: Certificate in Norwegian Specifications and Abattoirs, Fatland, Norway; Diploma in Labour and Employment Studies (in progress), University of Namibia.

Mr Ngangane has been working in abattoirs and meat-processing plants for more than a decade. He started his career at Urikhubus Abattoir in 2002 as the Service Department Supervisor. In 2009 he was appointed as Deboning Supervisor at Witvlei Meat before becoming the Manager of its Slaughtering Department. In 2012, he was appointed to his current position as Foreman of the Windhoek abattoir at Meatco.

ADVOCATE VEKUII RUKORO
Chief Executive Officer

Appointment: Ex officio
Formal education: LLB (Hons), University of Warwick, UK; Utter Barrister Degree (Bar Finals), the Council of Legal Education, Grey's Inn of Court, UK; LLM in International Law, specialising in the international protection of human rights, Washington College of Law, the American University, USA. Admitted advocate of the High Court of Namibia.

Advocate Rukoro commenced duties at Meatco in March 2013. His main responsibilities are to ensure that the decisions of the Board and Meatco's business strategies are implemented; to monitor that every business unit implements their focus areas' core activities; and to ensure that the Corporation's objectives are met.

MR NICO WECK
Chief Financial Officer

Appointment: Ex officio
Formal education: B Compt (Hons) (University of Stellenbosch)/Chartered Accountant (Namibia and RSA).

Mr Weck joined the Corporation as Chief Financial Officer in July 2010. In addition to his responsibilities with regards to finance, administration and information technology, his focus areas include the marketing of Meatco products regionally and internationally, overseeing the strategic drive of Meatco, as well as adherence to official compliance issues, and the Corporation's regulatory frameworks.

MS ERENSTINE M. TUNEEKO
Company Secretary

Appointment: Ex officio
Formal education: B. Juris, LLB (UNAM): Admitted Legal Practitioner.

Ms Tuneeko joined Meatco in July 2014. Her responsibilities are to ensure that the Corporation complies with all relevant legislation and regulations and to advise the Meatco Board on legal and corporate governance issues.

Independence, skills and knowledge

All Meatco Board Members are non-executive Directors and four of its Members represent the interests of the respective groups that nominated them. On the active Board of Directors these individuals are:

- Mr Diethelm Metzger (representing commercial farmers);
- Mr Charles /Urib (representing communal farmers);
- Mr Israel Itamunua Ngangane (representing the Corporation's employees); and
- Ms Sophia Kasheeta (representing the Ministry of Agriculture, Water and Forestry).

The Board continues to believe that its overall composition remains appropriate, having particular regard for the independence of character and integrity of all its Directors, as well as the experience and skills that they bring to their duties.

The Corporation is committed to the Directors' continued development so that they may build on their expertise and offer an even more detailed understanding of the business and markets in which the Corporation operates.

Conflict of interest

Directors and staff are required to avoid situations whereby they have, or may have, a direct or indirect interest that conflicts, or possibly conflicts, with the Corporation's interests. Procedures are in place for the disclosure by Directors and staff of any such potential conflicts and for appropriate authorisation to be sought if a conflict does arise.

Independence of external auditors

The independent auditors, PricewaterhouseCoopers, audited our 2014/15 Annual Financial Statements. Meatco believes that the auditors have observed the highest level of professional ethics and has no reason to suspect that they have not acted independently from the Corporation. The Board Audit and Risk Committee has also confirmed the independence of the external auditors for the reporting period.

Company secretary

The Company Secretary, Ms E.M. Tuneeko, is suitably qualified and has access to the Corporation's resources to execute her duties effectively. She provides support and guidance to the Board in matters relating to governance and compliance

practices across the Corporation. All Directors have unrestricted access to her expertise. Mr Nico Weck served as Company Secretary until July 2014, when Ms Tuneeko was appointed.

The Corporate Governance Code of Namibia (NamCode)

Meatco has accepted the NamCode, effective from 1st January 2014 and based on international best practices, and the King Code of Governance for South Africa, 2009. Deviations from the NamCode are listed in the table below.

Table 1: Deviations from NamCode guidelines

NAMCODE GUIDELINES	DEVIATIONS
Shareholders should approve the company's remuneration policy.	Remuneration is reviewed in detail by the Remuneration and Human Resources Committee and approved by this Committee.
As a minimum, two executive directors should be appointed to the board, being the chief executive officer and a director responsible for the finance function.	In terms of the Meat Corporation of Namibia Act, no Board Member is appointed as an Executive Director. However, both the Chief Executive Officer and the Chief Financial Officer are *ex officio* members and are available at all Board meetings to answer questions from, and make representations to, the Board.

Financial statements

The Directors are responsible for monitoring and approving the Corporation's Annual Financial Statements to ensure that they fairly present its affairs and profits or losses at the end of each financial year. Independent auditors are responsible for expressing an opinion as to the degree of correlation between these financial statements and the Corporation's actual financial position.

Meatco's Management prepares the Annual Financial Statements in accordance with International Financial Reporting Standards and in the manner set out by the Meat Corporation of Namibia Act. The Corporation bases its statements on appropriate accounting policies that it has applied consistently and which are supported by reasonable and prudent judgements and estimates.

Operation of the board

AREAS OF RESPONSIBILITY

The Board sets the strategic objectives of the Corporation and delegates to Management the detailed planning and implementation of those objectives in accordance with appropriate risk parameters via a formal delegation of authority framework. The Board monitors compliance with policies and achievements against the stated objectives by holding Management accountable for their activities through quarterly performance reporting and updates.

The Board deals with several matters exclusively. These entail, among other things, the approval of financial statements; the Corporation's overall business strategy and related budget and cash flow forecasts; the annual capital expenditure budget, major changes to Management and control structures; material investments or disposals; and the Corporation's overall risk management strategy.

BOARD STRUCTURE

The Board governs through clearly mandated Committees, accompanied by monitoring and reporting systems. Board Committees operate within clearly defined Charters, as approved by the Board. The respective Chairpersons verbally report on the proceedings of their various Committees at the subsequent Board meeting.

The Board was assisted by the following Committees and external parties during the year under review:

Members of the Audit and Risk Committee
D. Metzger (Chairperson) and R.L. Kubas

Members of the Management Support Committee
M. Namundjebo-Tilahun (Chairperson) and D. Metzger

Members of the Remuneration and Human Resource Committee
S. Kasheeta (Chairperson) and C. /Urib

The Company Secretary is responsible for advising the Board, through the Chairperson, on matters of corporate governance. The Board and its Committees are supplied with comprehensive and timely information (including detailed financial information) to enable the Directors to discharge their responsibilities, and such Committees are in turn provided with sufficient resources and support to undertake their duties. All Directors have access to the advice of the Company Secretary; independent professional advice is also available to Directors with the approval of the Chairperson.

BOARD MEETINGS

During the year under review, the Board met seven times. Board Members also attended an Annual General Meeting. Records of Directors' attendance at Board meetings, Committee meetings, and the Annual General Meeting are set out in Table 2.

In addition to the meetings indicated above, several Board Members attended some farmer liaison meetings and producers' forum meetings, as well as ad hoc meetings with farmers' associations, farmers' unions, member groups and other stakeholders.

Board meetings are held in an atmosphere of honesty, integrity and mutual respect as per the formal Board Charter and in accordance with the Corporation's Code of Conduct. Meetings also allow for robust and constructive challenge and debate among members.

AUDIT AND RISK COMMITTEE

During the year under review, the Audit and Risk Committee was chaired by Mr D. Metzger. The Committee met five times during the year under review. The meetings were attended by the Chief Executive Officer, the Chief Financial Officer and the Internal Auditor. Other members of Management attended on request as required, while the external auditors attended only those meetings that were relevant to them.

Figure 5: Board structure

Table 2: Attendance of Board Meetings

Board Member	Board Meeting	Audit and Risk Committee Meeting	Remuneration and HR Committee Meeting	Annual General Meeting
M. Namundjebo-Tilahun	7	--	-	1
D. Metzger	6	5	1	1
C. /Urib	7	--	3	1
I.I. Ngangane	7	--	--	1
R.L. Kubas	7	5	--	1
S. Kasheeta	6	--	1	1
V. Rukoro, Chief Executive Officer	7	4	2	1
N. Weck, Chief Financial Officer	7	5	3	1
N. Weck, Company Secretary	4	3	2	1
E. Tuneeko, Company Secretary	3	2	1	--

The Audit and Risk Committee reports on its activities and makes recommendations to the Board. During the year under review, the Committee discharged its responsibilities as defined in its Charter. The Committee also engaged in ensuring that appropriate standards of governance, reporting and compliance were being met, and advised the Board on matters relating to the application of accounting standards in respect to Corporation activities.

The Committee's activities during the year included considerations of:

- the annual consolidated financial statements and the preliminary results before their submission to the Board for approval, including consideration of the Corporation and the Group as a going concern, with particular reference to balance sheets, income statements and cash flow statements;
- areas of significance in the preparation of the annual consolidated financial statements, including any exceptional items, impairment reviews and tax provisions;
- the effectiveness of governance within, and control of, the Corporation's activities;
- reports from the external auditors on the Annual Financial Statements and the approval of the audit plan and fee proposal for the audit;
- the progress of the year's internal audit programme and matters arising from it;
- the effectiveness of the internal audit function;
- the internal control environment and risk management systems, and the Corporation's statement on internal control systems; and
- the effectiveness of the external auditors.

The Committee was satisfied that, for the period under review, the independence of the external auditors had not been affected by the provision of non-audit services, which related to taxation services. Fees in respect of non-audit services provided by external auditors were mainly related to such taxation services.

Internal audit activities, all of which are risk-based, are performed by a team of appropriately qualified and experienced employees. The Internal Auditor, who reports functionally to the Chief Financial Officer and who attends all Committee meetings, prepares formal reports for each Committee meeting in respect of the activities and key findings of Meatco's internal audit function.

REMUNERATION AND HUMAN RESOURCE COMMITTEE

During the year under review, this Committee was chaired by Board member Ms S. Kasheeta and met formally three times during the reporting year. The meetings were attended by the Chief Executive Officer, the Chief Financial Officer, the Senior Manager: Industrial Relations, and the Executive: Human Resources. Other members of the Management Team attended on request.

The Committee is responsible for assessing and approving a broad remuneration strategy for the Corporation as well as for monitoring the implementation of human resource policies. The Committee reports on its activities and makes recommendations to the Board. The Committee was satisfied that adequate human resource and remuneration policies existed in the Corporation during the year under review, and that such policies had been consistently implemented and applied.

Our management team

Who leads us

The Executive Committee is responsible for the detailed planning and implementation of objectives and policies as determined by the Board of Directors.

The Executive Committee consists of the Chief Executive Officer and seven executives responsible for the portfolios that constitute the heart of the business.

Executive Committee

The Executive Committee is responsible for the detailed planning and implementation of objectives as determined by the Board of Directors. During the year under review, the composition of the Executive Committee remained appropriate in terms of their overall balance of skills, experience, knowledge of the industry, technical knowledge relating to each member's field of expertise, and commitment to their respective functions.

During the year under review, the Executive Committee that leads Meatco is set out on the next few pages.

ADVOCATE VEKUII RUKORO
CHIEF EXECUTIVE OFFICER

Formal education: LLB (Hons), University of Warwick, UK; Utter Barrister Degree (Bar Finals), the Council of Legal Education, Grey's Inn of Court, UK; LLM in International Law, specialising in the international protection of human rights, Washington College of Law, the American University, USA. Admitted advocate of the High Court of Namibia.

Advocate Rukoro commenced duties at Meatco in March 2013. His main responsibilities are to ensure that the decisions of the Board and Meatco's business strategies are implemented; to monitor that every business unit implements their focus areas' core activities; and to ensure that the Corporation's objectives are met.

MR NICO WECK
CHIEF FINANCIAL OFFICER

Formal education: B Compt (Hons) (University of Stellenbosch)/Chartered Accountant (Namibia and RSA).
Mr Weck joined the Corporation as Chief Financial Officer in July 2010. He also serves as Chairman of the Meatco Retirement Fund. In addition to his responsibilities with regards to finance, administration and information technology, his focus areas include the marketing of Meatco products regionally and internationally and overseeing the strategic drive of Meatco.

MR JANNIE BREYTENBACH
EXECUTIVE: OPERATIONS

Formal education: National Diploma in Finance and Administration.
Mr Breytenbach joined the Corporation in 1994 as Administrative Manager. In 2007 he was transferred to the Windhoek abattoir and processing plant and became responsible for the plant's overall operations. His focus areas centre around the capabilities and efficiency of the plants, including labour infrastructure and support services, maximising production yield and reducing down time and waste. He is responsible for the operational activities at Meatco's four abattoirs and processing plants, the Okapuka Tannery, as well as for the Group's Engineering and Safety units.

MR HEINER BÖHME
EXECUTIVE: LIVESTOCK PROCUREMENT

Formal education: BSc Agric, BSc Agric (Hons): University of Stellenbosch, South Africa; MSc Agric, Business Management and Administration (Hons), MBA: University of Stellenbosch Business School, South Africa.
Mr Böhme joined Meatco in 2007 to implement Meatco's backwards integration initiatives. His focus areas are developing and driving strategies for livestock procurement from commercial, emerging, and communal producers. He is responsible for Livestock Procurement; Meatco-owned Cattle initiatives; Meatco Okapuka Feedlot and privately-owned feedlots.

MR VEHAKA TJIMUNE
EXECUTIVE: POLICY INNOVATION, STAKEHOLDER RELATIONS AND CORPORATE AFFAIRS

Formal education: Diploma in Agriculture (Tsumis Agricultural College); Executive Development Programme including Project Management, University of Stellenbosch Business School, South Africa; Post Grad. Diploma in Rural Development and MSc in Rural Development, University of Reading, UK.
Mr Tjimune joined Meatco in 2008 as Senior Manager for Livestock Procurement. His current focus areas include proactively identifying environmental issues affecting Meatco and engaging strategies to positively influence outcomes; managing critical stakeholder relations on a continuous basis and ensuring effective communication between Meatco and its stakeholders, as well as promoting and growing the Meatco brand.

MS ROSA KATJIVENA
EXECUTIVE: QUALITY ASSURANCE

Formal education: BSc (Applied Environmental Health) from Flinders University, Australia.
Ms Katjivena joined Meatco in 2000 as Group Quality Assurance Manager at plant level. This position was promoted to senior management level in 2006. Her focus areas include verifying that Meatco products meet the highest possible industry quality standards as well as ensuring compliance with other statutory and industry standards locally and internationally.

MR STANLEY HOVEKA-MBURA
EXECUTIVE: HUMAN RESOURCES

Formal education: Diploma in Human Resources (Polytechnic of Namibia). Pursuing an MBA through the Management College of Southern Africa (MANCOSA).
Mr Hoveka-Mbura joined Meatco in 2013. His focus areas centre around the strategic direction of the Human Resources (HR) Department in supporting overall Meatco objectives; improving the service delivery of the HR department and empowering line managers to better manage their employees by providing solutions on HR-related challenges.

MR CYPRIANUS KHAISEB
EXECUTIVE: LOCAL MARKETS AND VALUE ADDITION

Formal education: B. Tech Agricultural Management; National Diploma in Agriculture (Tech. SA) Management and Senior Management Development (USB-ED), LEP (University of Cape Town)
Mr Khaiseb joined Meatco during 1996 and started at the Okapuka Feedlot. In 2007 he was transferred to the Head Office to assume full responsibility for operations in the Northern Communal Areas (NCA). His focus areas include developing the local market and Meatco's value addition activities in line with the Government's 'Growth at home' strategy, as well as providing the local market with good quality and affordable meat products.

MR KINGSLEY KWENANI
EXECUTIVE OFFICER: MEATCO FOUNDATION

Formal education: Diploma in Agriculture, Diploma Agric Extension and Rural Development, B Agric (Hons), Master's Degree in Agriculture Extension and Rual Development. Pursuing an MBA through Regent Business School (final year).
Mr Kwenani joined Meatco Foundation in 2013. His focus areas is to ensure that decisions of the Foundation Board of Trustees and the Foundation strategic framework is implemented and makes the required impact. This include the management of the Foundation and driving the Socio Economic Development and Empowerment in livestock sector through corporate social investments.

Our Code Of Conduct

The Corporation operates within a Code of Conduct that was developed in terms of an all-inclusive, transparent, and participative process involving the majority of the Corporation's staff and Management. The Code relates to five sets of key behavioural attributes (see Figure 6):

- Participation and cooperation
- Respect, integrity and dignity
- Effective communication
- Commitment and responsibility
- Service excellence

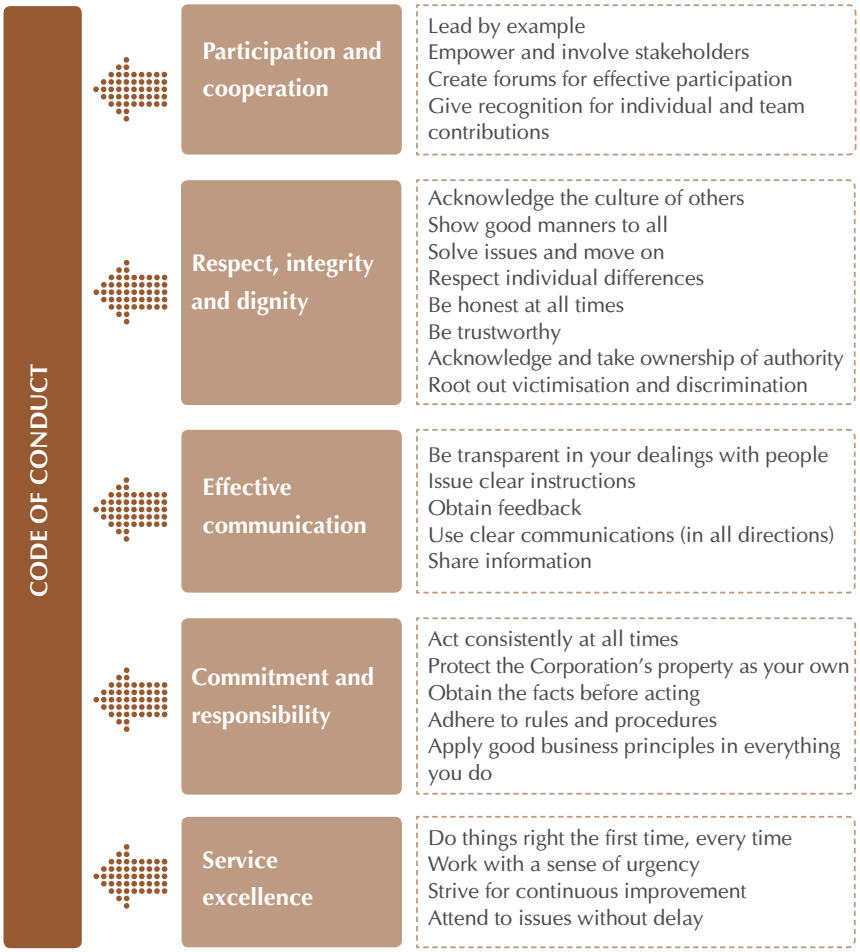


Figure 6: Code of Conduct

Stakeholder engagement

Meatco does not operate within a vacuum: a number of key stakeholders depend on our activities and related impacts on these stakeholders. These include:

- producers who supply raw materials;
- employees, who have the skills and knowledge to process raw materials into market-demanded products for sale in local and international markets;
- suppliers of consumables and services;
- Government and other regulatory authorities that regulate the industry and assist in the development of, and access to, export markets through trade agreements, etc.; and
- customers who purchase products from the Corporation.

The Department of Policy Innovation, Stakeholder Relations and Corporate Affairs is responsible for Meatco's stakeholder engagement activities.

Meatco recognises that our producers – be they communal, emerging, or commercial farmers – are our most important stakeholders: not only are they the Corporation's members, but they also form the foundation of the Namibian slaughter livestock industry.

The operational focus area of the Corporation's relationship with producers mainly relates to its ability to offer a competitive and sustainable producer price. However, beyond that, Meatco believes that a positive relationship with its producers is critical for the long-term sustainability of the business and the Namibian livestock industry overall. This is reflected in the fact that nearly one-third of all our communications and corporate projects are aimed at our producers, while the bulk of our corporate sponsorships goes to farmers' associations and organised agricultural activities.

Meatco therefore engages its producers directly on a regular basis and follows a policy of transparency and consultation in its dealings with them. This is done through various communication platforms, which include printed and electronic media as well as frequent meetings at various major producer locations across the country. Figure 7 shows the number of communication interactions targeted at our various stakeholders. Figure 8 indicates the various communications channels used relative to the number of times these channels were utilised during the reporting year.

Furthermore, through the Livestock Producers' Forum, Meatco has established a platform that enables Management and producers to enter into meaningful dialogue on technical matters and the practicalities surrounding the impact of pending strategies or decisions.

Meatco also hosted regular information days for communal and emerging commercial producers south of the Veterinary Cordon Fence over the reporting period. In the past, purchasing cattle from communal and emerging commercial farmers has been hampered by distance, a lack of transport

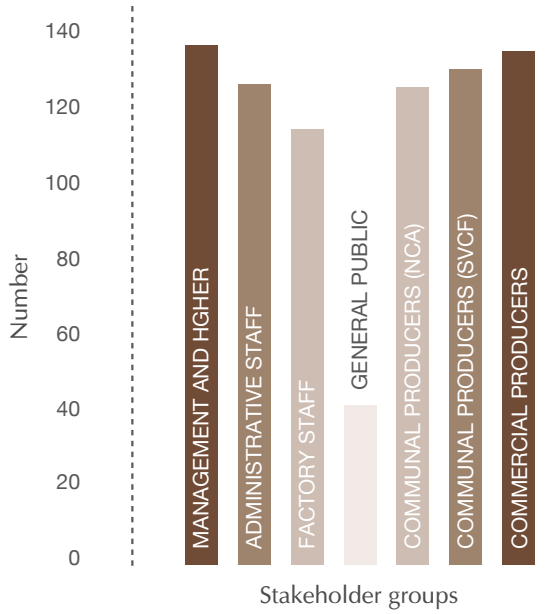
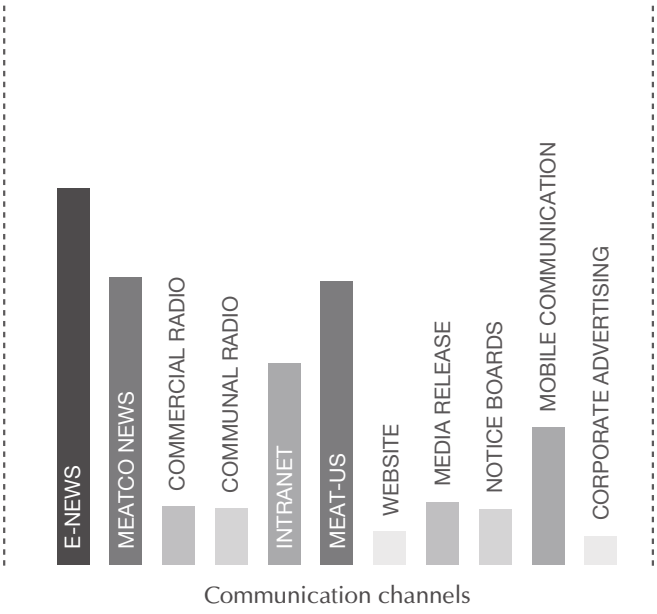


Figure 7: Communication interactions targeted at stakeholder groups: 2014/15



Figures 8: Communication channels utilised: 2014/15

and infrastructure, and a lack of understanding of the processes involved in selling cattle to Meatco. The aims of such 'Permit Day' (also called 'Assembly Days') are to bring Meatco's business closer to these producers, reduce the barriers to entry, and make it easier to sell cattle to the Corporation. The long-term objective is to build and maintain mutually beneficial business relations with all cattle farmers.

The Namibian Government also plays an important role in the beef production industry through its Directorate of Veterinary Services in the Ministry of Agriculture, Water and Forestry. The Directorate ensures that the animal health status of Namibia's export regions remains intact. The newly-named Ministry of Industrialisation, Trade and SME Development has an equally significant part to play in terms of formalising international trade agreements and establishing access to new international markets. Meatco engages with these two ministries – especially the former – on a regular basis on issues affecting the business and the industry in order to find solutions to such challenges.

FILLIPUS TJITEERE, COMMUNAL FARMER

"Meatco organise regular Farmer's Days which I always attend. At these meetings, communal farmers are informed on improvements relating to general farming practices, as well as aspects such as how we should select our animals for slaughtering at the abattoirs. Critical information on vaccinations is provided during the year and is also shared at these meetings.

"We are also informed of the correct mating seasons for our cattle and now we know how to determine the age of our livestock through examining the teeth of the cattle. This allows us to determine under which category the animals qualify – whether it's 'A', 'B' or 'C' Grade. Now we have a measuring tool in place that determines whether the animals are fit for slaughtering. In addition to this, when animals are sick, we can measure the weight and use remedies to ensure that our animals recover well.

"Meatco's newsletter also provides us with information regarding the latest market trends, which gives us an idea of what types of animals are required for seasonal slaughtering. My advice to communal farmers is that they should definitely attend meetings, whether they are hosted by Meatco or other institutions. These meetings are critical and are meant to assist communal farmers in the improvement of their livestock. They should also read the newsletters to update them on current affairs relating to farming.

"Since I started selling my cattle to Meatco, the prices have always been market related. Meatco is an institution that I believe will assist the communal farmers for many years to come."

2

2014/15: Reviews and reports

Chairperson's review

This reporting year has been a triumphant one for Meatco and the cattle producers of Namibia. This is in stark contrast to what we expected and it certainly represented a watershed year for Meatco in terms of our survival and sustainability.

In the beginning of the period under review, everything pointed towards another challenging year for Meatco and our producers due to the drought conditions experienced in 2013. We expected lower volumes to be delivered to our abattoirs and processing plants during this time.

We pursued our backwards integration strategies as outlined in our Annual Report of 2013/14, which we listed as a critical strategic imperative.

This backwards integration programme is intended to ensure that the Corporation has a consistent and reliable source of supply of cattle, to ensure maximum utilisation of our slaughter facilities.

Towards the end of 2013, we had to scale down our operations and related activities due to the drought, but quite early into the reporting year, we saw higher than expected throughput that resulted in our facilities operating at full capacity.

This reporting year, the backwards integration strategy that we embarked upon has delivered the results we forecast and continues to do so. We have also managed to enter the local market with our *Meatma* initiative and also maintained our global market footprint, especially with the increased Norwegian quota allocated to Meatco in 2014. We have secured jobs, increased producer prices, and added more value locally.
The success of Meatco as a corporation is dependant to a large degree on the successes of our producers. Throughout the international markets we are currently serving, Namibian beef – and specifically our *Natures Reserve* brand – has built up a reputation as the best in terms of quality and taste, surely a reflection of the efforts made by our producers to supply Meatco with quality animals.

Our ownership issue has not yet been resolved, but we continue to engage with Government and we are confident that it will be concluded to the benefit of all stakeholders as well as the industry.

Namibia's agreement to sign the Economic Partnership Agreement (EPA) with the European Union (EU) concerning preferential and duty-free access into this high value-addition market in July 2014 boosted business confidence nationally and regionally. Meatco is extremely encouraged by this development. Access to the high-value EU market, contributing nearly 43.44% to our revenue, is vital for Namibia's red meat industry, producers, and the overall economy.

Investing in our assets is another vital aspect of ensuring our long-term growth. Having invested N$35.6 million in the previous financial year in our plants and equipment, this reporting year capital spend nearly doubled to N$65.2 million. We also set aside N$125.6 million as capital budget for the following year.

Regarding our industry's long-term sustainability, we believe it is vital that all stakeholders must work together to develop the Namibian meat industry and ensure that it remains a driver of economic growth and foreign currency earnings for the country. It is prudent to remember that Meatco came into being during the 1980s to consolidate Namibia's abattoir activities, as fragmentation was then in the order of the day and many smaller abattoirs could not operate sustainably. Creating over-capacity of abattoirs in Namibia can again lead to fragmentation – which will harm livestock producers, be they located north or south of the Veterinary Cordon Fence. Over-capacity of abattoirs nationally remains a significant risk, especially in light of the continuously decreasing numbers of cattle that constitute our national herd.

We strongly support the development of a common vision for the industry – and that can only happen when all stakeholders work together as one. We have to join hands; we have to obtain and retain a competitive advantage as a cattle-producing country to the benefit of all producers and the country at large.

As a leading player in the Namibian meat industry, Meatco will continue to be at the forefront of efficiency and innovation. There are still many improvements that can be made in the Namibian beef value chain in order to unlock enormous value for our producers. With this in mind Meatco always aims towards a well-coordinated and integrated value chain.

In conclusion, I wish to thank our producers for their loyalty and continuous support. Namibia's red meat industry still has substantial room for growth. Together we can all expand the industry to the benefit of all Namibians.

Finally, I want to express my deepest appreciation to the Honourable Minister of Agriculture, Water and Forestry, John Mutorwa, for his continued guidance; to my colleagues on the Board for their support, and to the Chief Executive Officer, Advocate Vekuii Rukoro, and his management and staff for their hard work and dedication. With people and producers like that, indeed, Meatco has a bright future.

MS MARTHA NAMUNDJEBO-TILAHUN

Chief Executive Officer's report

In line with historic trends, a drought year – such as the one experienced during the 2013/14 reporting year – is usually followed by a significant decrease in available cattle for slaughtering, as farmers rebuild their herds and allow grazing to stabilise.

Following the 2013/14 drought year, Meatco budgeted to slaughter just over 78,000 cattle in the current reporting year. Consequently, we aimed to operate our Windhoek and Okahandja processing plants on a four-month rotational basis, which was set to continue until December 2014.

From April 2014 onwards, however, we experienced an increase in cattle numbers. This was mainly due to the increase in the Norwegian quota to Meatco (we received an additional quota of 400 tonnes early in the reporting year) and our backwards integration strategies – our Meatco-owned cattle (MoC) initiatives and feedlot expansion – which resulted in more cattle being available to us.

We therefore had to cut short the period of rotational operations and both the Windhoek and Okahandja factories were in full operation from April 2014. This enabled us to slaughter a total of 107,401 (2013/14: 103,691) cattle south of the Veterinary Cordon Fence (VCF), increasing the volume after the drought year by 3,710 cattle year on year. This marks the second consecutive year of an increase in slaughter numbers south of the VCF.

In addition, 9,370 (2013/14: 13,221) cattle in total were slaughtered at the two Northern Communal Areas (NCA) abattoirs in Katima Mulilo and Oshakati, representing a decrease in cattle slaughtered compared with the previous financial year. The decrease was mainly due to the impact of the 2013 drought, as well as the food-and-mouth disease outbreak in Zambezi Region.

Therefore in total Meatco slaughtered 116,771 (2013/14: 116,912) cattle during the reporting year – only 141 animals fewer than the previous reporting year, representing less than a 1% decrease.

The backwards integration strategies we put in place to secure a consistent throughput in our plants by increasing available animals from our feedlot and MoC initiatives paid off this year. We secured 12,073 more cattle from these two sources than during the previous reporting year (3,429 cattle more from MoC and 8,644 cattle more from our feedlot) and we envisage that this situation will continue into the future.

29.78 N$/kg

PRODUCER PRICE:
Meatco paid the highest average producer price (across all grades) in the history of the company.

23%

PRODUCER PRICE:
This is N$5.59/kg more than the previous reporting year, representing an increase of 23.06%.

3.5%

INCREASE IN SLAUGHTERED CATTLE SVCF
Meatco increased the number of cattle slaughtered south of the VCF with 3.5% from 103,691 to 107,401 cattle.

25%

INCREASED WORKFORCE
Our workforce increased with 25.98% to 1,314 permanent and seasonal employees.

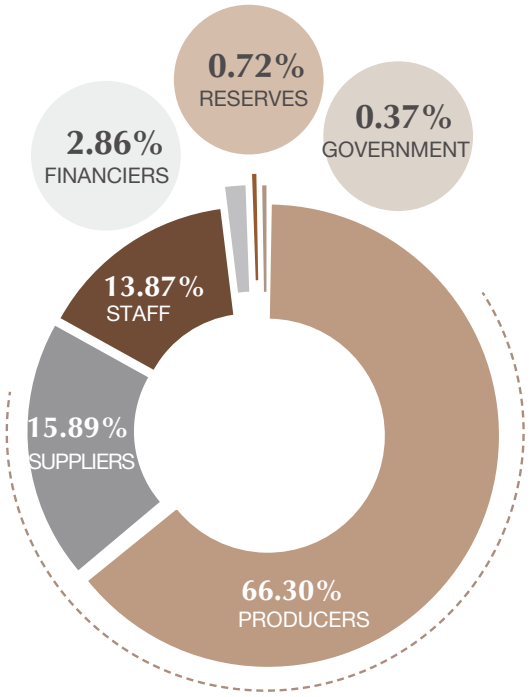


Figure 9: Value added statement, 2014/15

INCREASED PRODUCER PRICE

Remarkably, following the 2013/14 drought year, the year under review saw Meatco pay the highest average producer price (across all grades) in the history of the Corporation.

Meatco increased its overall producer price of dressed weight by N$5.59/kg (representing 23.06%) when compared with the prior year. The average producer price amounted to N$29.78/kg compared with an average producer price of N$24.24/kg for the corresponding period during the 2013/14 financial year.

Figure 9 above indicates the percentage of revenue returned to producers over the past 12 financial periods. It is important to note that this price wasn't just driven by normal market trends in southern Africa. The total premiums paid by Meatco over and above the South African price amounted to N$102.9 million over the period. This represents N$3.88/kg. The majority of these premiums went to farmers naturally producing 'B' and 'C' Grade cattle (N$5.87 and N$5.14 respectively).

The increase in price – and the stability this afforded Meatco and its producers – was mainly due to three factors:

- the exchange rate;
- the reallocation of the Norwegian quota; and
- The initiatives Meatco put in place to counter the continual decrease in cattle available for slaughtering.

Meatco's Management Team presented a sound argument based upon compelling facts that the 50/50 share of the Norwegian quota between Meatco and Witvlei Abattoir should be redistributed in alignment with market factors.

The fact that Meatco's allocation from the Norwegian quota went from 800 to 1,250 tonnes effectively gave us the ability to increase the producer's price by N$3.62/kg in January 2014 – directly benefiting our producers. Meatco was thus able to extract maximum economic benefit from our component of the quota while utilising a portion of the benefit for further development and investment in local value addition and other growth initiatives.

SHARING THE BENEFITS OF THE NORWEGIAN QUOTA

Examples of how Meatco was able to utilise and share the results of these benefits effectively are numerous, but four stand out:

1. We were able to invest an additional N$17.8 million into Northern Communal Area (NCA) operations in terms of overall operational losses during this period alone. These losses occur mainly due to the fact that Meatco does not differentiate between producers located north or south of the VCF in terms of the producer price – even though product originating from north of the VCF cannot be exported to Norway.
2. Meatco also increased its overall workforce responsible for our primary activities and now employs a total of 1,153 permanent and seasonal employees. This represents an increase of 25.98% if compared with the prior year, and an overall annual remuneration provided to its employees that amounted to N$182.1 million.
3. We also managed to increase our producer price for weaners procured for our Okapuka Feedlot by N$2.99/kg (or 21.53%) compared with the prior year. During the 2014/15 period, the average price paid by Meatco at our Okapuka Feedlot for weaners amounted to N$16.88/kg compared with the average price of N$13.89/kg for the corresponding period during the 2013/14 year.
4. Furthermore, Meatco managed to achieve these prices despite the fact that live export of these weaners was effectively halted due to the South African Government's unilateral decision to increase import requirements on live cattle. Had Meatco not had the means to extract additional value from the lucrative Norwegian market, the overall Namibian weaner price would also have decreased significantly.

During the time that the South African border was closed last year (May through to August 2014), Meatco made a statement to our producers and the market saying, in effect, that Meatco was ready to assist in mitigating the situation as far as it was possible to do so. Our actions stabilised the price and gave farmers confidence – even those producers that didn't slaughter with us – to sell their cattle at those prices.

The question remains what would have happened if the borders had remained closed? In the future, if the South African government decides to bring back a ban on imports, we won't be able to mitigate the impact entirely, especially in the longer term, but we should be able to make sure prices do not drop significantly.

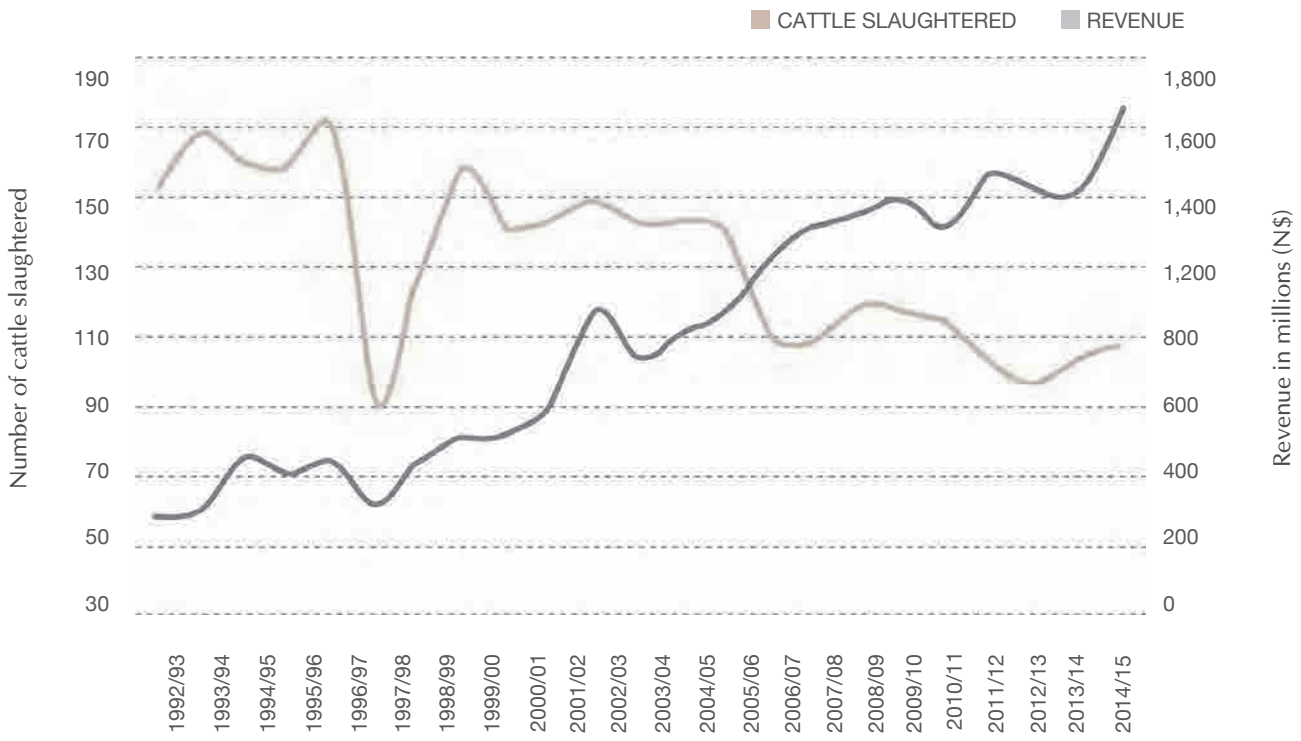


Figure 10: Revenue compared to cattle slaughtered

MARKETS PROVIDE OUTSTANDING RESULTS

Outstanding results were achieved in 2014/15 in the marketing of Meatco and its products at regional, national and international levels.

The Norwegian market remained our largest and most important overseas market, and our Natures Reserve brand continued to grow in strength and market share. In the European market we nevertheless experienced a net decrease in income as a result of a decline in the demand for forequarter cuts. This market has opportunities for continued growth however given a strong rate of exchange for our products, and it remains extremely important to Meatco.

To help us make an even greater impact on the international market, Meatco acquired a 25% stake in the Global Protein Solutions (GPS) Food Group, a world-class protein marketing and trading company with its head office in London. It is an investment that is already paying dividends: in the past year, Meatco realised close to N$6.6 million in additional profits, which we ploughed back into the producer price.

South Africa is traditionally one of Meatco's important markets, and it remains the largest importer of forequarter cuts. Currently, South Africa takes approximately 38% of Meatco's beef exports and year-on-year returns from this market have diminished. This decrease can be ascribed to an unstable economy and a downward trend in the consumer climate.

Meatco's diversification has meant that we are no longer dependent on this market alone however, and a priority in the future is for Meatco to continue to expand its local, regional and international markets. Given the volume and the price security provided by the Norwegian quota allocation, Meatco was able to utilise the quota throughout the year, which instilled confidence in our farmers and stability in the procurement process.

To add value to our products and capitalise on the growth in African markets, Meatco rolled out several new products in the Nigerian and southern African markets.

In Namibia, we launched the Meatma brand, which provides an affordable, high-quality product directly to the Namibian market. Not only was this a rational business move but it also underlines Meatco's commitment to feeding our nation in an economical way.

REINVENTING OURSELVES

Overall, Meatco performed exceptionally well in all areas this year. Backed by the increased Norwegian quota, our backwards integration strategy and a strong marketing push, we are set for positive growth in the coming year.

However, we are aware that the market conditions in both South Africa and Europe – where our biggest customers are located – can change quickly. The Euro has been unstable and has been decreasing in value and the South African economy continues to be under pressure, with rumours of higher interest rates – both of which mean that people have less money to spend on protein.

We are closely monitoring these markets and have strategies in place should we need to adapt quickly.

Meatco is a rapidly evolving business, as production transforms and the Corporation reinvents itself. Currently we are in the investment phase of Meatco's reinvention and the strategy has proven successful over the past two years. It will take time to see all the benefits but we know where we are heading and our producers will always be well-informed and involved in developments, as partners of Meatco.

IN PARTNERSHIP WITH PRODUCERS

Positive relationships with commercial and communal farmers are paramount to Meatco's success. Stakeholder engagement increased this past year, with senior Meatco staff attending dozens of farmers' meetings across the country. Our presence, and the mutual dialogue and engagement involved, were beneficial both to Meatco and the farming community; these stakeholders' meetings will therefore continue in the new financial year.

I want to stress that Meatco cannot and will not run our business without close and regular engagement with our producers. Our backwards integration strategies are aimed at supporting the farmers of Namibia, not excluding them. By being more in control of cattle numbers and throughput in our production facilities, we are able to reduce our costs, increase our competitiveness, increase prices to our producers, and thus survive and grow in an intensively competitive environment.

Meatco does not compete with producers or with other abattoirs in the country – we compete against gigantic meat-producing countries such as Brazil and Uruguay. There, a few giant businesses are completely integrated backwards and forwards, owning vast tracts of land where employees simply manage company farms and supply the product to company abattoirs. Their capacity and production are stable, thus they can market enormous tonnages of meat to the international markets – the same markets that we want to serve. These companies process millions of cattle per year whilst we struggle to process 100,000 animals on an annual basis.

The only way we can compete in the lucrative international markets is to be a niche player. And the only way we can be a niche player is to work in close partnership with our producers.

LOOKING AHEAD

Meatco is proud of our long-standing adherence to the highest international quality and compliance standards, and we view this as a priority in giving us a competitive edge. Numerous quality assurance and other customer audits were conducted during the review period – Meatco again passed the EU, BRC and other major audits – and we are committed to developing and even improving our performance in this regard.

In December 2014 we received notice from the Minister of Trade and Industry (MTI) at the time, the Hon. Calle Schlettwein, that Meatco will receive 78.1% of the Norwegian export quota – a total of 1,250 tonnes – in 2015. This represents a 50 tonne increase from the previous Norwegian quota allocation and is based on Meatco's application for the Norwegian quota and our fulfilment of commitments made to the MTI with regard to the full use of the 2014 quota, which included:

1. distributing the benefits to the majority of producers (including those in the NCA);
2. maintaining and increasing employment opportunities in Meatco;
3. further increasing local value-addition activities;
4. reinvesting proceeds in the operational facilities to maintain and increase capacity; and
5. investing in the community through corporate social responsibility initiatives.

We are extremely pleased with the outcome of the allocation and reaffirm our commitment to apply our quota allocation to the benefit of the majority of Namibian producers and the Namibian economy as a whole.

At the time of writing another drought year looms and procurement in terms of quality and quantity may be a challenge. Meatco's backwards integration programmes and incentives for producers – such as Delivery Agreements, Meatco-owned Contract Feeding and Profit-share Agreements, and On-the-hoof Purchases – mean increased options and access to the market for producers and better planning and greater efficiency for Meatco, particularly given the prevailing turbulent economic times and unpredictable climatic conditions.

For the next financial year, we budgeted to increase cattle numbers to the processing plants to just over 120,000 cattle.

Our business focus will continue to be on ensuring that Meatco remains a world-class meat-processing entity, growing our markets and increasing our productivity and competitiveness in all areas and continuing to explore avenues where we can add value to our products for the benefit of our stakeholders.

I want to thank our members and the members of the Board of Directors for their valued guidance and confidence in our team. And I want to thank each and every employee for their hard work, dedication and loyalty, without which none of the success of this reporting year would have been possible. I look forward to continuing to serve our producers and our industry to the best of my abilities.

I shall fail in my duty if I do not extend a word of appreciation to the various departments of the Ministry of Agriculture, Water and Forestry, the Ministry of Industrialisation, Trade and SME Development, the Meat Board, and the Agriculture Trade Forum for their continued support in facilitating the execution of our core mandate. We owe them a debt of gratitude indeed.

.....

ADVOCATE VEKUII RUKORO
Chief Executive Officer
Windhoek, Namibia

Business reviews

Livestock procurement

During the previous reporting year (2013/14), Meatco slaughtered 103,691 cattle south of the Veterinary Cordon Fence (VCF) and 13,221 in the Northern Communal Areas (NCA). As mentioned in the CEO's report, following the 2013 drought year, we expected slaughter numbers to be lower this reporting year as farmers sold off their stock to prevent over-grazing and lack of condition in their herds, or held stock back in order to rebuild their herds.

"As a producer, I have always sold my cattle to Meatco. If I look at Meatco five years ago and I look at them today, I can say with confidence that I look forward to Meatco's future. Things changed for the better as far as Meatco is concerned, but we have to understand that it is not just Meatco that had to change – the whole agriculture sector, including us as producers, must make changes to realise the positive changes we would like to see. It starts with all of us. Many things in the meat industry and agriculture sector can be approved upon, but I think at this stage, we are on the right track. We all must just do what we can."

RALF KIESSCHMA,
a farmer in Namibia

Whilst we budgeted to slaughter just over 78,000 cattle south of the VCF, in fact we were able to slaughter a total of 107,403 cattle – 3,712 animals more than the previous reporting year. Increasing cattle numbers after a drought year is a significant achievement in our business environment.

It is noteworthy that although the number of cattle slaughtered south of the VCF (SVCF) increased, direct delivery of cattle from the veld SVCF actually decreased in the year under review. This highlights the critically important role that our backwards integration initiatives play in securing the supply of cattle to Meatco. Of the 107,403 cattle slaughtered SVCF in the 2014/15 reporting year, 53.24% (or 57,183 cattle) were procured from producers; 27,293 cattle were procured from Meatco's Okapuka feedlot (representing 25.41%); and 22,927 were procured through the Meatco-owned Cattle (MoC) initiative (21.35%).

In addition, 9,370 cattle were slaughtered at the two NCA abattoirs in Katima Mulilo and Oshakati, representing a decrease from the 13,221 cattle slaughtered at the two sites in the previous financial year.

The average carcass weight for the NCA was better than last year due to the slaughtering of surplus cattle from SVCF. However, 71% of all animals slaughtered in the NCA were still 'C' Grade animals and 53.97% had '0' and '1' fat grades.

Marketing of the NCA meat remains a challenge due to its low quality (older leaner animals) and the sporadic availability of animals for slaughtering during the year.

The Oshakati Abattoir and processing plant was in operation for five months of the year and the Katima Mulilo Abattoir for four months. The opening of the Katima Mulilo Abattoir was delayed due to the outbreak of foot-and-mouth disease in the beginning of December 2014. The situation was monitored and controlled by the Directorate of Veterinary Services.

As indicated in Figure 11, since the 2008/09 reporting year, the number of cattle received from commercial producers (SVCF) has steadily decreased – so much so that we currently procure nearly 45% less than in 2008/09, when we received 101,035 cattle for slaughter compared with 57,183 in the current reporting year.

On the other hand, cattle numbers from Meatco's feedlot and the MoC scheme have steadily increased over the same period, as indicated by Figure 12, stressing the importance of these backwards integration strategies in ensuring consistent supply and quality.

The MoC scheme enables Meatco to secure cattle through binding contracts with producers, where Meatco procures cattle, which producers rear until they are ready for slaughter.

In contrast to the previous reporting year, Angolan buyers did not have a big impact on available slaughter cattle as far fewer cattle were exported to Angola in 2014/15 according to the Meat Board: 2,988 cattle were sold to Angolan buyers in comparison to 6,507 the previous year.

It is alarming to note that the meat industry once again seems to be following the same path of fragmentation that was experienced before the 1980s, when many smaller and economically unfeasible abattoirs operated. This original fragmentation led to the birth of Meatco, when producers formed the Corporation with the objective of consolidating the abattoir facilities and lowering operational costs, thus delivering better prices to the producers.

During the past decade, several private non-exporting abattoirs have been established, leading to a continual rise in the number of cattle slaughtered by butchers as indicated in Figure 13. According to the Meat Board, in 2013, a total of 33,423 cattle were slaughtered by butchers; given that this was a year of drought, the development could be regarded as both exceptional and necessary at that time.

A broader trend is emerging however: just in the past five years, a total of 115,114 cattle were slaughtered by private butchers, which means these animals were not available to the Meatco abattoirs.

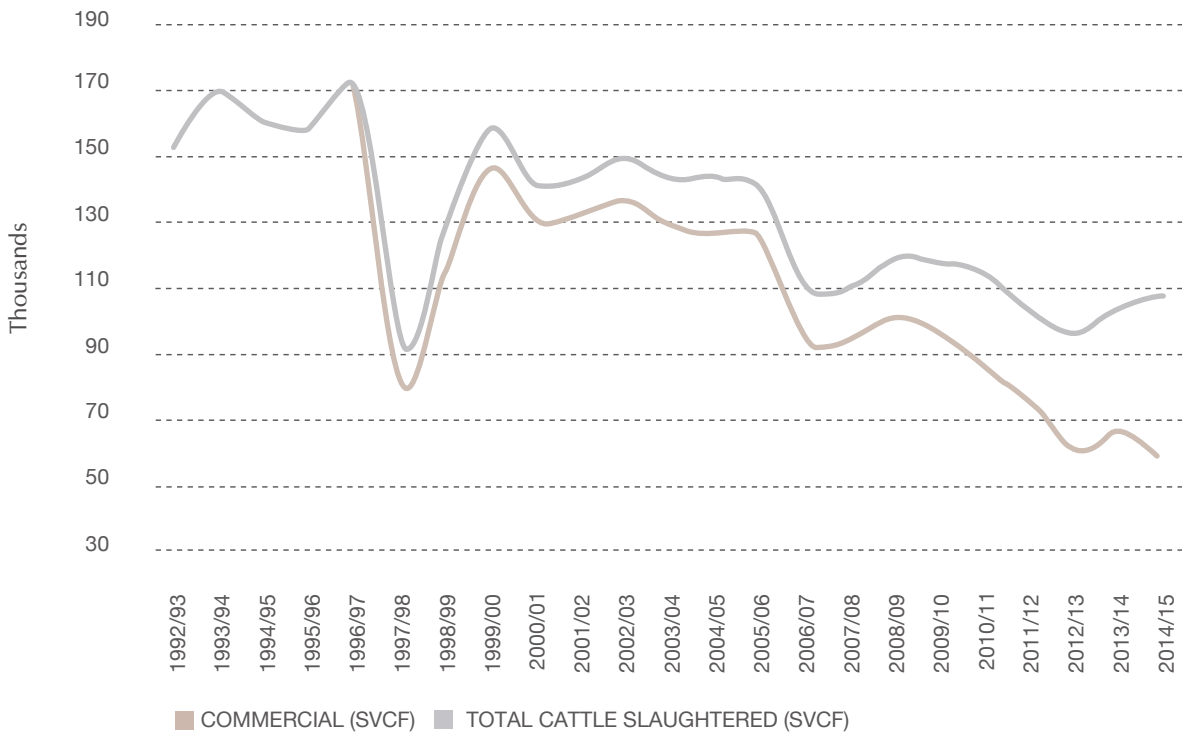
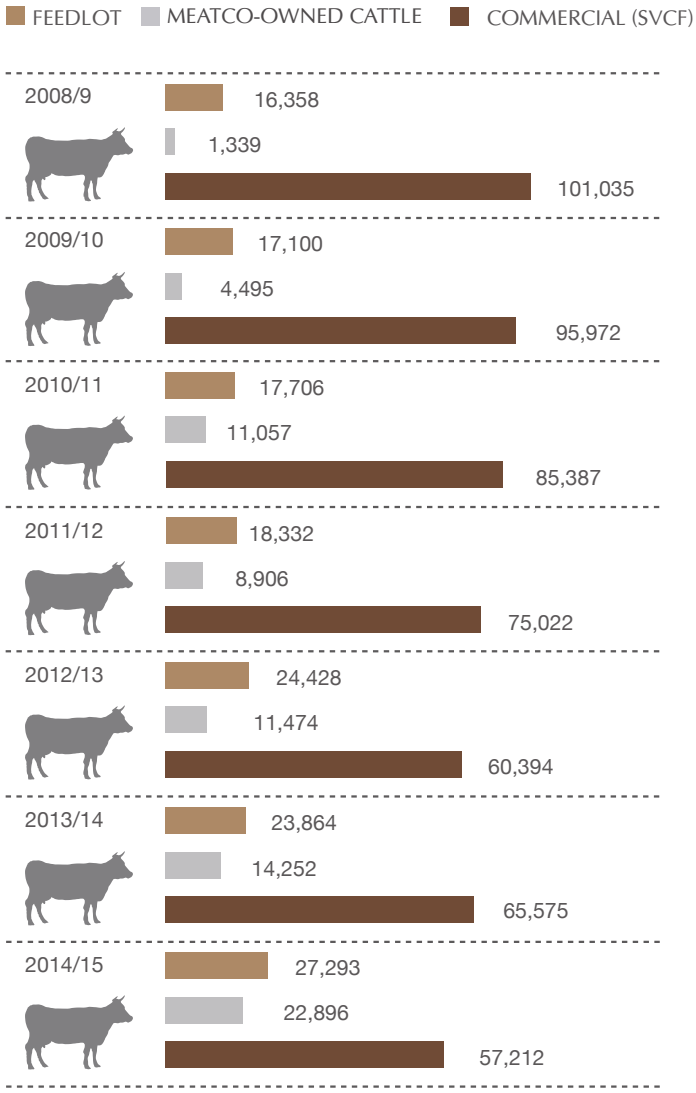


Figure 11: Commercial (SVCF) cattle slaughtered versus total cattle slaughtered (SVCF): 1992/92—2014/15

Figure 12: Cattle slaughtered at Meatco (SVCF): (2008/09-2014/15)



LIVE CATTLE EXPORTS TO SOUTH AFRICA

On 1 May 2014, the export of live cattle from Namibia to South Africa was constrained due to the South African Government's decision to increase import requirements.

Given the fact that South Africa is Namibia's largest market for weaners, Namibian communal farmers are the leading weaner producers in the country and the South African Government's decision to close the borders affected these producers significantly.

In this regard, our backwards integration initiatives, which pick up weaners and raise them to slaughter cattle locally, mitigated the negative impact on prices for weaners as a result of the restricted market access by providing an alternative weaner market for the duration of the South African ban (which finally ended in August 2014).

The increase in the Norwegian quota allocation to Meatco also helped to stabilise prices during this time.

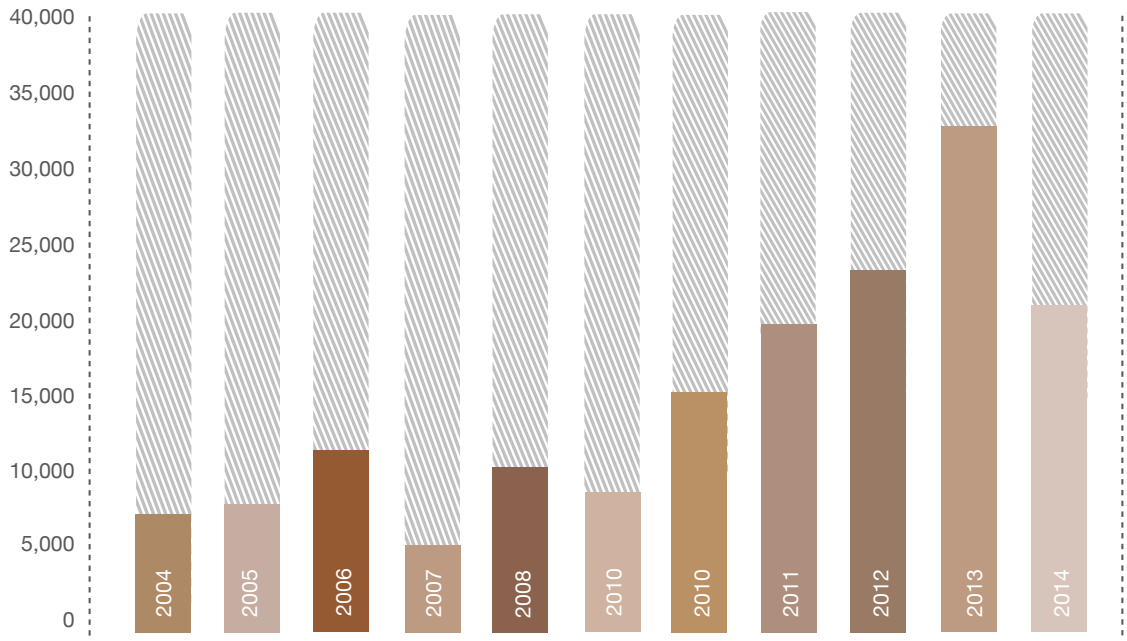


Figure 13: Cattle slaughtered by non-exporting butchers
(Source: Meat Board)

What our international client says

"My first experience with Meatco was quite interesting. I was on tour, trying to find which of our current suppliers share the same mindset that we do, and have the same commitment towards developing small-scale farmers in African countries. Our view is that small-scale farmers must be developed to link in with the value chain, as we believe that in the future, food for the world will come from African countries. And that we can't survive without the small-scale farmers.

"When I was introduced to Meatco, it immediately become clear to me that we have exactly the same mindset. I found it very interesting that Meatco already has good products for us in the Savannah brand – the best beef ever! And we want to work together to develop beef production in the future and make it more sustainable by introducing more small-scale farmers into the value chain. We have good co-operation with Meatco and we regard ourselves as partners – and 'partners' is quite different from just being a supplier."

BRIAN SUNSTROP, Coop Norge SA, which is a Norwegian cooperative owned by 117 local cooperatives with more than 1.3 million members.

Processing

During the 2014/15 financial year, Meatco focused on the affordability, flexibility, effectiveness, and scalability of our operations, while investing N$65 million in upgrading our plants. These efforts paid off in terms of managing throughput, cutting to client specifications, responding to market demands, and adding value to raw materials.

While ensuring that Meatco is capable of meeting the demands of current and future markets, our processing operations also maintained continuous compliance with international quality standards and export requirements.

Uptime at the Windhoek plant was above 98% on average, which compares well with the minimum world target of 95%. To improve throughput efficiencies at the Windhoek plant, stand-by animals were used to fill up cancellations or no-shows by farmers and this increased our throughput efficiencies to 105% of the booking cattle numbers over the year.

The Okahandja plant was closed for maintenance for a longer period than planned this year and 22,960 fewer cattle were slaughtered at this plant than budgeted as a result; however, the Windhoek plant mitigated this shortfall.

The number of animals graded 'AB' decreased while that of 'A' Grade cattle increased. The average weight per carcass decreased from 239 kg to 233 kg however. The decrease in the average weight was due to the increased number of younger animals in the mix received as a result of an increase in backwards integration animals being slaughtered. We maintained an average of almost 210 kg per carcass out of our feedlot. The weight of 'C' Grade animals increased by 4.5 kg and that of 'B' Grade animals by 1.27 kg.

Compared with the previous reporting period, the fat grade also improved. During the drought last year Meatco slaughtered many cattle with '0' and '1' grades. During this reporting year, the majority of animals slaughtered at the abattoirs SVCF were '2' and '3' grades, which represents a 6.25% increase year on year.

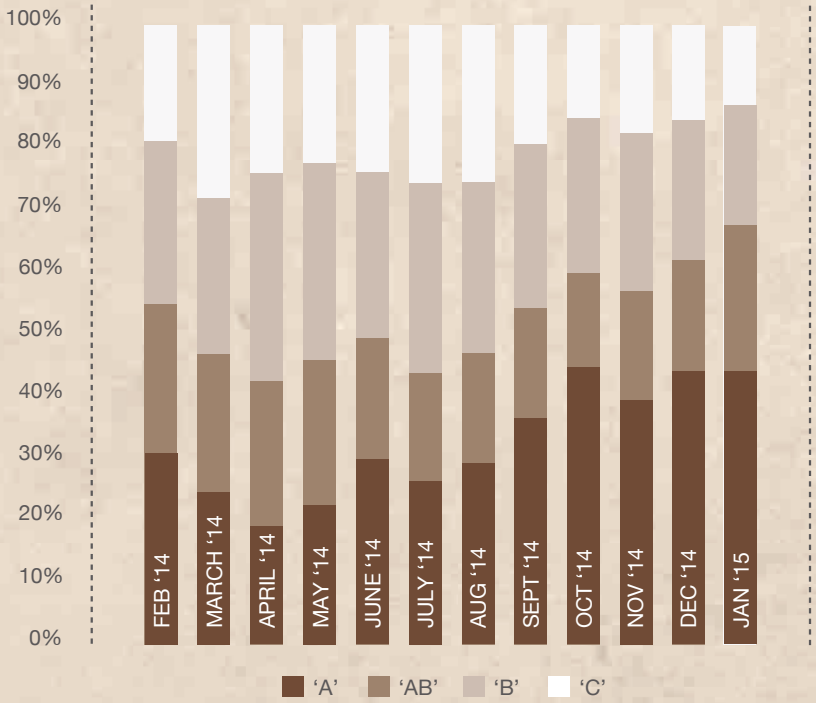


Figure 14: Grading distribution (SVCF): 2014/15

"Meatco meat is good meat. Great for my functions and clients, and also good for kapana with my friends."

CHEF GUSTAV UAETA, originally from Purros where he trained as chef at the Purros Lodge with Chef Pieter de Wet for six years; Gustav is currently a freelance chef with a small cooking school in Katutura

Overall, the condition of the cattle was better and the volumes were higher than expected, although the weights decreased by 5.02 kg due to the mix of 'A', 'AB', 'B' and 'C' grade cattle.

In total, Meatco processed 26,491 tonnes of meat during the reporting period, compared with 26,466 tonnes recorded in the previous reporting period.

In July 2013, due to the drought conditions experienced at that time, Meatco decided to operate its plants in Windhoek and Okahandja on a four-month rotational basis. This rotation was set to continue until December 2014 but as cattle numbers increased, the budgeted period for rotational operation was consequently cut short. The Windhoek Abattoir remained opened from February 2014 until January 2015, while the Okahandja plant was closed in September 2014 for the remainder of the year for maintenance work.

General maintenance and upgrades of our facilities are crucial in ensuring Meatco's international European Union (EU) export status. Continuous audits of our plants are conducted not only by the Department of Veterinary Services from the Ministry of Agriculture, Water and Forestry but by local and international clients as well as other competent authorities of countries of potential export.

In 2014, structural changes and repairs at the Okahandja plant included upgrades to the packing room areas and the deboning section were made. In order to improve the plant's flexibility, new compressors were also installed to upgrade the refrigeration system.

Further enhancements included the replacements of the main hot power supply line, ammonia valve, assembly, carcass-holding chillers, and the ammonia refrigeration insulation of all pipelines. The upgraded chilling facility allows for greater capacity throughout the production value chain.

The Okahandja plant reopened in January 2015.

Our processing facilities in Katima Mulilo and Oshakati also received upgrades, increasing storage and cooling capacity and thereby improving effectiveness.

Several years ago, Meatco joined the Global Roundtable for Sustainable Beef (GRSB), a multi-stakeholder initiative developed to advance improvements in the global beef value chain. We pledged to develop specific measures regarding the definition of beef sustainability in the country while at the same time directing ourselves to creating a cleaner production environment with reduced water and electricity use.

Since joining the GRSB, Meatco has achieved energy and water savings of approximately 20% to date. We have also implemented a water management plan for all our facilities and are providing employees with information on good water-saving habits.

By applying the highest standards and improving the efficiency of our operations, Meatco is on track to reach its goal of slaughtering 180,000 animals annually by 2018, thus utilising 90% of our current abattoir capacity.

Our standards

At Meatco we are constantly striving to meet the demands of a changing market, yet one thing remains consistent throughout: we ensure that the highest-quality product is delivered by following world-class processes and adhering to strict food safety and hygiene practices.

The certification against standards is valuable as such certification facilitates access to premium markets. We are able to be a supplier for high-end international markets and customers such as Heinz Italy, Norske group in Norway, and the Danish Co-op.

Independent, internationally recognised auditing firms, such as SAI Global, conduct various audits on a regular basis in both our Okahandja and Windhoek abattoirs and manufacturing facilities. These audits and independent assessments assist the Corporation in reducing risk and enhancing our products and services. In addition, during this reporting year, an ethical audit was conducted for the first time on Meatco.

ISO 9001 CERTIFICATION

All Meatco's exporting abattoirs and manufacturing facilities have been ISO 9001-certified for the past ten years.
The ISO 9001 is one of a series of a quality management

standards that aim at achieving quality product and service for customers and which were developed and published by the International Organization for Standardization (ISO) to define, establish, and maintain an effective quality assurance system for manufacturing and service industries. The standards deal with the fundamentals of quality management systems, including the eight management principles on which the family of standards is based.

HACCP CERTIFICATION

All Meatco's exporting abattoirs and manufacturing facilities have been HACCP-certified for the past ten years.

HACCP (Hazard Analysis Critical Control Point) is a systematic preventative approach to food safety. It addresses physical, chemical and biological hazards as a means of prevention, rather than finished product inspection.

This approach has significant benefits to companies operating within the food supply chain as it enables them to determine key controls over processes and concentrate resources on activities that are critical to ensuring safe food. Retailers, the food industry, and governments are concerned about ensuring that food is produced safely and that consumers have confidence in the product.

BRITISH RETAIL CONSORTIUM CERTIFICATION

The British Retail Consortium (BRC) is a leading food safety and quality body, which produces global standards for manufacturers. The BRC facilitates standardisation of quality, safety, operational criteria, and manufacturers' fulfilment of legal obligations.

The certification also helps protects consumers. If a supplier gains certification against the BRC global standard for food safety, customers are assured that they are dealing with a corporation that achieves high levels of competence in all critical areas.

Customers will also know that their supplier monitors and continually improves their product quality, safety, and legality, and that the supplier has taken every possible precaution to prevent problems should there ever be a challenge made against the product.

BRC audits are done once a year, and grading is awarded based on the assessment of the food safety management systems in place.

What our international client says

"Our customers are, of course, extremely important to us. Quality is extremely important to them, and therefore to us as well. I'm responsible for product quality and in the two years that I'm with Unil SA, we have been very satisfied with the quality of the meat from Namibia. This is very impressive, seeing that the meat is produced so far away from Norway, and has to travel for so long to get to us."

RAFAL ANDREASSEN, Product Quality Manager, Unil SA, NorgesGrouppen ASA, Oslo, Norway

Our Okahandja abattoir and meat-processing facility was awarded an 'A' Grade certificate for the first time this year against the BRC standard. Our Windhoek abattoir is also BRC-certified and achieved a 'B' Grade for the audit earlier in 2013. The Windhoek abattoir will be re-audited during 2015.

The certification means that Meatco has quality food production systems in place that are of the highest standard. In addition, BRC certification confirms that Meatco is a producer of globally competitive products and is a world-class value creator.

EUROPEAN UNION CERTIFICATION

EU legislation calls for many health and supervisory requirements that are meant to guarantee that imports meet the standards of production in its member states.

The main objective of the EU food safety policy is to ensure a high level of protection of human health and consumers' interests in relation to food, taking into account diversity and traditional products, among others, whilst ensuring the effective functioning of the internal market.

Their guiding principle is to apply an integrated approach from farm to table, covering all sectors of the food chain including feed production, primary production, food processing, storage, transport, and retail sales.

The Okahandja and Windhoek abattoirs and manufacturing facilities are EU-certified and are regularly subjected to EU audits, a process that allows us to market our products in the EU.

FOOD SAFETY INSPECTION SERVICES STANDARDS

Meatco's Windhoek abattoir operates in compliance with the safety and legal standards of the Food Safety Inspection Services (FSIS). This is a division in the US Government's Department of Agriculture and it is equivalent to Namibia's Directorate of Veterinary Services (DVS).

The FSIS sets the minimum requirements for any country that intends to export meat products to the US. It is designed specifically for food manufacturers to provide an all-encompassing food safety audit.

The audit considers good manufacturing practice and ensures that those involved in the food industry have met established criteria in respect to the safety and legality of their quality and hygiene systems and procedures.

Meatco has been operating in compliance with this audit since 2007. The last audit was done in late 2014.

The benefit of passing the audit is that Namibia and the DVS are then approved to manage the EFSIS requirements for abattoirs exporting to the USA. This in turn provides approved abattoirs with access to the USA meat market as an alternative to the EU market, which is the primary destination for Namibian beef currently. The US Department of Agriculture, after consultation with the DVS, decides the frequency at which it conducts the EFSIS verification audits.

What our international client says

"The relationship between Namibia and Norway goes back many, many years – to even before Namibia's independence. We work very closely with the farmers whose meat is supplied to us, and we want to see Namibian farmers growing from strength to strength.

"It is important for the Norwegians to know they help Namibian farmers by purchasing and consuming Namibian meat. Obviously the quality of the meat is paramount, thus we work very closely with Meatco's Quality Control team. We work according to the same standards as Meatco and it makes it much easier, knowing that the quality will be of the highest standard."

SISSEL DOMMERSNES, Quality Manager, Fatland SA, Hommersåk, Norway

GOLDEN ARROW OF EXCELLENCE AWARDS

Meatco won two Overall Golden Arrow Excellence awards as well as a Golden Arrow Excellence Award at the 2015 Performance and Management Review (PMR) Africa Awards held in Windhoek on 16th February 2014.

Meatco received Golden Arrow awards in the following categories: Agriculture: Livestock Excellence 1st Overall; Agriculture: Abattoirs Excellence 1st Overall; and Meat Processing: Company Excellence

For Meatco, the awards continue to demonstrate that the Corporation is a leader in the Namibian meat industry and is recognised as a corporation that offers service excellence.

MEATCO PASSES McDONALD'S AUDIT FOR ELEVENTH CONSECUTIVE YEAR

Meatco is proud to announce that in 2014 Meatco once again passed the McDonald's audit, obtaining an overall score of 88%, which allows us to continue supplying Finlar Fine Foods (Pty) Ltd – the supplier to popular fast food outlet McDonald's in South Africa. This is the 11th year running that we have achieved this distinction.

McDonald's is a worldwide fast food restaurant chain. Meatco's Food Safety Management System, as well our compliance to the McDonald's product and process specifications, is audited by SAI Global - a third-party company that is based in the UK.

The purpose of the audit is to establish whether Meatco complies with McDonald's specifications, which is part of the due diligence the fast food chain conducts to protect their international reputation. This audit is the only way that Meatco can supply McDonald's franchises with products while at the same time reaping the reputational benefit of supplying an established international brand.

"McDonald's standards are built into our integrated systems. They started auditing Meatco between 2002 and 2003," said Meatco's Executive for Quality Assurance, Rosa Katjivena.

Meatco provides McDonald's with 100% pure beef and the chain uses our products such as the trimmings and chuck-and-blade cuts to make their patties. Thanks to our score of 88%, Meatco Okahandja will only have to contribute 10% of SAI Global's auditing costs for the next round of audits scheduled for 2015.

"McDonald's is very specific with their product description, stipulating the microbiological standards and limits against which they will accept our products. There are certain microbiological specifications that they have zero tolerance for, like Escherichia coli O157:H7. Meatco is approved to deliver to McDonald's in South Africa and since very few facilities in Africa are approved in this manner, we are grateful to be one of them," stressed Katjivena.

Marketing

OVERVIEW

Overall, our international markets – the EU, Norway, Reunion and the UK – accounted for 67.16% of our revenue during the review period, compared with the South African (21.25%) and Namibian (11.58%) markets. In volume terms, however, our international markets accounts for 35.97%, compared with South Africa's 38.4% and the local market (25.62%). This confirms the importance of our high-value international markets.

Compared with the previous reporting year, the value of our international market increase by 6.8% (2013/14: 60.34%), while the volume marketed to this market also increased (2013/14: 30.56%).

GLOBAL ECONOMIC OVERVIEW

Globally, people across the world individually consume 42.98 kg of meat per year on average. For instance, in 2011 every citizen in the UK consumed an average of 82 kg of meat, while Americans consumed 118 kg. This emphasises the meat focus of diets in the West. Recent global reports all indicate that the westernisation of diets in emerging nations leads to a positive outlook for the world beef market, with a growing demand and tighter supplies.

The prevailing global economic climate and the situation for the trading period throughout 2014/15 was a difficult one. The strengthening of the US currency, stagnant economic growth across much of the EU, the drop in the oil price, and the economic slowdown in China resulted in significant upheaval in many of our current markets.

On the other hand, the good news for farmers in general is the continued growth in the global population and the current static growth rate in the global beef herd.

Meatco and Namibia's farmers nevertheless have to remain conscious of the fact that within the context of the global supply chain, Namibia remains relatively small in terms of producers and processors. This is clearly illustrated by the fact that the largest global processor has a capacity to process 500,000 cattle per week and we have a capacity of less than 1% of that figure over the same period.

It is therefore clear that Meatco's key marketing strategy in terms of its products' unique selling points must remain focused on niche marketing and a tailored customer service in terms of providing the products, specifications, and service that the larger global commodity producers cannot. Within this sector, premiums can be achieved and customer loyalty locked in.

Since the development of the Natures Reserve brand in 2009, we have grown a dedicated and loyal customer base willing to pay a premium for our products above that of the global commodity producers. The work of developing our products and services to grow returns never stops since we need to always ensure that Meatco products remain the customer's first choice.

This year, we were able to grow the average cumulative sales price for beef products by 16.4% compared with 2013/14, which was mainly due to the increased portion of the Norwegian quota and the resultant shift in the marketing mix. The increased volumes to our highest-value market played a decisive role in our overall positive performance during the reporting year.

Meatco's competitors: global beef producers

- JBS Brazil: slaughter capacity of 500,000 animals per week
- Cargill USA: slaughter capacity of 154,000 animals per week
- Tyson Foods USA: slaughter capacity of 135,000 animals per week
- Marfrig Brazil: slaughter capacity of 104,000 animals per week
- United Kingdom: slaughter capacity of 32,000 animals per week
- Ireland: slaughter capacity of 28,000 animals per week

Compared to: Meatco slaughter capacity of 4,000 animals per week

CONSUMER TRENDS: BEEF INDUSTRY DRIVEN BY STRONG GLOBAL DEMAND

During the past 50 years, global meat production has almost quadrupled – from 78 million tonnes in 1963 to a current total of 308 million tonnes per year. The International Assessment of Agriculture Knowledge, Science and Technology for Development (IAASTD) predicts that this trend will continue, especially due to the growing middle classes in emerging economies such as China.

These countries are adapting to the so-called western diet of people in North America and Europe, where consumption of burgers and steaks is common. On average, people across the world individually consume 42.98 kg of meat per year. This figure includes babies and adults, meat eaters and vegetarians alike. For instance, in 2011 every citizen in the United Kingdom consumed an average 82 kg of meat, while Americans consumed 118 kg each on average. This emphasises the centrality of meat in diets in the West.

Recent global reports all indicate that the westernisation of diets in emerging nations leads to a positive outlook for the world beef market, with a growing demand and tighter supplies keeping prices high, thus making the beef sector a very profitable business.

Given the global situation and prevailing trends, the economic climate for Namibian beef exports remains favourable and will continue to create greater value for our local producers if we can access the right markets.

MARKETS OVERVIEW

Generally speaking, the 2014/15 trading period was difficult in all markets, including Norway. The EU had, and continues to have, serious challenges, with Greece, Spain and many other newly accessed countries struggling to implement the austerity measures necessary to turn their economies around. The Norwegian economy was challenged by the global collapse in the world oil price and the strength of the euro against the Norwegian krone (NOK).

Cattle prices across the UK, the Republic of Ireland and the EU decreased during 2014 and only started to recover back to their starting values during November and December of the reporting year. The Australian market performed in a manner similar to that of the EU; Brazilian and Uruguayan suppliers saw an overall increase, encouraged by the weakness in their currencies.

The EU received significantly more imports from South America and Australia and with depressed cattle prices overall, this kept prices of both the hindquarter and forequarter cuts under pressure.

The South African market remained largely stagnant during the year. However, with some RSA packers developing regular exports to the United Arab Emirates, this extra exported volume enabled the RSA market to remain reasonably balanced, even with lower local demand.

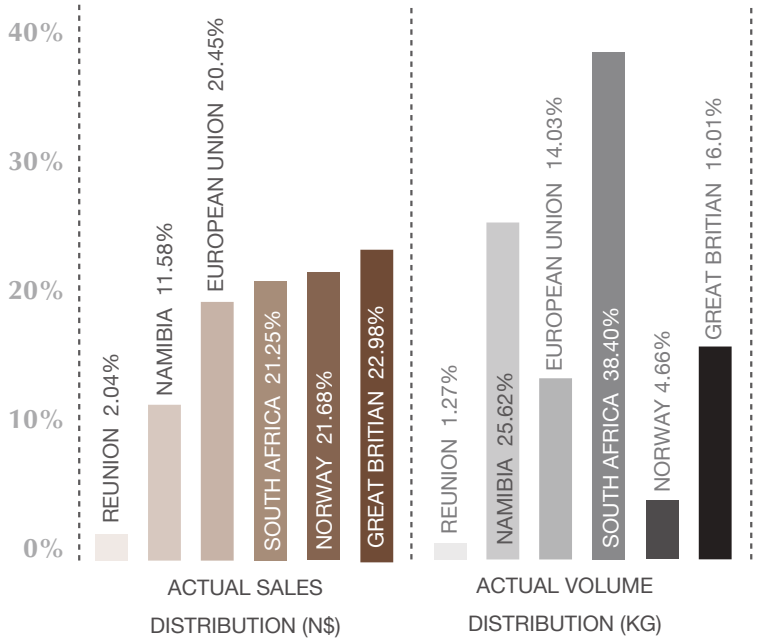


Figure 15: Actual sales and volume distribution, 2014/15

THE NORWAY MARKET

Although Norway as a country had some challenges in terms of oil revenue and the strength of the NOK, Meatco's *Natures Reserve* beef continued to perform well. Our returns from this market increased by 10.11% compared with 2013/14, mainly due to the increased quota allocation.

In addition, the extra quota for the 2014 calendar year enabled Meatco's Natures Reserve beef to access more retail and cash-and-carry outlets, thus linking the Norwegian end consumer with Namibian beef directly.

NorgesGruppen is our key market partner in Norway and we sold in excess of 675 tonnes of chilled, high-value hindquarter cuts during the reporting period. Today, Meatco and Natures Reserve products can be found in shelf-ready retail family packs in their Spar and Kiwi stores, and also in primal cuts form in NorgesGruppen's food service distributor ASKO and their cash-and-carry warehouses, Stor Cash.

The Memorandum of Understanding (MoU) with Nortura, the largest farmers' co-operative in Norway, further enables Meatco to develop our marketing strategies and presence within the Norwegian market in tandem with the largest player in the market. Working closely with the Nortura team and developing skin-pack products for smaller unit sales, we have been able to further grow returns and access a part of the retail market that was previously unavailable to us.

This benefits Meatco and Namibia's farmers; within the context of the Norwegian market, this is a significant business relationship and one that we will continue to nurture.

THE EUROPEAN UNION MARKET

The EU market was a problematic one for Namibian beef during the reporting year, as cattle prices across the EU were depressed by an excess of South American and Australian imports entered the EU on the back of the weak Brazilian and Australian currency positions.

However, the Natures Reserve brand remained in strong demand and our strategy of ensuring that we are not over-dependent on any single market largely insulated us from much of the market weakness. We held our average prices on both hindquarter and forequarter cuts and did not get drawn into a commodity-market price fight. This was largely due to the support of our regular customer base and the strengthening of relationships with its members.

Although the forequarter is a very much tougher market to enter successfully than the market for hindquarters, we are beginning to see improvements arising from the hard work put into re-developing the customer base as a consequence of the horse meat scandal in the EU. During the reporting year, we were successfully audited by the Ahold Group, the largest retail group in the Benelux economic union, and we have subsequently concluded a 1,500 tonnes per annum contract with their nominated packer, Hilton Meats, at a premium above the general commercial price.

We also continued to enjoy the support of both Heinz and Forza/Asda and the price returns from these customers are significantly above the general market commodity levels. There remains much work to be done to expand this market but we are now well back on the road to recovery in terms of our forequarter markets, customers, and returns.

MEATCO WINS EXPORTER OF THE YEAR AT SADC QUALITY AWARDS

Meatco has won the prestigious SADC Exporter of the Year Award in the category for Large Enterprises at the 2014 Southern African Development Community (SADC) Annual Quality Awards.

The aim of the awards is to recognise and appreciate organisations and individuals that contribute to quality advancement in all sectors of SADC by having measurement and quality systems as well as procedures and processes that are in line with local, regional, and international practices, and that use quality advancement to support national and regional economic development and growth.

This was the fourth time the SADC Annual Quality Awards were held and marked the first time that Meatco had entered the competition.

What our international client says

FRANCO MORO,
Chief Executive Officer, Del Zoppo

"For some years now we've been processing Meatco products with great success. The quality of the meat has the right texture to produce Bresaola della Valtellina IGP (i.e., Indicazione Geografica Protetta, an indicator of geographical protection). In the last few years our relationship with Meatco has strengthened, with the hope that we can get it even stronger.

"The Namibian farming system and the care the Meatco abattoirs take with their product allow us to obtain an absolute 100% top quality product in regard to the strict production rules of our Consortium of Bresaola. In fact, Namibia origin meat is lean, compact and light in colour. The final result gives a bresaola which is compact, elastic and fat free, with a uniform pink/red colour and a pleasant smell.

"For us, we take great pride to have a partner like Meatco, enabling us to bring consumers the Bresaola della Valtellina experience."

Del Zoppo is processing company, employing 150 people and with a turnover of more than 70 million euro per annum. Their total tonnage production is about 4,200 tonnes, processing about 7,500 tonnes of raw material in a modern factory.

"Meatco meat, the excellence of Namibian Beef. Grass-fed beef brought to perfect maturation, for a unique result on my clients' plate ... tasty and juicy, perfectly cut! Meatco is by far the best supplier for my need and my clients' taste buds."

DAVID THOMAS Originally from France, David came to Namibia six years ago; he recently sold his popular restaurant, Lyon des Sables in Walvis Bay, and is now the executive chef for Namibia Exclusive Lodges

The importance of the EU market cannot be overstated and negotiations regarding a critical international agreement – the Economic Partnership Agreement (EPA) between the European Commission (EC) and the Southern African Development Community (SADC), which influences our opportunity for growth in this market – were concluded in June 2014. For two years Namibia fought to get a better deal from the EPA and its persistence paid off as our meat can continue to enjoy duty-free exports.

Had Namibia not sign the EPA, Namibian beef producers would have lost this free market access and any products exported to the EU would have attracted export taxes – a process that would have been very costly for the country's meat export businesses.

With free market access, our beef industry is able to realise significant returns from the EU market, which in turn contributes 50% towards the agricultural share of the gross domestic product (GDP). The EPA still needs to be ratified by the National Assembly but export activities can continue as usual in the meantime.

FORWARDS INTEGRATION

Meatco acquired a 25% stake in the Global Protein Solutions (GPS) Food Group in 2014. GPS is a world-class protein marketing and trading company with its head office in London. The company possesses specialised skills in terms of marketing a wide range of protein products on a global scale.

With offices and operations in ten countries spanning major markets of production and consumption, GPS markets in excess of 100,000 tonnes of meat products annually, providing Meatco with access to important new and emerging markets.

Meatco entered into a Service Level Agreement with GPS in 2008 to complement Meatco UK's core team. GPS brought on board a group of expert global traders specialising in supply chain infrastructure, market development knowledge, and global sales and marketing.

Since signing the agreement in 2008, GPS has assisted Meatco in the development of new products, specifications, and production efficiencies; EU ethical and CSR management; global industry dynamics; and marketing, administration and sales. It has helped the Corporation move from a production-led, commodity-based marketing approach to becoming a market-led, niche supplier of high value, differentiated products. This has seen returns from international markets increase substantially.

The purchase of 25% shares in GPS is part of Meatco's overall strategy to further integrate into the entire value chain in order to increase cost efficiencies across the business and enhance access to skills sets in the Corporation. It is an investment that is already paying dividends: in the reporting year, Meatco realised close to N$7 million in profits from GPS, which it ploughed back into the producer price.

THE SOUTH AFRICAN MARKET

South Africa is traditionally one of Meatco's important markets and it remains the largest importer of our forequarter cuts. Currently, South Africa takes approximately 40% by volume (but only 21% in value) of Meatco's beef exports. Year-on-year returns from this market have diminished, however, a decrease that can be ascribed to an unstable economy and consumerism that showed a downward trend.

Although in recent years Meatco's diversification has meant that we are no long dependent on this market alone, there is limited demand for forequarter cuts other than in South Africa.

The South African market remained fairly stable throughout 2014/15 and could have seen significant price deflation if it had not been for the main packers – Karan, Beefmaster, Sparta, and QK – developing export opportunities to countries in the Middle East. This enabled them to take excess product off the market and to balance supply and demand more effectively.

Meatco's main product focus generally is the frozen processing sector and we maintained our contracts with Famous Brands, Finlar Foods, Heinz, Rhodes Food Group and other key manufacturers over the reporting period; by the end of 2014, however, the recovery of the forequarter market within the EU had begun to see volumes being drawn from RSA to that market.

We have reviewed the Free Range carcass beef business started during 2013 to maximise abattoir efficiencies and although we sold regular weekly consignments of Free Range beef sides in RSA for the 2014/15 period, we anticipate developing sales for these carcasses in the local market for 2015/16.

Returns from the RSA market in terms of Rand per kg for our main manufacturing cuts were in line with the previous year and above the local production by about 10%.

THE NAMIBIAN MARKET

Meatco is firmly committed to the Namibian market. In 2014/15, we expanded our product range, our outreach to the national market, and our ability to supply the local market with a good, affordable source of protein.

Nationally, Meatco has a variety of clients throughout the country, including restaurants, retail chains, and individual so-called kapana business entities. We market everything from forequarter and hindquarter cuts to whole and half carcasses and offals.

On August 28th, Meatco launched Meatma, a complete range of quality, value-added meat products produced through Meatco's Local Markets and Value Addition department. These products are available to local Namibians at affordable prices.

In value terms, we marketed 11.58% of our total sales in Namibia; however, in volume or weight terms (kg), Namibian sales comprised 25.62% of our total volume . This confirms that the local market can only absorb big volumes of medium-

and lower-value meat. One of our strategies to diversify our markets and be less reliant on exports to South Africa was to provide meat cuts to the local market through our wholesale outlets.

DEVELOPING OTHER MARKETS

As noted previously, there is significant turmoil globally within the major markets for beef production as well as consumption. Nevertheless, populations are increasing global and growth in the global beef herd is stagnant. Therefore it remains important for Meatco and Namibia to open up new markets.

Russia

Russia has indicated that it will be necessary to re-audit Namibia before allowing meat to be exported to their markets although a date for the audit has not yet been finalised. This market has lost considerable value since October 2014.

Furthermore, many containers of South American beef were not collected at St Petersburg over the Christmas trading period and were subsequently discounted before being resold. Although currently in turmoil, the Russian market is expected to recover its value eventually. A new date needs to be set for the re-audit and until this re-audit takes place we cannot assess this market with confidence.

China

A similar situation developed in Hong Kong at the approach of Chinese New Year, when the Chinese authorities led a crackdown on the activities of Hong Kong traders who use unauthorised channels to sell meat into China. The overall outcome of the actions of the Chinese authorities will likely be a rise in meat prices in the country; this should provide a real opportunity for those countries with direct and approved access to the Chinese market. Unfortunately, this excludes Namibia currently as direct access has yet to be established.

With the marketing turmoil in Hong Kong, it is even more important to get direct access to the market in the People's Republic of China. Currently, the Australians are the largest supplier to China and beef consumption is growing by significant volumes year on year. China is on the list of countries being engaged by the Meat Board of Namibia: currently, China has recognised the Namibian green zone as an area that would have the potential to supply approved material to the Chinese market; a date for a further veterinary visit has not been fixed, however.

United States of America (US)

The US has confirmed that Namibia has passed the 2014 FSIS audit, with some corrective actions necessary. This is indeed good news for Meatco and our producers and if all goes according to plan, direct access to the US market can be secured during 2015.

Launch of Meatma, a new brand of affordable meat products to the local market

Meatco has launched a new brand of products, Meatma, into the Namibian market. *Meatma* is a complete range of quality value-added beef products produced through Meatco's Local Markets and Value Addition department. Meatma products are available to local Namibians at affordable prices.

The new brand of products was launched on 28th August 2014. The Minister of Agriculture, Water and Forestry, Hon. John Mutorwa, and the Minister of Trade and Industry at the time, Hon. Calle Schlettwein, attended the launch. Also in attendance were Meatco Board Chairperson, Martha Namundjebo-Tilahun; Chief Executive Officer, Vekuii Rukoro; and Meatco's Executive for Local Markets and Value Addition, Cyprianus Khaiseb.

Meatco's Chairperson, Ms Martha Namundjebo-Tilahun, with Hon. Calle Schlettwein, Minister of Finance (then Minister of Trade and Industry), Hon. John Mutorwo, Minister of Agriculture, Water and Forestry, and Meatco's CEO, Advocate Vekuii Rukoro, at the launch of the Meatma *brand.*

The range of *Meatma* products includes a variety of *braaiwors* (known as Beef Griller, Chakalaka, Fiesta, Legends, Babalaas, and Barbeque). Also available will be beef patties, beef mince, Chief's Choice econo-burgers, hindquarter leg, shin, club steak, and many more.

The objective of *Meatma* is to consistently provide the Namibian family with a 'basket of proteins', containing high-quality products at affordable prices. This initiative forms part of a wider Meatco market diversification strategy and is in support of the 'growth at home' strategy of the Ministry of Industrialisation, Trade and SME Development (previously the MTI) which aims to diversify the economy and encourage local value-addition and manufacturing.

All *Meatma* products are produced according to Meatco's strict quality assurance practices – because our customers deserve the best! Products are sold at the Meatma outlets situated next to the Meatco Head Office in Windhoek's Northern Industrial Area, at the Okahandja plant, and in Okakarara and Oshakati.

Each customer will be furnished with a *Meatma* Reward Card that will enable him or her to buy from the Meatma outlet and accumulate points with each purchase. These points can be redeemed at any stage against the purchase of *Meatma* products.

What our international client says

"The success of Meatco's Natures Reserve brand in Norway is because the quality is very consistent and it is available on the supermarket shelves for twelve months of the year. It is now possible to have chilled meat from Namibia in stock throughout the year, which makes it possible to build a positive brand reputation in the marketplace. Consumers want consistency. If they get used to a specific product, you must be able to supply it to them whenever they want to purchase it.

Norwegians definitely have a taste for meat from Namibia. Because of the long distance the meat has to travel, it arrives well matured in Norway and that is exactly what the Norwegian customer wants!

We work very closely with Meatco and are proud to be associated with Meatco and the producers. We know it is not easy to farm in a country like Namibia which is prone to droughts, and then to be able to deliver consistently high quality. Thus, Meatco's strategy to supplement cattle from the producers with animals from their own feedlot (and other initiatives) is extremely important as it is the only way that Meatco can ensure that they deliver consistent high-quality meat to the Norwegian market. We want to continue building and expanding the market for Namibian meat."

***TERJE WESTER**, Chief Executive Officer, Fatland SA, Hommersåk, Norway*

MEATCO AWARDS OUR PRODUCERS

Benjamin van Wyk (Jnr) is Meatco's 2014 Producer of the Year with Sven Knye coming in second place.

The top 10 producer of the year awards recognised at the event went to AV Farming; Martin Erhard Koehler; Ulrich Trümper; Benjamin van Wyk (Jnr); Horst Heinrich Kronsbein; Werner von Maltzahn; Elandsburg Boerdery; Pommersche Farmgesellschaft; Alt Seeis Farming; and Sven Knye.

Other big winners for the night were divided in the following categories:

National Braai Champions: Deone Schlechter, Silke Mostert, and Jörg von Dewitz.

Producers of the Month:
September 2013: Werner von Maltzahn
October 2013: Barend Lottering
November 2013: S. Coetzee
December 2013: Siebert Briedenhann
January 2014: Arne Gressmann
February 2014: Sven Knye
March 2014: J.H. Botha
April 2014: E. Hoff (Heusis Pty Ltd)
May 2014: Siebert Briedenhann
June 2014: D.A. Wilke
July 2014: Siebert Briedenhann
August 2014: Sven Knye

Meatco Big Five: Louis Steyn; Konrad Träger; Wilfred Slaney; GP Kotze (Okakuea Ranch CC); and Andre Compion (Ghaub Investment).

Top Communal Producers: I. Murangi; V. Mutjavikua; Hoveka Christofine Mujeu; Ngavetene Amon; Korokuee Usiel; Uazeua Adronikus; David Joel; Tjipuravandu Abiud; Kamatuka Joel; and Elga Tjirimuje.

Ekwatho Producer of the Year: Ralf Kretzschmar.

NCA Winners (Katima Mulilo: 1 to 50 cattle slaughtered): Cecilia Kapelwa (first); and Boniface Liswaniso (second).

NCA Winners (Katima Mulilo – 50 and more cattle slaughtered): Kenneth Kamwi.

NCA Winners (Oshakati – 1 to 50 cattle slaughtered): Ananias Amunime (first); and Jerobeam Naukushu (second).

NCA Winners (Oshakati – 50 and more cattle slaughtered): Frans Kapofi (first); and Hafeni Kalola (second).

Producer returns

Meatco's principal goal is to be a successful, profitable business in the interests of our producers. The more successful and profitable we are, the more profit we are able to return to the producer.

Meatco does not change its policy regarding price from one year to the next: the price is solely dependent upon environmental and market factors. Meatco and our producers benefited from these external factors in 2014/15, given the exchange rate and the increase in Meatco's allocation of the Norwegian quota.

During the 2014/15 reporting period, Meatco paid the highest average producer price (across all grades) in the history of the Corporation.

Meatco increased its overall producer price by N$5.59/kg (or 23.06%) when compared with the previous reporting year. The average producer price amounted to N$29.83/kg compared with an average producer price of N$24.24/kg for the corresponding period during the 2013/14 reporting year. The producer price for cattle received SVCF increased by 21.22%, and by 51.05% in the NCA.

This overall increase compelled the rest of the industry to also increase its producer prices in order to secure throughput for them. In terms of our estimation of the number of cattle slaughtered in the local market during this period, the increase represents an additional N$91.9 million in terms increased producer prices.

It is important to note that the price wasn't just driven by normal market trends in southern Africa. The total premiums paid by Meatco over and above the South African price were N$102.9 million over the period, which represents N$3.88 per kg. Most of these premiums went to producers naturally producing 'B' and 'C' grade cattle.

Price per grade was also higher during 2014/15: SVCF, the price for 'A' and 'AB' grades increased by 13 and 16%, respectively. The price for 'B' Grade increased by 29.71%, while prices for 'C' Grade increased by 30.56% from the previous year.

Figure 16 depicts the average weighted producer price per kg (all grades) since the 1992/3 reporting year. From the figure it is clear that in 2014/15, Meatco has been able to outperform all the previous years in terms of the average producer price achieved.

Meatco was able to protect Namibian weaner producers against the negative impact of an effective 'closed border' between ourselves and South Africa from May to August 2014.

MEATCO'S PRODUCER OF THE YEAR 2014

Benjamin van Wyk (Jnr) is Meatco's 2014 Producer of the Year; he shares the road he travelled.

"I've been farming since 1980 on Farm Henta No. 1345, which is situated roughly 100 km north-east of Grootfontein. I've been in the farming business for about 35 years now and farm with large stock.

"In 1985 I sent my first batch of cattle to Meatco Otavi, and later on I started to market them to Meatco Windhoek. I decided to participate in the first slaughter competitions that took place, and as a result I was able to improve my knowledge on cattle farming continuously.

"During that year, I also decided to improve my management style on the farm, and in 2000 applied a chemical method of treatment for destroying invasive bush. As a result I was able to farm with a higher number of cattle stock, which I then marketed to Meatco.

"About two years ago, I started aggressively marketing my cattle after I read about cottonseed oil cake (a protein-rich feed for cattle). Using this

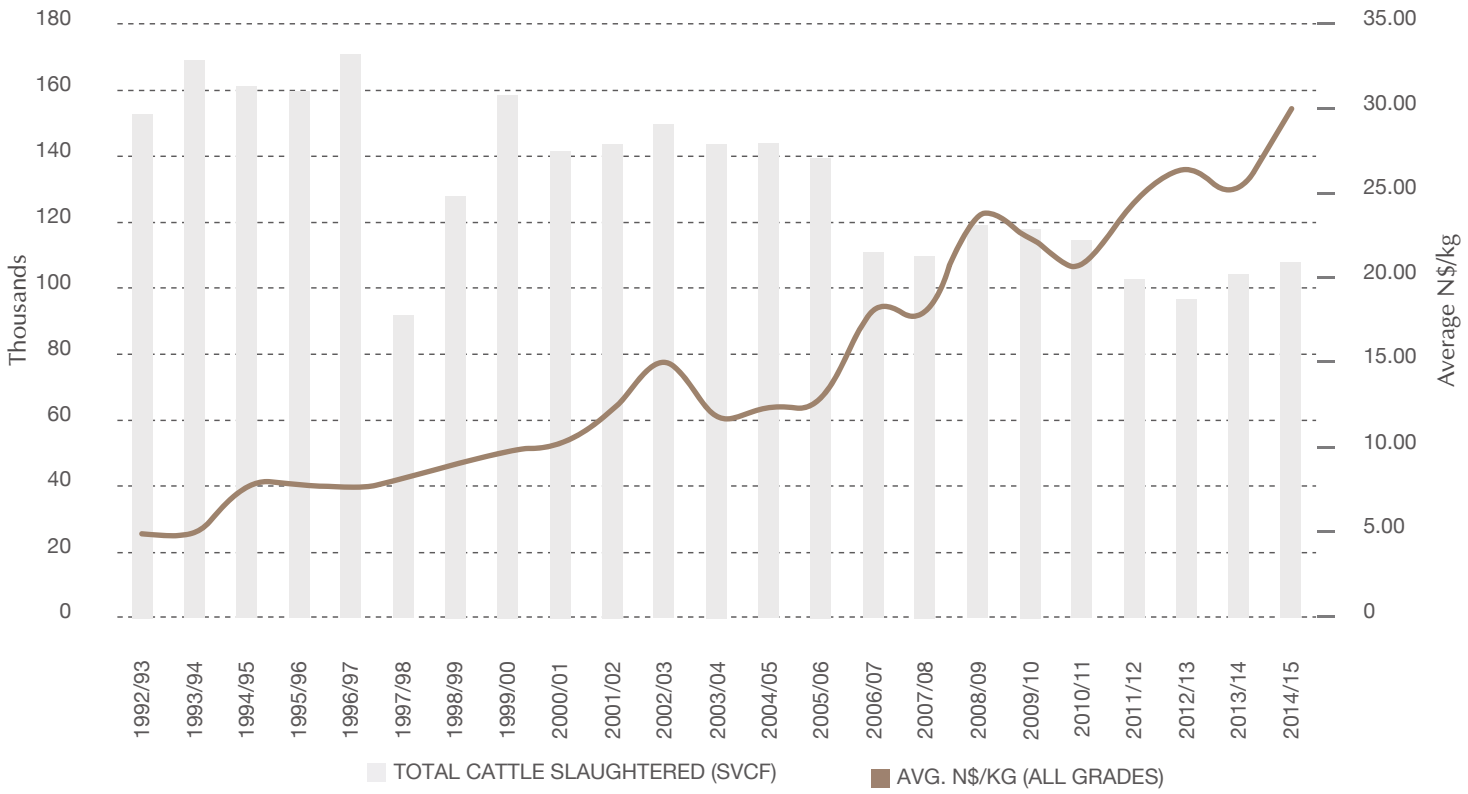


Figure 16: Average Producer Price per kilogram vs throughput (SVCF)

During the 2014/15 reporting period, the average price paid by Meatco at our Okapuka Feedlot for weaners amounted to N$16.88/kg compared with the average price of N$13.89/kg for the corresponding period during the 2013/14 reporting year. This represents a 21.53% increase when compared with the prior year.

allowed me to sell my cattle at a younger age, with animals of much higher quality. Gradually I acquired the means to qualify for the 'A' Grade category. This is what led me to be awarded the title of Meatco Producer of the Year for 2014.

"Currently I'm still marketing my cattle in the 'A' Grade category as there is a significant difference in price offering between the 'A' and the 'C' grade categories.

"However, I struggle to get hold of sufficient cottonseed oil cake. If Meatco wants to get more producers to provide 'A' Grade meat, they need to supply more of this feed to producers for their animals.

"My message to other farmers is that if they want to enhance their farming practices, they need to plant blue buffalo grass as this enhances the fodder and allows you to continue farming even during drought conditions. In the past, my grazing land was structured horizontally; now it's structured vertically, however, and this is a result of using the blue buffalo grass as it allows my cattle to graze sustainably for longer periods of time."

Northern Communal Areas (NCA)

It is essential for farmers to identify and adopt a common vision for Namibia's meat industry if the country is to retain its competitive advantage as a cattle-producing country. This is true for commercial farms as well as in communal areas north of the Veterinary Cordon Fence, where more than 60% of Namibia's cattle can be found.

This area referred to by Meatco as the North Communal Area (NCA) is comprised of Zambezi Region, West Kavango Region, East Kavango Region, Oshikoto North, Ohangwena, Oshana, part of Otjozondjupa's Tsumkwe Constituency, Omusati and Kunene North.

The annual offtake rate from these areas is just 2.5%, in comparison with about 40% in the commercial farming areas SVCF. Nevertheless, it is an area of potential growth and is of great importance to the nation and Meatco.

EFFECT OF THE NORWAY QUOTA

Meatco is the only entity able to pass benefits from the Norwegian quota through to producers located in the NCA – producers who are precluded from exporting their product to the European and Norwegian markets due to the current veterinary health status of the area.

Meatco managed to increase the overall producer price to producers farming in the NCA by N$9.00/kg (or 50.05%) compared with the previous year. During the 2014/15 period, the average producer price amounted to N$26.63/kg compared with an average producer price of N$17.63/kg for the corresponding period during the 2013/14 reporting year.

Meatco also invested an additional N$43.9 million into NCA operations in terms of overall operational losses during this period alone. These losses occurred mainly due to the fact that Meatco does not differentiate in terms of the producer price between producers located north or south of the Veterinary Cordon Fence – even though product originating from north of the VCF cannot be exported to Norway.

The extent of overall market returns re-invested into the NCA during the 2014/15 financial year amounts to N$1.78/kg for every kg purchased from commercial and communal producers located SVCF.

Due to the fact that cattle originating from the NCA are predominantly 'C' Grades animals (72.02% of cattle vs. only 23.71% from the SVCF areas), as well as the fact that the average weight per carcass is significantly lower than that of animals originating from SVCF (186.07 kg/carcass vs. 234.68 kg/carcass), the average weighted producer price per kg is lower than the average for cattle originating SVCF.

These prices were achieved as a result a favourable exchange rate and the increased Norwegian quota allocated to Meatco earlier this year. The result was an increase of nearly 30% in producer prices SVCF and 50% in the NCA.

ABATTOIRS AND OPPORTUNITIES IN THE NCA

Because the World Organisation for Animal Health (OIE) does not recognise the Protection Zone and the Infection Zone in the NCA as being free from foot-and-mouth disease (FMD), the marketing possibilities for livestock and meat products from these areas are limited. This means that product markets for the NCA are restricted to Namibia and some African countries

What our international client says

"The meat imports from Namibia constitute a lucrative market-based business opportunity. It is a good business for us and also good business for Meatco.

"It is a beautiful win-win situation, which brings the purchase power of Norway to Namibia, and this will consequently be of benefit to your farmers. That is very good!" (June 2014)

GUNNER DALEN, Director: Business and Trade Policy, Nortura

Nortura is a Norwegian agricultural cooperative with 18,000 farmer members, with its headquarters in Oslo. Operating across Norway out of 33 processing sites and abattoirs, Nortura processes 222,000 tonnes of meat and 40,000 tonnes of eggs per annum. The cooperative's turnover is USD3.2 billion per annum and it was created through a merger between Gilde Norsk Kjott and Prior Norge in 2006.

KAVEZEMBI KEIMUINE,

Communal farmer, farming at Omaheke, close to Okakarara with close to 250 cattle, some sheep and goats

"At the beginning I sold my cattle at the auctions. However, I realised that the payment from the auctions was less than what Meatco provided. As a result, I decided to go directly to Meatco to sell my cattle and I must admit the payment I received for my animals was more than I expected. Now I deal directly with Meatco and I've never been disappointed.

"I'm happy that Meatco has regular Farm Days where communal farmers can obtain necessary information on their livestock. One of the main things I can compliment Meatco on is the fact that they now provide a bull to communal farmer as many of these farmers don't have a bull in their herd to create further offspring. Meatco assists with this which is really commendable.

"My advice to other communal farmers who have cattle over 360 kg is that they should definitely bring them directly to Meatco as they will get good prices. Meatco does provide a better price per kg than the auctions. I also think the farmers and Meatco should jointly talk to Government regarding a cash subsidy to communal farmers. This subsidy will help farmers get additional feed, especially during the drought season that we are facing at the moment."

although Meatco continues to look for the most lucrative markets available for products originating from the NCA.

Meatco has invested more than N$355 million in the NCA, funded mainly by profits generated from abattoirs SVCF. In 2014/15, Meatco invested N$4.1 million in maintenance and upgrades at our Oshakati abattoir that have allowed us to increase the storage and cooling capacity at the facility and thus improve its effectiveness.

Major maintenance and upgrades of our Katima Mulilo abattoir in 2014/15 included the insulation of all cooling pipes and the installation of blower coils on the slaughter floor that lowered the temperature on the slaughter floor, guaranteeing quality product output.

In the current reporting year, grades and kg of cattle procured in the NCA picked up, with an average of 189.56 kg bought at Oshakati and at 178.043 kg at Katima Mulilo.

ASSEMBLY DAYS

Meatco regularly conducts what we call 'assembly days' or 'permit days' in the NCA, during which farmers can bring their cattle to a central point to be auctioned and receive immediate cash for the cattle sold. The assembly days are organised at various multi-purpose loading kraals spread out across the regions in the NCA. Meatco procurement officers work closely with various other stakeholders to assist producers at these assembly days: for instance, DVS officials will check and control animal movement and regional marketing co-ops will inform and mobilise producers and buyers.

Over the past five years to 2014, 1,112 such assembly days were held thorough the NCA regions and a total of 15,725 cattle were purchased during these assembly days, averaging about 14 cattle per assembly day.

The Kunene Region contributed about 43% of the total number of cattle sold, and the Kavango Region 33% (the contributions from the other regions were low).

UNDERSTANDING THE VETERINARY CORDON FENCE

The Veterinary Cordon Fence (VCF) divides Namibia in two: the area south of the VCF ('SVCF') and the Northern Communal Areas (NCA). The fence was erected to restrict the movement of animals – and to thus prevent the spread of diseases they might carry from north to south. The NCA has not yet been declared free of foot-and-mouth disease (FMD) by the World Organisation for Animal Health (OIE), the international animal health control body.

A fence also exists between Namibia and Botswana to keep animals within their respective borders. The Zambezi Region is further separated from the rest of the NCA as its veterinary health status differs from that of the rest of the NCA. The Zambezi Region is known as the 'red zone', while the rest of the NCA is classified as the 'green zone'. The area SVCF is called the 'white zone', which is an animal disease-free area.

The Government of Namibia envisages transforming the green zone into a white zone; it will, however, be very difficult for the Zambezi Region (red zone) to be classified as a white zone as buffalos – which often carry FMD – move freely in this area. While the easiest method to achieve this would therefore be the erection of a fence between Angola and Namibia to prevent animals from moving between the two countries, this is simply not feasible as residents of this area move between the countries to use the land for grazing and family members live across the border from one another.

The more difficult option – and the one that Government has decided upon – is to gain FMD-free status by means of management practices. This means that the Directorate of Veterinary Services (DVS) will insert ear tags on all cattle in the area to monitor them. The implication is that more DVS personnel will have to be appointed to monitor the cattle, while more laboratories will have to be established in the NCA for testing. Monitoring 1.5 million cattle on a monthly basis will be a huge task; despite this the Government plans to have the NCA FMD-free by 2015.

Meatco currently operates two abattoirs north of the VCF, one in Oshakati and one in Katima Mulilo. The current animal health status obviously hampers our operations in the NCA regions since we cannot export beef from this area to the international markets. However, in addition to being disease free, animals slaughtered for the export market have to be of good quality to meet our customers' requirements.

Undoubtedly, the faster the health status of the NCA animals changes, the better it will be for producers, Meatco, the industry, and Namibia.

Related operations

Meatco's business approach is flexible, multi-purpose driven, and market oriented. Our range of related operations is a clear reflection of this strategic approach and its successes.

TANNERY

Meatco's Okapuka Tannery, located 25 km north of Windhoek, processes fresh and salted hides to wet-blue stage. (*Wet-blue* is a term applied to animal hides that have been cured in chromium salts; wet-blue hides produce stable leather products that are durable and flexible, and are able to maintain these characteristics over time.) The tannery has been operational since 1992 and it currently employs 28 people. It uses sophisticated electronic equipment to process hides for export markets, principally Italy.

Together with the Meat Board of Namibia, Meatco has a set of procedures to follow when it comes to the grading of the animal hides at our abattoirs. After any scars and incorrect brand marks have been noted, the hide is graded. The more scars and incorrect placement of brand marks, the lower the grade.

Hides are sourced from all over Namibia, including from Meatco's abattoirs and other local abattoirs. Discussions with the Botswana Meat Commission (BMC) with regards to securing their hides for further value addition at our Okapuka

Tannery failed but we were successful in securing imports from South Africa and Mauritius.

During the reporting period, Meatco processed 201,606 cattle hides. A total of 358,594 small stock skins were also processed into wet-blue stage for onwards sale to other Namibian processors such as Nakara and other leather goods companies.

Meatco has also commenced with the tanning of game skins and hides and during the first half of 2014 we completed our preliminary trials and tests on these hides. The tannery has so far processed and marketed 10,000 game skins for the Italian market.

CANNING PLANT

Meatco's canned beef range has been part of its production since the early 1980s: Texan, Eloolo and Ranch, which are household names in Namibia and across southern Africa, are part of a long and proud tradition for Meatco. Our canned products are ISO-, HACCP- and Halaal-certified.

The development of our canning activities is part of Meatco's five-year strategic plan, which is aimed at increasing local value-addition activities specifically focused on export markets.

Our strategy involves first developing and testing certain foreign markets utilising our current capacity, before embarking on the expansion of our capacity through further investment should a market prove promising.

In 2014/15, Meatco developed and launched two new canning brands that are specifically aimed at the African market. The Cattleman brand was designed for the Nigerian market, which we expect to absorb at least 2 million cans per annum during the first two years, whereafter volumes are expected to increase significantly.

The Long-horn brand was mainly developed in order to create a platform for launching new products into the local and regional market. We have also established a market for our Texan brand in Zimbabwe, where we expect to market approximately 1.5 million cans per annum.

The development of additional products such as Chicken Loaf, Luncheon Roll, Spaghetti and Meat Balls and Canned Vienna is ongoing, and these products are designed for the domestic and regional market.

In the 2014/15 year, our canning department produced a total 14,830,975 cans of various meat products.

WHOLESALE OUTLET

Our wholesale outlet is located next to the Meatco Head Office in Windhoek's Northern Industrial Area. Meatco's abattoirs in Katima Mulilo, Okahandja, Oshakati and Windhoek supply products to this wholesale outlet. In operation since 1996, the wholesale outlet offers fresh red meat cuts and offals to the domestic market.

Included under the wholesale umbrella for the reporting year are two new Meatma retail outlets, one in Windhoek and one in Okahandja. In the reporting year, sales from the outlets totalled N$128.2 million. The outlets currently have 53 employees and all profits generated through sales are ploughed back into Meatco's overall business operations.

The range of products on offer in both outlet shops expanded in 2014/15. In future, Meatco's product offering will include 'Family pack' products such as portioned 750 gram hindquarter cuts of prime sirloin, fillet, rib eye and rump. The Meatma products are produced through Meatco's Local Markets and Value Addition facilities situated in the Northern Industrial area of Windhoek.

The range of Meatma products includes a variety of braaiwors (e.g., Beef Griller, Chakalaka, Fiesta, Legends, Babalaas, and Barbeque). Also available are beef patties, beef mince, Chiefs Choice econo-burgers, hindquarter leg, shin, club steak, and many more products.

Sustainability of cattle supply

Needless to say, the sustainable supply of cattle to our abattoirs and processing plants is of paramount importance to the survival and growth of Namibia's red meat industry.

A continual decline in cattle numbers SVCF has taken place over the past few decades and the trend is not expected to change for the better. On the other hand, cattle numbers north of the VCF continue to increase although these cannot be marketed to the lucrative export markets at present.

Thus we have to be innovative and proactive in ensuring we have the required throughput to maximise our facilities and drive unit costs down. A tremendous amount of effort has therefore gone into creating new production systems and initiatives that would ensure increased volume.

This year marks the first year that these initiatives have really paid off and we will be expanding on these initiatives as our objective is to increase our slaughtering figures to 180,000 per annum by the 2018/19 financial year.

Our new Procurement Policy – aimed at securing a sustainable cattle supply – was one of the key adjustments to Meatco's overall strategy in 2014/15. This policy creates advantages such as greater marketing flexibility for producers and allows for more proactive procurement from Meatco.

The policy also links procurement more closely to the rest of the business, in order to guide it on when, where, how, and what types of cattle to buy. Essentially, it means increased options and access to the market for producers, and better planning and greater efficiency for Meatco.

Specific elements of the Procurement Policy include:

1. Delivery agreements, which allow producers to sign contracts for delivering a set number of animals to Meatco at a specific time and at a premium;
2. Meatco-owned contract feeding, whereby Meatco purchases calves and then farmers raise them in an intensive feeding environment;
3. On-the-hoof purchases – where Meatco buys animals directly from producers at auctions or on their farms;
4. Cash payments, which offer cash for NCA animals on the spot; and
5. The 'MoC profit share' option, through which Meatco procures cattle and farmers rear the cattle on its behalf.

Meatco also expanded its Okapuka Feedlot infrastructure by erecting an additional 15 holding pens in 2014/15, with each pen capable of accommodating 120 cattle at a time. It also established additional feed bunkers and stationary feed-mixing infrastructure.

The mixing equipment purchased to mill and blend the feed has contributed substantially to reducing costs and decreasing the number of sick cattle (thus reducing the animal mortality rate). The total capital development at the Okapuka Feedlot amounted to N$14.8 million for the financial year.

Through these initiatives, Meatco has been able to increase the standing capacity at the Okapuka Feedlot from 6,500 cattle to 8,500 cattle – resulting in an increase in annual throughput of 7,530 cattle (from 20,800 cattle to 28,330 cattle per year).

Meatco plans to further increase its Okapuka Feedlot standing capacity to approximately 10,000 animals, in order to be able to supply at least 32,000 cattle per annum to our slaughter facilities.

In addition, Meatco commenced with its backwards integration strategy activities to assist Namibian livestock producers in operating satellite feedlots on behalf of Meatco, or in providing contract feeding services to the Corporation.

In the long term, Namibia has to unlock the potential of the estimate 1.5 million cattle currently located in the NCA. Having slaughtered fewer than 10,000 cattle in the NCA abattoirs during this reporting year, the growth opportunities that the NCA can offer speak for themselves.

Consequently, Meatco fully supports the Government in its efforts to transform the so-called green zone into a white zone and we look forward to the day when we can market meat products from the NCA to high-value markets.

"I heard about the MoC product for the first time on the radio ... Then already I decided that I am interested and would like to take part in this initiative."

JOGBETH HENGARI,
a farmer in Namibia

"I always have a box of well matured Meatco steak in my walk-in fridge. You never know when you have to braai on short notice!"

SANET PRINSLOO, President of the Namibian Chefs Association

"I think in principle the Meatco-owned Cattle is a very good idea, because farmers are recovering from the drought and the total number of animals has depleted. So with Meatco helping farmers buy cattle to raise, farmers will be empowered. Fortunately we had a good rainy season [during 2014], so there is enough food in the veld, so farmers will be able to manage the cattle if they take part in MoC."

ABEDNEGO MBAZUVARA,
a farmer in Namibia

"I think it is very important for people in the community to take part in this new initiative, because it will help them. It is difficult for us as communal farmers, because we don't have enough fences. But I encourage farmers who have enough fences to take part."

TJIRITJA KANDIRIKIRA,
a farmer in Namibia

What our internationals client say

EIVIND THOMAS WANG,
Purchasing Manager, Unil AS, NorgesGruppen, Oslo, Norway

"It is always very interesting to work with fresh meat from Namibia, especially to see how it has changed over the past few years. Six, seven years ago, 90% of the meat from Namibia arrived frozen in Norway; today 95% is chilled.

"In the past all the meat from Namibia, as a frozen product, was destined for the processing sector in Norway; thus, the meat was used in making meat products such as sausages and the Norway consumer didn't even know that meat was imported from Namibia. Today, Meatco's Natures Reserve brand is well established in the consumer market and highly sought after by the Norwegians.

"Our long-term perspective is that we would like to see more value adding being done in Namibia – such as labelling it for some of our customers, cutting meat into smaller pieces, putting it into retail boxes, etc. – to get more of that work done there."

UNIL AS, NORGESGRUPPEN ASA: NorgesGruppen ASA is a Norwegian grocery wholesale group that also runs various retail outlets. Founded in 1866, the group is now the largest player in the Norwegian grocery retail market, with a nearly 40% market share. Its annual turnover is between N$60 and 70 billion and the group sells products from 900 suppliers worldwide, including Namibia.

3

Our triple bottom line

A company's triple bottom line measures its 'profit account'; its 'people account' (which measures the company's degree of social responsibility); and its 'planet account' (which measures the company's environmental responsibility). These three bottom lines give consideration to the company's economic, social, and environmental impacts. This chapter addresses our people and planet accounts.

Our people

The ongoing success of our business depends on the talent and passion of our people. Meatco aims to create a working culture where all employees are engaged and supported in taking shared responsibility for the delivery of our business goals and ethical responsibilities.

HUMAN RESOURCES PHILOSOPHY

During the year under review, we revisited the foundations upon which our human resources (HR) promise is built and took many steps to revalidate, consolidate, and build on key elements that will enable the Corporation to continue as one of the country's most preferred employers. We endeavour to inculcate in our employees the notion that each of them is responsible for making Meatco 'More than just a Workplace' – as our corporate maxim states – and that all employees together make Meatco what it is and what it will be.

OUR APPROACH

The expertise, commitment and professionalism of our people are at the core of our business. We focus on attracting and retaining the best talent, keeping our employees safe and healthy, and ensuring they are engaged with the business – all of which contributes towards our collective ability to deliver on our business goals.

We also believe that our workforce should reflect the societies in which we operate, and we are committed to supporting the development aspirations of our community and Government partners through our approach to diversity and equality in the workplace.

Our 'people approach' covers a wide range of management systems and processes. At the heart of this approach is ensuring the health, safety and wellbeing of our employees through effective management systems, engagement, and training. We respect the right of our employees to associate freely and bargain collectively, and we aim to meet or exceed all relevant labour standards.

We strive to ensure that everyone who comes to work at Meatco acquires skills and resources that make a positive contribution to their lives and their communities. This is part of our long-term commitment. To support national development goals and help foster a diverse local skills base, we proactively employ and develop local talent at all levels of the business.

We are working to remain an attractive employer by providing meaningful and productive employment and by contributing to the development aspirations of the communities in which our people live and work, and in Namibia at large.

The foundation of our human resources philosophy is to be an equal opportunity employer: we do not discriminate on the basis of gender, race, nationality, age, social origin, disability, religion, or any other categorisation. We hire employees based on our Recruitment Policy and our Policy on Equal Opportunity.

Our operating structure is designed in a manner that ensures all human resource-related decisions are made by committees and not by individuals and all decisions relating to hiring, performance, promotion, learning and development, career development, compensation management, and talent management are made in this manner.

We encourage employees to speak out or ask questions if they are uncertain about any aspect of the business or their employment. Various communication channels and platforms are available to any employee, including those listed below —

- An 'open door' policy
- Direct access by employees to the Chief Executive Officer through a dedicated and secure e-mail address
- Regular staff meetings
- Employee summits
- Key leader meetings
- Joint operations committees
- Corporate social responsibility volunteerism
- Peer evaluation and upward evaluation at manager level and above
- Various internal communication channels, and
- A grievance procedure, including a structured and confidential means of addressing complaints.

REMUNERATION POLICY

Remuneration at Meatco is directly linked to the Patterson Job Grading System, which is used to grade all positions within the Corporation. Remuneration levels for each job grade are based on recognised market surveys on the Namibian labour market. A review of remuneration takes place at the end of February each year and increases are with effect from 1st March.

Remuneration represents the total value of all payments – in money or in kind – made or owing to an employee arising from his/her employment. The amount of the remuneration is agreed on in a signed contract of employment. A remuneration package within the limits set for the job grade of the particular position for which a potential applicant is being considered will be negotiated with him/her by the appropriate official, in consultation with the Executive: Human Resources.

All our employees receive basic remuneration, bonuses, medical aid, and a pension in line with the scale of the applicable job grade, and enjoy a range of other free or subsidised benefits – such as meat products at discounted rates and free transport to and from work.

Employees inside the bargaining unit negotiate for increases on a collective basis during annual wage discussions. These negotiations are conducted by the Namibia Food and Allied Workers' Union, which Meatco has recognised as the employees' sole bargaining agent.

Increases for employees outside the bargaining unit are based on a performance management system. Balanced scorecards are derived from strategic business goals set by the Board of Directors and the Executive Committee and are filtered down to various functions and positions within the business. Individuals are measured against these scorecards twice a year: once for the mid-year annual review and then again during one final annual review before salary increments are determined.

These performance evaluations are subject to peer review (a moderation process) and are benchmarked against key business performance indicators to provide a balanced and context-based perspective of an employee's individual contribution towards overall Corporation goals.

Bonuses that act as incentives are also payable to various categories of employees: those in certain production departments, i.e., slaughter floors, deboning, canning, etc., qualify for production bonuses if they meet minimum targets set. All formulae for calculating bonuses (except the Service Bonus) are determined by the Chief Executive Officer and may be amended from time to time.

MEATCO UNDERGOES ETHICAL AUDIT

In addition to undertaking audits that measure the health and safety standards of our production facilities and the quality of products produced at our abattoirs, an ethical audit was conducted by Meatco for the first time during the year under review.

It was conducted by an international auditing firm, SGS, and was conducted to give reassurances to our markets in terms of our commitment to ethical practices at Meatco. The audit assessed various ethical indicators and ascertain that:

- Employment is freely chosen (no forced labour)
- Freedom of association and the right to collective bargaining are respected
- Working conditions are safe and hygienic
- Child labour is not used in the production process
- Living wages are paid
- Working hours are not excessive
- No discrimination is practised
- No harsh or inhumane treatment is allowed at the workplace
- Meatco is adhering to the Labour Act in terms of paying employees the required wages, as well as providing them with the required necessities such as a contracts of employment, benefits such as social security, and/or medical aid.

The audit is done regularly throughout the year, as mandated by our markets and is being coordinated through our Human Resources, Operations and Quality Assurance departments.

WORKFORCE

We continuously track not only the composition of our workforce but also the trends in global human resources best practice that have a direct bearing on our operations and our staff. In this way, we remain at the forefront of developments in human resources and their applications in respect to our responsibilities towards our employees.

Meatco's permanent staff complement grew from 877 during the 2013/14 reporting year to 947 for the period under review. Due to the seasonality of our operations, we also employ seasonal staff as and when required. With the rotational operations of the Windhoek and Okahandja factories having been cut short in April 2014, we appointed another 206 employees for a five-month period on a fixed-term contract basis.

At the close of the review period, Meatco's workforce stood at 1,153 permanent and seasonal workers. We also increased our overall workforce responsible for deboning activities with ten additional permanent employees.

Our Affirmative Action Report was again approved by the Labour Commissioner of the Ministry of Labour. Proper training interventions are in place for the employees that are appointed as understudies and these employees are mentored to learn the skills required for those positions.

INDUSTRIAL RELATIONS

Meatco has a recognition agreement with the Namibia Food and Allied Workers Union (NAFAU), which was signed in 2008. This agreement will be reviewed when needed to ensure that it remains relevant to the current legislation and conditions.

Meatco's management regards the Workers' Committee and NAFAU as key strategic partners and continued to regularly engage the Workers' Committee and the union leadership with the view to sustain the existing sound relationship between the parties. During the year, Meatco's management meets with the Workers' Committee on a monthly basis, an arrangement that has so far contributed to good relations.

The CEO, together with the Management Team, also held information sessions with the Workers' Committee and other leaders in the NAFAU to sustain the existing sound relationship between all the parties

OCCUPATIONAL HEALTH AND SAFETY

Through our best practices, which are on par with international standards, we strive to provide a feeling of safety to our employees, as well as to the customers and visitors who might be involved in any business or transaction with Meatco.

Meatco places paramount importance on occupational health and safety (OHS). Driven by our OHS Policy, all business units have been empowered to undertake any measure they may deem necessary to ensure that we are a 'Safe Place to Work', as one of our maxims states.

Meatco recorded a total number of 67 injuries across all operations for the reporting year.

A total of 10 Lost Work Day cases/Lost Time injuries were reported, with a Disabling Incident Frequency Rate (DIFR) of 1.90; 54 minor injuries and 3 first aid injuries were also recorded. No occupational diseases or illness were reported for the period under review.

SKILLS DEVELOPMENT AND TRAINING

Aside from ongoing employee engagement, Meatco firmly believes in improving the skill levels of our workforce in order to benefit both the individual and the Corporation. We therefore place great emphasis on building both skills and capacity in our business. Moreover, our skills development and training philosophy and practices are flexible and dynamic and accommodate lifelong learning crucial in order to building a sustainable competitive advantage.

Meatco strives to create the conditions under which all employees can unleash their potential and become empowered and enthusiastic about contributing to the Corporation's achievements. It is therefore incumbent upon the Corporation to train and develop our employees so that we can ensure our survival and progress as a business.

Through this, Meatco aims to equip our employees with all the aptitudes they need to cope with the demands of their jobs or tasks. We undertake to develop our employees in ways that will benefit both the employee and the Corporation; training and development activities are geared towards developing a climate of growth to meet the challenges of the future and of Meatco's vision.

General training and development activities are driven by our Human Resources Department whilst the responsibility for training and development in specific functional areas rests with

Collective Bargaining. All delegates gained a great deal from the training, which will help to ensure that the next negotiating round will be fruitful and effective.

During the reporting year, bursaries were awarded to three new students: two bursaries in Information Technology and one in BSc Agriculture Science. Students that receive Meatco bursaries are encouraged to do an internship at Meatco during the university holiday periods in order to gain practical experience at the workplace.

During the period under review, 27 student interns were provided with opportunities to acquire practical experience at Meatco in various technical disciplines, such as at the engineering workshop and in the canning plant.

In addition, Meatco provides our staff with an opportunity for development by financing the studies of employees in areas of relevant to our operations. For the period under review, we granted interest-free study loans to eight employees.

the various business units themselves. Effective performance planning and assessments form the basis of these activities.

A key element of training and development is the requirement to translate departmental plans into individual as well as team goals and competencies, to ensure employees are able to contribute to the workplace in a meaningful manner.

During the reporting year, we invested a total value of N$4.2 million in training and developing staff, which includes the Namibia Training Authority (NTA) levy payments.

We follow needs-based training, i.e., in line with both the predetermined needs of our various departments and those that become apparent from each employee's Personal Development Plan after his/her annual performance review. Types of development assistance include short courses, on-the-job training, vocational training, part-time studies, study loans, internships, and bursaries.

Meatco's Wage Negotiation Team received a two-day training course in April 2014. The training was practical and focused on topics such as Modern Negotiation Theory, Negotiation Skills, Obtaining Mandate, as well as Obstacles to Effective

HEALTH AND SAFETY POLICY

At Meatco we are committed to —

- minimising health and safety risks by conducting our activities within the framework of the Occupational Safety Management System,
- complying with Namibian legislation, regulations and requirements,
- continuous improvement through regular safety, risk, and compliance audits,
- developing health and safety procedures and objectives, and monitoring their implementation and effectiveness,
- ensuring that employees and contractors meet safety requirements,
- ensuring that members of management conduct their activities in line with the legal aspects of safety requirements,
- providing appropriate training to employees at all levels to ensure competency in conducting their activities in a safe and responsible manner,
- ensuring the understanding of the Occupational Safety Management System by continuously communicating safety information to employees and contractors, and
- allocating resources to realise this policy.

"I love using fresh Meatco steaks for parties and functions, because you always get the best taste and textured meat."
ALINA IYAMBO, originally from Ondangwa, Alina is head chef and baker in a local household for the past ten years

EMPLOYEE WELLNESS

The high priority placed on health within the National Development Plan 4 by the Ministry of Health and Social Services attests to the crucial position that it continues to occupy in the overall welfare of the nation.

Meatco subscribes to functional employee wellness programmes, which entail the mitigation of business, human and social risks that can and do influence the performance of the individual employee and thus our business.

These interventions and programmes are pursued not only for the achievement and maintenance of our statutory obligations but also to establish world-class employee wellness best practices.

It is against this background that Meatco embarked upon on a proactive project to establish a new clinic at the Windhoek plant to lessen the burden on Government in providing effective and sustainable healthcare services to staff members of the Windhoek plant and their dependents.

The clinic is envisaged to open in 2015 and has been established with the sole purpose of creating a health management system tailored to the wide spectrum of needs of our Windhoek plant staff members and their families. The new clinic project forms part of the Meatco Foundation's activities.

The new clinic will cater for medical services for our production employees, other personnel and their dependents in need of medical assistance, covering areas such as pregnancy and routine ante- and post-natal care; family planning advice and supplies; screening for TB symptoms; voluntary HIV counselling and testing; and the diagnosis and treatment of routine communicable diseases.

In addition, the clinic will also undertake occupational healthcare services and food handlers' medical examinations, while clinic staff will implement Corporation-wide wellness and assistance programmes. The project will receive technical assistance from PharmAccess Foundation Namibia as an external service provider with expertise in the field of public health.

The *Deutsche Gesellschaft für Internationale Zusammen–arbeit* (GIZ) is another project partner; it will be launching an innovative HIV/AIDS pilot programme through the clinic.

Part of our commitment to employee wellness involves creating opportunities for our employees to engage with each other on a social level – thus increasing understanding and team spirit in the workplace.

AHOLD AND HILTON MEATS AUDIT

In November 2014, an intense audit was conducted by representative of Ahold and Hilton Meats from Europe. The audit included social compliance, an overview of production facilities, feedlot and farming practices within the Meatco supply chain.

Ahold is the largest retail group in the Benelux Region of the European Union. Hilton Meats is a retail packaging plant dedicated solely to Albert Heijn grocery store chain that forms part of Ahold. The successful completion and outcome of this audit will ensure possibilities of additional market entries and opportunities for our products.

Because Meatco has four plants, the two northern ones of which are located far away from each other as well as from the Windhoek and Okahandja sites, it was decided to organise three family fun days close to where employees live.

The Katima Mulilo Sports and Fun Day took place on 10 May 2014; the Oshakati event was on 30 May 2014, and the Windhoek one was on 11 October 2014. Each of these family fun days was well attended by our employees.

All these factors will positively impact on Meatco's competitiveness and position as a leading Namibian business whilst allowing the Corporation to make a significant contribution towards Namibia's development focus on health.

Our community

Our corporate social responsibility and Meatco Foundation

In Namibia we are all connected to the land, its resources, and to one another. It is Meatco's corporate responsibility to understand how our business affects the environment and the communities in which we operate, and to initiate changes and programmes that make a positive difference.

At Meatco, we see our corporate social responsibility manifested in the way that our values, corporate culture and operations come together with our social, economic and environmental concerns.

The Meatco Foundation is an established trust aimed at coordinating all the developmental work that Meatco Namibia is doing among cattle farmers and within the communities where it operates. The Foundation's objective is to promote socioeconomic development and empowerment in the livestock sector.

Since its establishment by Meatco in 2011, the Meatco Foundation has been proactively involved in projects that empower our members, particularly those living and working in communal areas, by investing in, and improving, social and economic development in communal areas.

Since 2011, we have invested N$16 million in projects throughout the country and worked with established and generous national and international partners to make a difference. These partners and donors include the European Union, Solidaridad Network Trust, GIZ, Global Protein Solutions (GPS), and Danish Coop.

During the period under review, the Meatco Foundation was proud to be involved in the following projects that are part of our portfolio.

SUSTAINABLE CATTLE PRODUCTION IN NAMIBIA PROJECT

In 2013, the Meatco Foundation joined forces with Conservation Agriculture Namibia (CAN), as well as with the network organisation Solidaridad Network Trust and Danish Coop as donors, to implement and manage the Sustainable Cattle Production in Namibia Project for a three-year period.

The project is specifically aimed at farmers in Namibia's communal areas, where there is a great deal of poverty. Most people there are dependent on subsistence farming practices of income. Unfortunately the cattle population per square kilometre and the cattle/human ratio is indicative of overstocking and overpopulation with regard to the communities' herds.

So far, the project has enabled 2,400 smallholder communal farmers to sustainably manage their livestock while making their herds commercially viable. Through the project, the Foundation also has the opportunity to improve cattle genetics as well as overall animal condition and reproductive health.

The project aims to reach out to around 800 farmers each year, encouraging each of them to produce four or five extra cattle for slaughter. The total amount of additional cattle procured will be about 4,000 a year, which amounts to roughly N$12 million derived from cattle sales annually.

Thus, three years after the project's inception, the total benefit will amount to around N$36 million in additional revenue that has flowed into the area.

We expect the increased revenue will give farmers a critical income boost, with this money being used to reduce food insecurity and to help their children meet their school-related needs. In this way we aim to contribute towards a reduction in poverty in the areas covered by the project.

Success to date

In 2014/15, the Meatco Foundation supported 24 farmers through access to improved bulls in the different communal areas. In total, 13 bulls were purchased and distributed to communities SVCF and 6 went to communities north of the Veterinary Cordon Fence.

The objective of this initiative was to introduce improved breeding material within the herds in these communal areas. To date six calves have been sired by the two bulls in the Omuramba community's herd in the Kunene Region, and more are expected.

The Meatco Foundation also funded another activity that aimed at training the Omuramba farmers in aspects of commercialisation. The training was undertaken by Meatco staff in order to encourage farmers to sell animals for slaughter at peak condition and not wait until their animals become too old or the need arises for emergency marketing (such as during periods of drought).

This training also enlisted traditional leadership in promoting certain behaviour change strategies, thus communicating to the farmers the benefits of selling their animals for slaughter at peak condition.

Since the establishment of the multipurpose crush pens, 1,195 cattle have been marketed at the facility, which has injected a total of N$4.3 million back into the Omuramba community.

The Meatco Foundation also implemented sustainable rangeland management training to these farmers in order to integrate a sustainable rangeland management programme into the Meatco field activities using techniques developed in the conservancy areas of Namibia.

Sustainable rangeland management techniques, as developed by IRDNC (Integrated Rural Development and Nature Conservation) in Namibian conservancy areas, have been integrated into Meatco field activities. Through a training of trainers approach to rolling out programmes, CAN

As part of the support programme aimed at communal farmers, a "Better Bull Scheme" was introduce to improve the herd structure and genetics of their herds. The Omuramba community received a pedigree bull (above) and during the reporting year the first 'cross-breed' offspring calves were born (previous page).

assesses rangeland carrying capacity, develops stocking plans for farmers, and helps to create adaptation strategies. The other activities include the utilisation of Global Roundtable for Sustainable Beef (GRSB) principles in global roundtables through sharing best practices and experience.

To date, 1,198 farmers have trained in ecological literacy with respect to rangeland management and 157 farmers were trained in holistic rangeland management looking at herd structures, carrying capacity and available grazing.

The Foundation also agreed to fund a Meatco-owned Cattle (MoC) pilot project in NCA communities. Meatco's MoC scheme has already been successfully implemented in commercial areas and in May 2014 the same scheme was piloted in communal areas to ascertain ways to adapt it successfully to the circumstances of communal farmers located north of the Veterinary Cordon Fence.

In total, 750 cattle have been identified for inclusion in the pilot project; 29 farmers are participating in the scheme and N$2,625,000 has already been paid to farmers. The initial average weight of animals engaged in the scheme was 285 kg and the second weighing showed an average weight increase of 560 grams per animal.

RANGELAND AND MARKETING DEVELOPMENT SUPPORT PROJECT (RMDSP-NCA)

In September 2014, it was announced that the European Union agreed to co-fund the Rangeland and Marketing Development Support Project in the NCA (RMDSP-NCA). The lead applicant of this project is the Meatco Foundation and CAN is the co-applicant and implementer.

The project will be implemented over a thirty month period in seven northern regions: Kunene, Omusati, Oshana, Ohangwena, Oshikoto and the two Kavango regions. The project amount of N$11 million will be funded by European Union to the (62.37% of funding), Meatco (22.65%) and CAN (14.98%).

The overall objective of the (RMDSP-NCA) is to reduce the vulnerability of NCA rural populations to the adverse impacts of climate change through developing, testing, and disseminating solutions and practices in rangeland management, livestock rearing, animal marketing, and crop production.

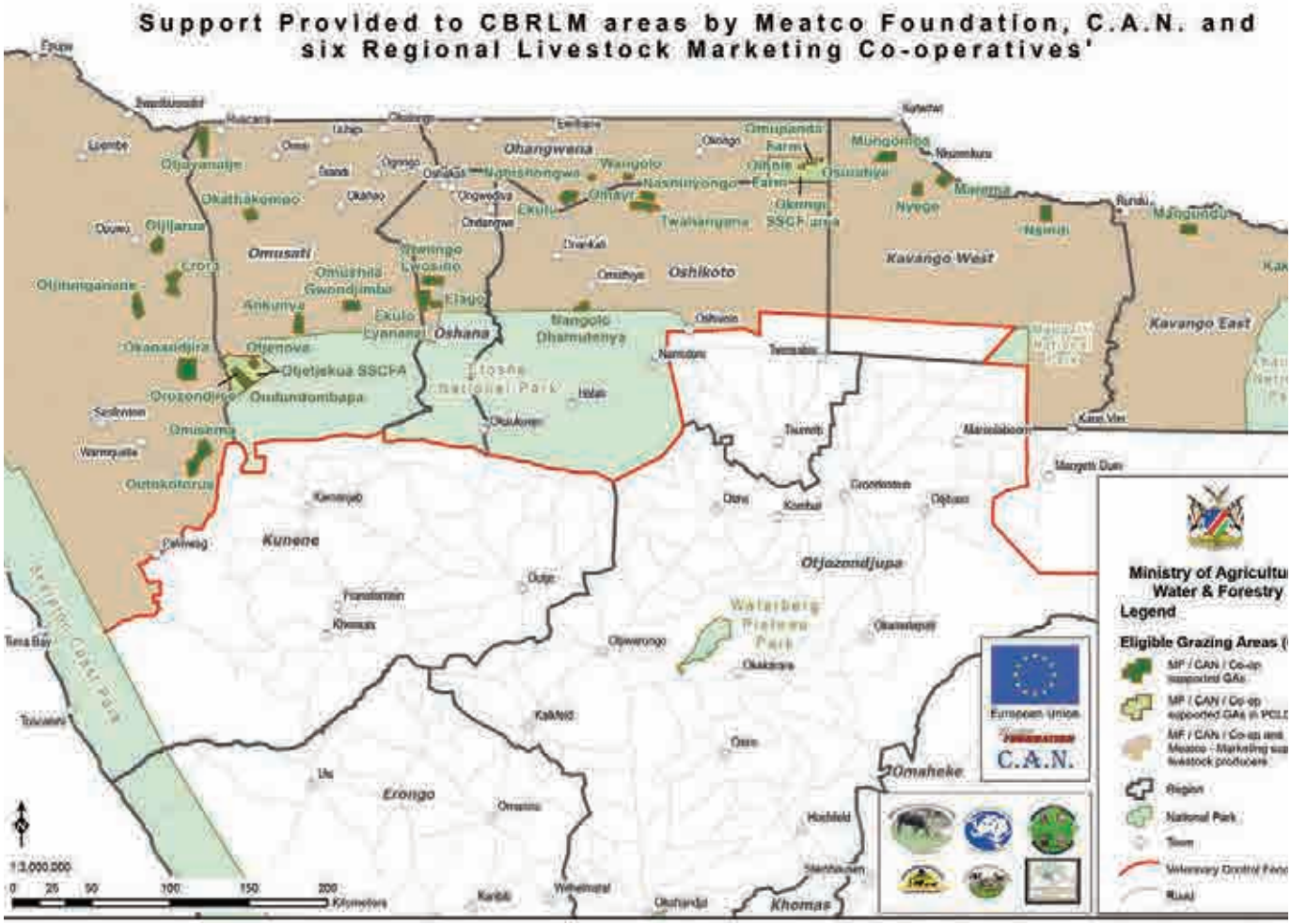
Specific objectives of this project include:

- Improving the awareness and active involvement of key stakeholders at the local, regional and national levels in climate change adaptation strategies related to rangeland, livestock, marketing, and cropping.
- Supporting local organisations in developing regionally appropriate responses to improve production of fodder and herd productivity, as well as increase sales of livestock.
- Improving the whole chain of production of livestock farmers in selected sites in the NCA.
- Addressing key issues affecting the sustainability of the rangeland and livestock sectors.

Success to date

Thirty grazing areas have been mobilised and ecological literacy and marketing trainings have resumed which were put on hold due to a lack of funding. Six livestock marketing cooperatives have been established as associate members of the project and are being trained in rangeland management and conducting marketing activities.

A map indicating most of the beneficiaries of the Sustainable Cattle Production in Namibia Project



INFRASTRUCTURE IMPROVEMENTS

To facilitate the ability of Meatco's Oshakati procurement team when they meet with farmers in outlying aras away from the town, the Meatco Foundation purchased the following equipment to increase team members' effectiveness:

- 2 scale crates with electronic beams and digital displays
- 2 mobile loading ramps, and
- 12 kraal panes.

Meatco's procurement team also started to utilise the equipment listed above in collaboration with CAN in order to facilitate the marketing of cattle to Meatco.

The Foundation also purchased gravel filling at the crush pen in Omuthiya, while 300 farmers were trained in livestock marketing, animal health, and rangeland management. Drought conditions and the importance of marketing livestock while the animals' condition is still good were also discussed at length.

KAVANGO WATER POINTS

Namibia is the one of the driest countries in sub-Saharan Africa. The scarcity of water represents a major limitation in terms of the socioeconomic development of the country. This is especially apposite in the NCA, where the majority of the Namibian population live and where families many are engaged in forms of subsistence agriculture.

The Government was able to achieve water coverage (providing access to a safe, reliable and affordable water source) of 90% in rural areas, with a maximum walking distance to potable water being 2.5 km. With the provision of water to rural communities in the NCA, Water Point Committees are formed to ensure the management and maintenance of water points within a community. Communities are made responsible for this natural resource and the use of water is thus sustainably managed. According to the Namibia Agriculture Sector Support Programme of 2006 (latest available figures), the two Kavango regions are home to 30,469 households, owning 125,927 head of cattle.

In Kavango East, large tracts of productive grazing land lie underutilised; the lack of water points for cattle makes it economically unviable to graze cattle in these areas. The Kavango Water Points Project was initiated in 2012 to address the lack of water points for cattle.

Success to date

Since its inception, the Kavango Water Points Project has provided two boreholes, eight water tanks, eight water troughs, and eight water points to eight small-scale farmers farming on 2,500 ha farms leased from the Government. The farms have ample grazing but the farmers needed water to be provided so that they could move their livestock from communal farmland to their leased land. Before the project inception, the individual farmers originally owned from 30 to 110 cattle each; these cattle numbers have since increased to a minimum of 70 animals and a maximum of 250 animals per farmer. Farmers are now able to build their cattle herds as they have ample grazing and sufficient water for their animals.

The beneficiaries formed water point committees and have committed themselves (by means of a written agreement) to the management and maintenance of the water points.

The Project "Give Back" aimed at assisting impoverished households, especially those in informal settlements, to grow their own vegetables in organic gardens and thus improve the quality of families' nutrition.

The Meatco Foundation supported communities in which we operate as part of our corporate social responsibility activities, such as the Sunshine Club Feeding Scheme (above left) and the Orange Babies Foundation (above right).

EMPLOYEE VOLUNTEERISM PROGRAMME

During the reporting year, the Meatco Employee Volunteerism Programme has been outsourced to the Meatco Foundation for programme redesign, implementation, management, monitoring, promotion and reporting.

This programme is directed towards the upliftment of communities in areas where Meatco abattoirs are operational and encourages our employees to get actively involved in volunteerism activities.

Staff volunteerism has proved to be a positive conduit for improving staff commitment and Meatco supports our employees in their commitment to become involved in community service work.

The Meatco Foundation identified 'Food Security' as the theme for the redesigned programme, with the overall aim of assisting impoverished households – especially those in informal settlements – to grow their own vegetables in organic gardens and thus improve the quality of families' nutrition.

The implementation costs of this programme, called Project 'Give Back' are kept to a minimum so that the Meatco Foundation can support as many households as possible within the budget provided for the programme. A total of N$25,000 has been allocated for the programme in 2014/15.

Supporting the communities in which we operate is important to us and to our clients, as an important part of our corporate social responsibility activities. In 2014/15, various meat produces were donated to several beneficiaries, such as:

- **Home of Good Hope** (NGO), Goreangab, Katutura (soup kitchen and education support)
- **Sunshine Club Feeding Scheme**, Windhoek to help feed 120 orphans and vulnerable children for a month
- **Greenwell Soup Kitchen**, Katurura, a charity organisation to help to feed vulnerable children
- **Orange Babies Foundation**, a charity organisation that provides support to vulnerable people in Okahandja
- **Ouma Sanna Snyder**, a grandmother with 17 grandchildren in Havanna, Katutura.

MEATCO OCCUPATIONAL HEALTH

The overall objective of the project is to establish an effective healthcare management system that provides healthcare services to the staff members of Meatco's Windhoek plant and their dependents, as well as the staff and their dependents in the supply chain of Meatco. (The 'supply chain' is defined as the farms supplying livestock/meat to Meatco.)

Specific objectives of this project are to:

- Establish an effective and sustainable healthcare management system that provides healthcare services to the staff of the Meatco Windhoek plant.
- Develop and pilot interventions to widen the healthcare service provision to dependents of staff of the Meatco Windhoek plant.
- Develop and pilot interventions to widen the healthcare service provision to farm workers and their dependents in the supply chain of Meatco.
- Establish a comprehensive management and support system that enables strategic management decision making and reporting to external stakeholders on healthcare services.

The project is funded through a public-private partnership: GIZ and the Namibian Employment Federation contribute 50% of funding and the Meatco Foundation provides the rest of the costs of the project. The project will be implemented in April 2015.

Our environ-ment

Meatco is committed to protecting and conserving the environment for its members, the broader community, and for future generations of Namibia and our Environmental Policy centres on this principle. We consider the preservation of Namibia's natural environment and biodiversity as one on which the sustainability of our business depends.

ANIMAL WELFARE

Animal welfare remains a top priority for the Corporation: Meatco benchmarks its animal welfare practices against the best in the world. Our practices are subject to regular internal inspections to ensure we continuously improve them. They are also scrutinised through regular independent audits conducted by bodies such as SAI Global, the BRC, and several of our discerning customers such as our EU and Norwegian suppliers.

All farmers registered with Meatco are therefore required to be members of the Farm Assurance Namibian Meat (FANMeat) scheme and to adhere to its standards. FANMeat sets high standards of livestock husbandry by employing the 'Five Freedoms' – the internationally recognised basis for assessing good animal welfare – as its criteria:

- Freedom from hunger and thirst
- Freedom from discomfort
- Freedom from pain, injury and disease
- Freedom to express normal patterns of behaviour, and
- Freedom from fear.

Our goal is to ensure that these needs are met at all times: from transport practices and offloading at abattoirs through to the actual slaughter process itself.

For example, animals being delivered to Meatco may only be transported if their handling conditions and experience in transit correspond with the list above. Animals are also transported in their herd groups to decrease stress levels. After long journeys, animals are given food and water and are properly rested.

At the abattoirs, animals are offloaded without delay and through the use of acceptable handling practices: only trained Meatco personnel are allowed to offload cattle at the abattoirs in order to ensure that these practices are employed.

The animals are handled carefully to ensure the minimum amount of stress during the slaughter process. The risk of causing pain, fear or distress to the animal during slaughter is eliminated by stunning them.

For a producer to be able to deliver free-range certified cattle to Meatco, s/he is required to treat all the animals on his/her farm with dignity and respect.

ENVIRONMENTAL POLICY

Meatco is committed to promoting sound environmental practices within our key businesses, through the establishment of policies and practices that enable us to conduct our operations in a sustainable and environmentally sound manner. We will strive to continuously identify all potential impacts on the environment and manage such impacts while using our resources in a sustainable and efficient manner.

With this policy in mind, the Corporation has applied an environmental management system through which it focuses on energy conservation, controlling its carbon footprint, conservation of water and optimisation of its use, waste management, and protecting biodiversity. In addition, as our business revolves around handling of animals, the objective of our animal welfare practices is to treat all animals with respect and as humanely as possible, resulting in a minimal amount of stress to them.

WATER AND ENERGY SUSTAINABILITY

The need to preserve the environment for future generations is more than a moral imperative for Meatco: it is also a competitive strategy that makes good business sense.

Our operating costs during the current reporting year increased by only 11.5%, which is a remarkable achievement considering the significant increase in the costs of water and electricity in Namibia over the past year. This is a significant step in the right direction and we will continue to strive to develop practices aimed at keeping our operating costs as low as possible.

The Production Department is at the forefront of the efforts to meet this challenge as it works to explore ways to improve practices while at the same time ensuring a safer and more comfortable working environment for our staff. These practices underpin Meatco's reputation for being an environmentally responsible corporate citizen.

Since May 2014 when we joined the Global Roundtable for Sustainable Beef (GRSB) (a multi-stakeholder initiative developed to advance improvements in the global beef value chain) we developed specific measures regarding the definition of beef sustainability in Namibia, while directing our operations to create a cleaner production environment with reduced water and electricity use.

Against this background, we achieved an outstanding 20% saving in our water and electricity usage during the reporting year.

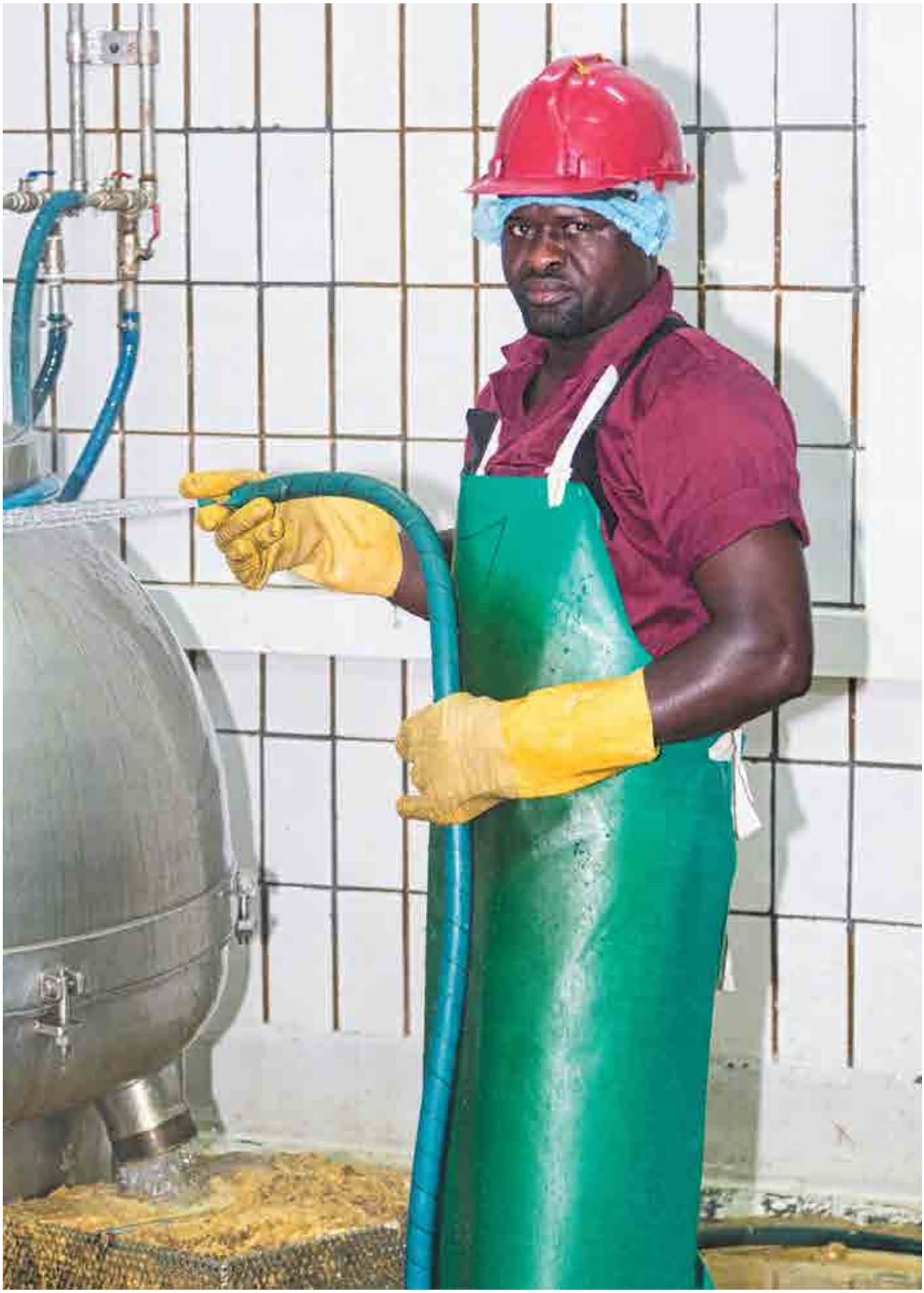
Meatco has implemented a water management plan at all our facilities and educates employees on good water-saving habits through various channels of communication. A reduction in electricity use serves the double purpose of helping to combat climate change while also saving the Corporation money.

Measured against the GRSB's international benchmarks for cleaner production – with set standards for cattle abattoirs (per 250 kg of carcass weight) – Meatco's Windhoek plant did well in water and energy savings between 2011 and 2014. The tables below show the benchmarks and the Windhoek plant's performance in 2011 and again in 2014.

As the tables show, the Windhoek plant has moved away from 'traditional' to 'average' measurements based on these international targets; the next goal is to further reduce use so that we can achieve the 'best' standard for both water and electricity consumption.

Water (Litre per cattle unit of 250 kg weight: abbreviated as L/U)		
International benchmark		Windhoek plant
Traditional	5 m^3 per L/U	2011: 4.7 m^3 per L/U 2014: 3.2 m^3 per L/U
Average	2.5 m^3 per L/U	
Best	1 m^3 per L/U	

Electrical energy (Kilowatt-hour per cattle unit of 250 kg weight: abbreviated as kWh/U)		
International benchmark		Windhoek plant
Traditional	300 kWh/U	2011: 107 kWh/U 2014: 87 kWh/U
Average	125 kWh/U	
Best	70 kWh/U	



4

Annual financial statements

Meat Corporation of Namibia

(A body corporate established in Namibia in terms of Meat Corporation of Namibia Act)

Annual Financial Statements

for the year ended 31 January 2015

DIRECTORS' RESPONSIBILITY FOR THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 January 2015

The directors are responsible for monitoring the preparation of and the integrity of the financial statements and related information included in this report.

In order for the Board to discharge its responsibilities, management has developed and continues to maintain a system of internal control. The Board has ultimate responsibility for the system of internal control.

The internal controls include a risk-based system of internal accounting and administrative controls designed to provide reasonable but not absolute assurance that assets are safeguarded and that transactions are executed and recorded in accordance with generally accepted business practices and the Group's policies and procedures.

The financial statements are prepared in accordance with International Financial Reporting Standards and incorporate disclosure in line with the philosophy of the Group. The financial statements are based on appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors believe that the Group and the Corporation will be a going concern in the year ahead. For this reason they continue to adopt the going concern basis in preparing the consolidated and separate annual financial statements.

The consolidated and separate annual financial statements for the year ended 31 January 2015, set out on pages 89 to 147, have been approved by the Board of Directors and authorised for issue on 23 April 2015. The annual financial statements were signed on 23 April 2015 on behalf of the Board by:

……..

Ms M. Namundjebo-Tilahun

Chairperson

……..

Mr D. Metzger

Director

Windhoek

Namibia

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MEAT CORPORATION OF NAMIBIA

for the year ended 31 January 2015

We have audited the group annual financial statements and annual financial statements of Meat Corporation of Namibia, which comprise the consolidated and separate statements of financial position as at 31 January 2015, and the consolidated and separate statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the directors' report, as set out on pages 89 to 147.

Directors' Responsibility for the Financial Statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Meat Corporation of Namibia Act, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

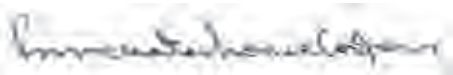
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the consolidated and separate financial position of Meat Corporation of Namibia as at 31 January 2015, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Meat Corporation of Namibia Act.



PricewaterhouseCoopers

Chartered Accountants (Namibia)

Registered Accountants and Auditors

Per: Louis van der Riet

Partner

Windhoek

24 April 2015

The directors have pleasure in presenting their report for the financial year which ended on 31 January 2015.

The objectives of Meat Corporation

In accordance with the Meat Corporation of Namibia Act (Act 1 of 2001), the objectives of the Corporation are:

- to serve, promote and co-ordinate the interests of the producers of livestock in Namibia, and to strive for the stabilisation of the meat industry of Namibia in the national interest;
- to erect, rent, purchase or otherwise acquire, stabilise, optimally utilise and maintain abattoirs and other meat factories in the public interest;
- to rationalise abattoir and related factory activities, and conduct and manage such business in an orderly, economical and efficient manner; and
- to market products within Namibia and elsewhere to the best advantage of the producers of livestock in Namibia.

During the financial year under review the Corporation, in pursuit of its objectives, was mainly engaged in the following operations:

- sustain and increase the supply of cattle in Namibia to Meatco;
- the slaughtering of livestock and the processing of meat in abattoirs and factories at Okahandja, Windhoek, Oshakati and Katima Mulilo;
- the processing of hides and skins at Okapuka Tannery;
- operating a feedlot at Okapuka near Windhoek;
- the marketing of meat, meat products and hides and skins in Namibia and elsewhere;
- the improvement of its plant, production and processing techniques in order to keep pace with technical developments;
- to optimally market the Corporation's products internationally; and
- such other activities as are referred to elsewhere in this report.

Vision of Meat Corporation

Meatco will have the most sought-after meat brands in selected markets in the long-term interests of stakeholders.

General review

Even-though no separate Integrated Report has been prepared for the year under review, the Board of Directors of the Corporation have decided to include some components normally contained within an Integrated Report within its Directors' report. The inclusion of these components are aimed at providing additional insight into the strategies of the Corporation and how it affects and is affected by environmental, social, financial and economic issues.

The overall mandate of the Corporation is set out in the Meat Corporation of Namibia Act, 2001 (Act 1 of 2001) and described in more detail earlier in this Directors' Report. The Board of Directors has therefore developed several strategies in order to achieve the goals and objectives as per this stated mandate.

In terms of these strategies the overall corporate goal is to maximise producer returns by:

- Maximising markets returns through a focused drive towards:
  - Value addition;
  - Development and exploitation of niche, high value markets;
  - Movement within the value chain towards focused sales to retail and end-customers;
  - Expanding the overall customer base and composition of the Corporation;
  - Effective management of market segmentation; and
  - Diversification of market access;
- Effective management of production and overhead costs;
- Maintaining the quality of assets and other resources to standards as required by the Corporation's stakeholders and customers; and
- Diversifying procurement sources to stabilise seasonal fluctuations in the marketing of cattle;
- Due to the nature of the corporation's activities and strategies, it is evident that the overall performance in terms of the corporate goal indicated above, is impacted directly and indirectly by several factors. These include:
- Fluctuations and volatility of foreign currencies relative to the Namibian Dollar;
- Global food inflationary trends;
- Market access to niche markets;
- Overall capacity utilisation of slaughter facilities;
- Consistency of cattle throughput at export certified abattoirs;
- Governance and regulation relating to operational and production environment; and
- Weather and production cycles and patterns.

In order to ensure compliance with stakeholders' quality and trade specifications, the Corporation ensures that regular inspections and certifications are conducted by independent external parties. These include annual and quarterly evaluations and inspections by regulatory authorities and certification boards including SABS Commercial (Pty) Ltd; SAI Global and British Retail Consortium ("BRC"). In addition, the Corporation's facilities maintains certification status with ISO 9002 and HACCP 1033:2007, and is registered and licensed with the Muslim Judicial Council Halaal Trust as well as the Meat Board of Namibia. The Corporation also holds South African and European Union export status and is in the process of obtaining USDA approval. Regular inspections and evaluations are also performed by some of the Corporation's retails clients, including, but not limited to, Woolworths, Heinz and McDonald's.

The financial report of the Corporation and all of its subsidiaries are audited annually by independent external auditors in terms of International Financial Reporting Standards ("IFRS"), and the Board of Directors have taken the principle decision to incorporate the principles and recommendations outlined in the King III report within the control environment of the Corporation in future. The Board of Directors have therefore mandated and instituted fully functional and active subcommittees including an Audit Committee, Remuneration and Human Resource Committee and a Management Support Committee.

The impacting factors indicated above have been taken into consideration during the development of the overall strategies of the Corporation, and, if combined with the effective management and monitoring of the associated risks, these strategies should enable the Corporation to remain sustainable in the future.

Operating results

During the financial year under review throughput of cattle supply in the areas south of the Trans Veterinary Cordon Fence increased to 107 403 (2014: 103 691). The average cold dress weight decreased to 230.52 kg (2014: 235.54 kg), resulting in actual throughput of 24 758 tonnes (2014: 24 424 tonnes).

Cattle supply in the areas north of the Trans Veterinary Cordon Fence decreased to 9 370 (2014: 13 221). The average cold dressed weight increased to 184.93 kg (2014: 154.47 kg), resulting in actual throughput of 1 733 tonnes (2014: 2 042 tonnes).

The revenue for the Group increased to N$ 1 610.8 million (2014: N$ 1 405.5 million). The net profit for the year after interest and taxation increased to N$ 14.3 million (2014: N$ 3.4 million profit).

Reserves

The Corporation needs to maintain adequate facilities and services at an appropriate level to meet the standards required for a viable meat industry in Namibia. Its first priority is therefore to generate annual income sufficient to maintain the required level of operations in the short-term and to provide sufficient funds to sustain its operations in the long-term, while paying maximum prices to livestock producers.

The appropriation of surpluses, derived from normal recurring business activities and after due allowance for all external and internal statutory obligations, is regulated by the financial and accounting policy directives of the Board. These directives are aimed at the utilisation of the Corporation's cash resources to serve first and foremost the main business purposes of the Corporation and to secure the accomplishment of its main objectives.

Financial position

The state of the Group and Corporation's affairs is adequately accounted for in the annual financial statements and apart from the remarks stated hereunder, does not call for any further comment.

Property, plant and equipment replacement and development

The Corporation continued with its upgrading and development of assets. Figures of importance relative to capital projects for improvements are as follows:

	2015 N$	2014 N$
Additions for the year	65 182 832	35 673 564
Capital budget for the ensuing year	125 594 532	77 678 850

No capital commitments have been entered into at year-end.

Subsidiaries

Interest of Corporation at 31 January 2015 in:

		Issued share capital	Percentage holding direct/ indirect	Share investment N$	Loans N$
Investments in subsidiaries				200	155 581 755
Meat Corporation of Namibia (UK) Limited (United Kingdom)	GBP	1 250 000	100 %	--	--
Meat Corporation of Namibia (Deutschland) GMBH (Germany)	EUR	50 000	100 %	--	--
Namibia Meat Importers & Exporters (Pty) Ltd (South Africa)	ZAR	100	100 %	100	48 972 503
Namibia Cattle Procurement (Pty) Ltd (Namibia) (Previously Namibia Allied Meat Company (Pty) Ltd (Namibia))	NAD	100	100 %	100	106 609 252
Amounts from/(due) to subsidiaries				--	(29 469 293)
Meat Corporation of Namibia (UK) Limited (United Kingdom)	GBP			--	(21 673 406)
Namibia Meat Importers & Exporters (Pty) Ltd (South Africa)	ZAR			--	(7 795 887)
				200	126 112 462

The above debit loans are unsecured, have no fixed terms of repayment (except Namibia Cattle Procurement (Pty) Ltd which will not be repaid within twelve months) and are interest free. The credit loans are unsecured, have no fixed terms of repayment and are interest free.

The loan to Namibia Cattle Procurement (Pty) Ltd and has been subordinated in favour of other creditors until the assets of the company, fairly valued, exceed its liabilities.

Subsidiaries

Interest of Corporation at 31 January 2014 in:

		Issued share capital	Percentage holding direct/ indirect	Share investment N$	Loans N$
Investments in subsidiaries				200	49 996 204
Meat Corporation of Namibia (UK) Limited (United Kingdom)	GBP	1 250 000	100 %	--	--
Meat Corporation of Namibia (Deutschland) GMBH (Germany)	EUR	50 000	100 %	--	--
Namibia Meat Importers & Exporters (Pty) Ltd (South Africa)	ZAR	100	100 %	100	38 057 685
Namibia Allied Meat Company (Pty) Ltd (Namibia)	NAD	100	100 %	100	11 938 519
Amounts from/(due) to subsidiaries				--	(30 700 057)
Meat Corporation of Namibia (UK) Limited (United Kingdom)	GBP			-- --	-- (23 049 400)
Namibia Allied Meat Company (Pty) Ltd (Namibia)	NAD			--	(2 679 142)
Namibia Meat Importers & Exporters (Pty) Ltd (South Africa)	ZAR			--	(4 971 515)
				200	19 296 147

The above debit loans are unsecured, have no fixed terms of repayment (except Namibia Allied Meat Company (Pty) Ltd which will not be repaid within twelve months) and are interest free. The credit loans are unsecured, have no fixed terms of repayment and are interest free.

The loan to Namibia Allied Meat Company (Pty) Ltd and has been subordinated in favour of other creditors until the assets of the company, fairly valued, exceed its liabilities.

The attributable interest of the Corporation in the aggregate net profit/losses after taxation of its subsidiaries amounted to:

	2015 N$	2014 N$
Net profit after taxation	9 038 304	2 984 726

Associates

Interest of Corporation at 31 January 2015 in:

		Issued share capital	Place of business/ Country of Incorporation	Percentage holding direct/ indirect	Share investment N$	Loans N$
Investments in associates					41 920 226	--
GPS Food Group (Holdings) Limited	EUR	244 443	Ireland	25 %	41 703 436	--
GPS Norway AS	NOK	300	Norway	33 %	216 790	--
					41 920 226	--

The Corporation obtained a 25% interest in GPS Food Group (Holdings) Ltd on 20 May 2014. GPS Food Group (Holdings) Ltd is the ultimate holding company of an international group of wholly-owned subsidiaries that offer a comprehensive range of meat protein products sourced via a global network of supply partners. The company markets in excess of 100,000 tonnes of meat products annually throughout the world and its extensive product range includes beef, lamb, pork, poultry and meat protein ingredients. GPS Food Group specialises in the marketing of products via its proven expertise in brand design and sales development and markets through a network of ten international offices located in strategic protein markets. This strategic investment is beneficial to the Corporation in terms of securing access to technical skills within this highly competitive sector, as well as offering Meatco producers access to alternative international revenue streams that are not dependent on local economic, environmental or related influences.

The Corporation obtained a 33.33% interest in GPS Norway AS on 19 May 2014. GPS Norway AS is a Norwegian registered company with the main objective to facilitate the importation of meat and meat products into Norway. The company is a joint venture between several producer-focused entities that operate internationally. GPS Norway AS aims to achieve an efficient and low-cost meat import function into Norway and thereby integrating and streamlining the upstream marketing value chain in order to maximise overall sales revenues returned to primary meat producers.

Board of directors

The following directors held office during the financial year:

Ms M Namundjebo-Tilahun: Chairperson
Mr D Metzger: Vice-Chairperson
Mr RL Kubas
Mr C /Urib
Mr II Ngangane
Ms S Kasheeta

Audit and Risk Committee

Mr D Metzger: Chairperson
Mr RL Kubas

Remuneration and Human Resources Committee

Ms S Kasheeta: Chairperson
Mr C /Urib

Management Support Committee

Ms M Namundjebo-Tilahun: Chairperson
Mr D Metzger

Secretary to the Corporation

Ms EM Tuneeko

Registered address

Business Address:

Meat Corporation Building
Sheffield Street
Northern Industrial Area
Windhoek

Postal Address:

P.O. Box 3881
Windhoek
Namibia

STATEMENTS OF FINANCIAL POSITION

as at 31 January 2015

	Note	Group 2015 N$	Group 2014 N$	Corporation 2015 N$	Corporation 2014 N$
Assets					
Non-current assets		312 646 412	225 691 020	321 467 068	234 453 223
Property, plant and equipment	5	243 840 430	196 936 720	243 562 349	196 337 763
Investment in subsidiaries	6	--	--	11 938 719	11 938 719
Investment in associates	7	44 555 388	--	41 918 226	--
Deferred tax assets	8	24 250 594	28 754 300	24 047 774	26 176 741
Current assets		689 060 258	540 077 060	642 391 108	540 293 896
Inventories	9	233 840 719	194 348 552	226 794 526	189 942 011
Biological assets	10	197 526 853	74 553 618	59 592 743	74 553 618
Trade and other receivables	11	164 781 269	189 641 357	126 494 089	169 242 064
Amounts due by subsidiaries	6	--	--	143 643 236	38 057 685
Cash and cash equivalents	17.3	87 885 017	81 533 533	80 840 113	68 498 518
Financial instrument asset		5 026 400	--	5 026 401	--
Total assets		1 001 706 670	765 768 080	963 858 176	774 747 119
Equity and liabilities					
Capital and reserves		368 627 777	359 068 764	348 751 084	343 522 715
Foreign currency translation reserve	15.6	9 201 233	13 908 893	--	--
Retained earnings		359 426 544	345 159 871	348 751 084	343 522 715
Non-current liabilities		314 491 942	199 795 424	314 491 942	199 795 424
Interest-bearing loans and borrowings	13	292 729 755	181 209 424	292 729 755	181 209 424
Post employment benefits	12	21 762 187	18 586 000	21 762 187	18 586 000
Current liabilities		318 586 951	206 903 892	300 615 150	231 428 980
Bank overdraft	17.3	96 665 191	39 024 282	96 665 191	39 010 796
Interest bearing loans and borrowings	13	77 688 596	21 062 439	77 688 596	21 062 439
Trade and other payables		95 817 629	116 869 885	86 394 663	110 774 403
Provisions	14	47 821 477	27 128 683	10 397 407	27 128 683
Amounts due to subsidiaries	6	--	--	29 469 293	30 700 057
Income tax payable		594 058	66 001	--	--
Financial instrument liability		--	2 752 602	--	2 752 602
Total equity and liabilities		1 001 706 670	765 768 080	963 858 176	774 747 119

INCOME STATEMENT

for the year ended 31 January 2015

	Note	Group		Corporation	
		2015 N$	2014 N$	2015 N$	2014 N$
Revenue	15.1	1 610 762 267	1 405 445 603	1 723 782 820	1 335 055 652
Cost of sales		(1 427 389 945)	(1 258 852 106)	(1 564 783 428)	(1 212 220 056)
Gross profit		183 372 322	146 593 497	158 999 392	122 835 596
Other income	15.2	11 469 532	8 466 465	11 619 627	9 080 417
Administrative expenses		(141 801 962)	(124 949 878)	(122 639 229)	(105 145 696)
Operating profit	15.3	53 039 892	30 110 084	47 979 790	26 770 317
Interest income		616 740	804 600	468 222	629 433
Interest expense		(41 090 676)	(25 828 549)	(41 090 676)	(25 828 382)
Share of the profit or loss of associates accounted for using the equity method		6 587 617	--	--	--
Profit before income tax		19 153 573	5 086 135	7 357 336	1 571 368
Income tax	16	(4 886 900)	(1 697 653)	(2 128 967)	(1 167 612)
Profit for the year		14 266 673	3 388 482	5 228 369	403 756

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 January 2015

	Note	Group		Corporation	
		2015 N$	2014 N$	2015 N$	2014 N$
Profit for the year		14 266 673	3 388 482	5 228 369	403 756
Other comprehensive income for the year, net of income tax		(4 707 660)	6 810 914	--	--
Foreign currency translation differences for foreign operations	15.6	(4 707 660)	6 810 914	--	--
Income tax on other comprehensive income		--	--	--	--
Total comprehensive income for the year		9 559 013	10 199 396	5 228 369	403 756
Attributable to:					
Members of the Corporation		9 559 013	10 199 396	5 228 369	403 756
Non-controlling interest		--	--	--	--
Total comprehensive income for the year		9 559 013	10 199 396	5 228 369	403 756

STATEMENT OF CASH FLOWS

for the year ended 31 January 2015

	Note	Group 2015 N$	Group 2014 N$	Corporation 2015 N$	Corporation 2014 N$
Cash flows from/ (used in) operating activities		(112 827 915)	24 107 139	(106 144 374)	30 926 486
Cash receipts from customers		1 635 622 355	1 475 053 334	1 766 530 795	1 346 715 630
Cash paid to suppliers and employees		(1 708 121 197)	(1 425 583 627)	(1 832 052 715)	(1 290 590 195)
Cash from/ (utilised by) operations	17.1	(72 498 842)	49 469 707	(65 521 920)	56 125 435
Interest income		616 740	804 600	468 222	629 433
Interest expense		(41 090 676)	(25 828 549)	(41 090 676)	(25 828 382)
Income taxes received/(paid)	17.2	144 863	(338 619)	--	--
Cash flows used in investing activities		(105 851 149)	(31 099 315)	(106 084 506)	(31 070 157)
Acquisition of property, plant and equipment		(65 182 832)	(32 633 868)	(65 182 832)	(32 162 030)
Proceeds from disposal of property, plant and equipment		1 249 909	1 534 553	1 016 552	1 091 873
Associates		(41 918 226)	--	(41 918 226)	--
Cash flows before financing activities		(218 679 064)	(6 992 176)	(212 228 880)	(143 671)
Cash flows from financing activities		168 146 844	68 518 898	166 916 080	68 518 898
Proceeds from interest-bearing loans and borrowings		242 950 683	85 000 000	242 950 683	85 000 000
Repayment of interest-bearing loans and borrowings		(74 803 839)	(16 481 102)	(74 803 839)	(16 481 102)
Funds from subsidiaries		--	--	(1 230 764)	--
Net change in cash and cash equivalents		(50 532 220)	61 526 722	(45 312 800)	68 375 227
Exchange gains/losses on cash		(757 205)	6 810 914	--	--
Cash and cash equivalents at beginning of year		42 509 251	(25 828 385)	29 487 722	(38 887 505)
Cash and cash equivalents at end of year	17.3	(8 780 174)	42 509 251	(15 825 078)	29 487 722

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 January 2015

	Retained earnings N$	Foreign currency translation reserve N$	Total N$
Group			
Balance at 1 February 2013	341 771 389	7 097 979	348 869 368
Total comprehensive income for the year			
Profit for the year	3 388 482	--	3 388 482
Other comprehensive income			
Gain arising on translation of foreign operations	--	6 810 914	6 810 914
Balance at 31 January 2014	345 159 871	13 908 893	359 068 764
Balance at 1 February 2014	345 159 871	13 908 893	359 068 764
Total comprehensive income for the year			
Profit for the year	14 266 673	--	15 033 061
Other comprehensive income			
(Loss) / Gain arising on translation of foreign operations	--	(4 707 660)	(4 707 660)
Balance at 31 January 2015	359 426 544	9 201 233	369 394 165
Corporation			
Balance at 1 February 2013	343 118 959	--	343 118 959
Total comprehensive income for the year			
Loss for the year	403 756	--	403 756
Balance at 31 January 2014	343 522 715	--	343 522 715
Balance at 1 February 2014	343 522 715	--	343 522 715
Total comprehensive income for the year			
Profit for the year	5 228 369	--	5 228 369
Balance at 31 January 2015	348 751 084	--	348 751 084

1. General information

Meat Corporation of Namibia is a body corporate established in terms of the Meat Corporation of Namibia Act, 2001 (Act 1 of 2001) domiciled in Namibia. The consolidated financial statements of the Corporation for the year ended 31 January 2015 comprise the Corporation and its subsidiaries (together referred to as the "Group").

2. Significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of Meat Corporation of Namibia have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations, and the Meat Corporation of Namibia Act. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of biological assets and financial instruments measured at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

The group has adopted IFRS 9 from 31 January 2011, as well as the related consequential amendments to other IFRSs, because this new accounting policy provides reliable and more relevant information for users to assess the amounts, timing and uncertainty of future cash flows.

International Financial Reporting Standards and amendments effective for the first time for 31 January 2015 year-end		
Number	**Effective date**	**Executive summary**
Amendments to IAS 32 – Financial Instruments: Presentation	1 January 2014	The IASB has issued amendments to the application guidance in IAS 32, 'Financial instruments: Presentation', that clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. However, the clarified offsetting requirements for amounts presented in the statement of financial position continue to be different from US GAAP.
Amendments to IFRS 10, consolidated financial statements', IFRS 12 and IAS 27 for investment entities	1 January 2014	The amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an 'investment entity' definition and which display particular characteristics. Changes have also been made in IFRS 12 to introduce disclosures that an investment entity needs to make.
IASB issues narrow-scope amendments to IAS 36, 'Impairment of assets'	1 January 2014	These amendments address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less cost of disposal.
Amendment to IAS 39 on novation of derivatives	1 January 2014	The IASB has amended IAS 39 to provide relief from discontinuing hedge accounting when novation of a hedging instrument to a CCP meets specified criteria. Similar relief will be included in IFRS 9, 'Financial Instruments'.

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

International Financial Reporting Standards and amendments issued but not effective for 31 January 2015 year-end		
Number	**Effective date**	**Executive summary**
IFRS 9 – Financial Instruments (2009)	1 January 2018	This IFRS is part of the IASB's project to replace IAS 39. IFRS 9 addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value.
IFRS 9 – Financial Instruments (2010)	1 January 2018	The IASB has updated IFRS 9, 'Financial instruments' to include guidance on financial liabilities and derecognition of financial instruments. The accounting and presentation for financial liabilities and for derecognising financial instruments has been relocated from IAS 39, 'Financial instruments: Recognition and measurement', without change, except for financial liabilities that are designated at fair value through profit or loss.
Amendments to IFRS 9 – Financial Instruments (2011)	1 January 2018	The IASB has published an amendment to IFRS 9, 'Financial instruments' that delays the effective date to annual periods beginning on or after 1 January 2018. The original effective date was for annual periods beginning on or after from 1 January 2013. This amendment is a result of the board extending its timeline for completing the remaining phases of its project to replace IAS 39 (for example, impairment and hedge accounting) beyond June 2011, as well as the delay in the insurance project. The amendment confirms the importance of allowing entities to apply the requirements of all the phases of the project to replace IAS 39 at the same time. The requirement to restate comparatives and the disclosures required on transition have also been modified.
IFRS 14 – Regulatory deferral accounts	1 January 2016	The IASB has issued IFRS 14, 'Regulatory deferral accounts' ('IFRS 14'), an interim standard on the accounting for certain balances that arise from rate-regulated activities ('regulatory deferral accounts'). Rate regulation is a framework where the price that an entity charges to its customers for goods and services is subject to oversight and/or approval by an authorised body.
Amendment to IAS 19 regarding defined benefit plan.	1 July 2014	These narrow scope amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.
Amendment to IFRS 11, 'Joint arrangements' on acquisition of an interest in a joint operation.	1 January 2016	This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.
Amendment to IAS 16, 'Property, plant and equipment' and IAS 38,'Intangible assets', on depreciation and amortisation.	1 January 2016	In this amendment the IASB has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

International Financial Reporting Standards and amendments issued but not effective for 31 January 2015 year-end		
Number	**Effective date**	**Executive summary**
IFRS 15 – Revenue from contracts with customers.	1 January 2017	The FASB and IASB issued their long awaited converged standard on revenue recognition on 29 May 2014. It is a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue. Revenue is recognised based on the satisfaction of performance obligations, which occurs when control of good or service transfers to a customer.

Interpretations of International Financial Reporting Standards

International Financial Reporting Standards and amendments effective for the first time for 31 January 2015 year-end		
Number	**Effective date**	**Executive summary**
IFRIC 21 – Accounting for levies.	1 January 2014	FRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses diversity in practice around when the liability to pay a levy is recognised.

2. Significant accounting policies (continued)

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The excess of the consideration transferred the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

(b) Transactions and non-controlling interests

The group treats transactions with non-controlling interests as transactions with equity owners of the group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the group ceases to have control or significant influence, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2. Significant accounting policies (continued)

2.2 Consolidation (continued)

(c) Associates

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20 per cent and 50 per cent of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.

Dilution gains and losses arising in investments in associates are recognised in the income statement.

2.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Namibian Dollars (N$), which is the group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in the income statement within 'other (losses)/gains – net'.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

2. Significant accounting policies (continued)

2.3 Foreign currency translation (continued)

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(c) all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.4 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Plant	20	Motor Vehicles	5	Computer Equipment	3	Tools	3
Factory Equipment	5	Mobile Equipment	3	Office Equipment	5		

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.5).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other (losses)/ gains – net' in the income statement.

2.5 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2. Significant accounting policies (continued)

2.6 Financial assets

Classification

The group classifies its financial assets in the following categories: those to be measured subsequently at fair value, and those to be measured at amortised cost. This classification depends on whether the financial asset is a debt or equity investment.

Debt investments

(a) Financial assets at amortised cost

A debt investment is classified as 'amortised cost' only if both of the following criteria are met: the objective of the group's business model is to hold the asset to collect the contractual cash flows; and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. The nature of any derivatives embedded in the debt investment are considered in determining whether the cash flows of the investment are solely payment of principal and interest on the principal outstanding and are not accounted for separately.

(b) Financial assets at fair value

If either of the two criteria above is not met, the debt instrument is classified as 'fair value through profit or loss'.

The group has not designated any debt investment as measured at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch.

All equity investments are measured at fair value. Equity investments that are held for trading are measured at fair value through profit or loss. For all other equity investments, the group can make an irrevocable election at initial recognition to recognise changes in fair value through other comprehensive income rather than profit or loss.

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date — the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership.

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value though profit or loss are expensed in the income statement.

A gain or loss on a debt investment that is subsequently measured at fair value and is not part of a hedging relationship is recognised in profit or loss and presented in the income statement within 'other (losses)/gains net' in the period in which they arise.

A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the financial asset is derecognised or impaired and through the amortisation process using the effective interest rate method (note 2.8).

The group subsequently measures all equity investments at fair value. Where the group's management has elected to present unrealised and realised fair value gains and losses on equity investments in other comprehensive income, there is no subsequent recycling of fair value gains and losses to profit or loss. Dividends from such investments continue to be recognised in profit or loss as long as they represent a return on investment. The group is required to reclassify all affected debt investments when and only when its business model for managing those assets changes.

2. Significant accounting policies (continued)

2.7 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.8 Impairment of financial assets

(a) Assets carried at amortised cost

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets measured at amortised cost is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

2.9 Investments in subsidiaries

Investments in subsidiaries in the entity's financial statements are stated at cost less accumulated impairment.

2.10 Inventories

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

(i) Meat and meat products

The cost of meat and meat product inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

(ii) Packing materials, consumable stores and spare parts

Inventories of packing materials, consumable stores and spare parts are valued at the lower of cost or replacement value. Cost is determined using the average cost method.

2.11 Biological assets

Biological assets are stated at fair value less estimated point-of-sale costs, with any resultant gain or loss recognised in profit or loss. Point-of-sale costs include all costs that would be necessary to sell the assets, excluding costs necessary to get the assets to market. The fair value of livestock is based on the market price of livestock of similar age, breed and genetic merit. Directly attributable costs incurred during the period of biological growth to the stage of slaughtering the biological assets are capitalised as additions to the relevant biological assets.

2.12 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.13 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

2. Significant accounting policies (continued)

2.14 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.15 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

2.16 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2. Significant accounting policies (continued)

2.17 Employee benefits

(i) Pension obligations

The group operates a defined contribution plan. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The group pays contributions to privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iii) Long-term benefits: Severance benefits

The accruals for statutory severance benefits are payable in the event of either death or retirement at a specified age, of an employee. This employee benefit obligation is a defined benefit plan and the cost of providing benefits under the plan is determined using the projected credit unit method.

Remeasurements of the net defined benefit liability (asset) will be recognised in other comprehensive income, comprising of:

(i) Actuarial gains and losses;

(ii) Return on plan assets, excluding amounts included in net interest on the net defined benefit liability; and

(iii) Any change in the effect of the asset ceiling excluding amounts included in net interest on the net defined benefit liability.

2.18 Provisions

A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The increase in the provision due to passage of time is recognised as interest expense.

2.19 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the group. The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the group's activities as described below. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Goods sold and services rendered

Revenue from the sale of goods and GATT quotas is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods or continuing management involvement with the goods. Revenue is recognised net of trade discounts and value added tax.

(b) Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

(c) Dividend income

Dividend income is recognised when the right to receive payment is established.

2. Significant accounting policies (continued)

2.20 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

The group leases certain property, plant and equipment. Leases of property, plant and equipment, where the group has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

2.21 Distributions from retained earnings

Distributions from prior financial year retained surplus and reserves to members are recognized in the Statement of Changes in Equity as allocations to members, and such distributions are not recognised in profit or loss as expenses, provided that the distributions are not based on the nature, extent, level and scope of purchases from members in current or future financial years.

3. Financial risk management

3.1 Overview

The group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and procedures for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established an Audit Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, 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 Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which employees understand their roles and obligations.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

3.2 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

3. Financial risk management (continued)

3.3 Foreign exchange risk

The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro (EUR) and Sterling (GBP) but also U.S. Dollars (USD). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

According to market indicators, at any point of time the Group enters into forward exchange contracts up to 4 months of its estimated foreign currency exposure in respect of forecasted sales. Capital purchases are also covered where necessary.

Investments in subsidiaries are not covered as those currency positions are considered to be long-term in nature.

The Group is exposed to foreign currency risk as a result of the following transactions which are denominated in a currency other than the respective entity's functional currency: purchases, sales and borrowings. The currencies, giving rise to currency risk, in which the Group primarily deals are UK Pounds Sterling (GBP), US Dollars (USD) and Euro (EUR).

The following uncovered foreign currency monetary items are included in the financial statements:

		Foreign currency amount	Reporting date spot rate	N$
Group – 2015				
Current assets				
Trade and other receivables before impairment	GBP	985 319	17.47	17 213 626
	EUR	2 354 966	13.13	30 930 824
	USD	1 423 802	11.59	16 506 132
				64 650 582
Cash and cash equivalents	GBP	1 049 891	17.47	18 341 696
	EUR	1 782 481	13.13	23 411 641
	USD	934 625	11.59	10 835 107
				52 588 444
Current liabilities				
Trade and other payables	GBP	184 168	17.47	3 217 441
	EUR	129 079	13.13	1 695 362
	USD	244 221	11.59	2 831 248
				7 744 051
Bank Overdraft	GBP	170 984	17.47	2 987 114

3. Financial risk management (continued)

3.3 Foreign exchange risk (continued)

		Foreign currency amount	Reporting date spot rate	N$
Group – 2014				
Current assets				
Trade and other receivables before impairment	GBP	1 648 465	18.59	30 644 964
	EUR	3 074 457	15.27	46 946 958
	USD	41 858	11.30	472 995
				78 064 917
Cash and cash equivalents	GBP	1 112 256	18.59	20 676 839
	EUR	1 820 483	15.27	27 798 775
				48 475 614
Current liabilities				
Trade and other payables	GBP	643 860	18.59	11 969 357
	EUR	126 557	15.27	1 932 525
				13 901 882

3. Financial risk management (continued)

3.3 Foreign exchange risk (continued)

The following uncovered foreign currency monetary items are included in the financial statements:

		Foreign currency amount	Reporting date spot rate	N$
Corporation – 2015				
Non-current assets				
Investment in subsidiary	GBP	1 291 086	17.47	22 555 272
Current assets				
Trade and other receivables before impairment	GBP	947 127	17.47	16 546 395
	EUR	2 354 966	13.13	30 930 824
	USD	1 423 802	11.59	16 506 132
				63 983 351
Cash and cash equivalents	GBP	769 028	17.47	13 435 001
	EUR	1 782 481	13.13	23 411 641
	USD	934 625	11.59	10 835 107
				47 681 749
Current liabilities				
Trade and other payables	GBP	148 318	17.47	2 591 127
	EUR	129 079	13.13	1 695 362
	USD	244 221	11.59	2 831 248
Amount due to subsidiaries	GBP	1 238 539	17.47	21 637 406
Bank Overdraft	GBP	170 984	17.47	2 987 114
				31 742 257

3. Financial risk management (continued)

3.3 Foreign exchange risk (continued)

		Foreign currency amount	Reporting date spot rate	N$
Corporation – 2014				
Non-current assets				
Investment in subsidiary	GBP	1 291 086	18.59	24 001 284
Current assets				
Trade and other receivables before impairment	GBP	1 581 106	18.59	29 392 761
	EUR	3 074 457	15.27	46 949 958
	USD	41 858	11.30	472 995
				76 815 714
Cash and cash equivalents	GBP	699 131	18.59	12 998 461
	EUR	1 820 483	15.27	27 790 577
				40 789 038
Current liabilities				
Trade and other payables	GBP	403 059	18.59	7 492 867
	EUR	126 557	15.27	1 932 525
Amount due to subsidiaries	GBP	1 239 728	18.59	23 046 549
				32 471 941

3. Financial risk management (continued)

3.3 Foreign exchange risk (continued)

Sensitivity analysis

A 10 per cent weakening of the Namibia Dollar against the following currencies at 31 January would have increased profit or loss and consequently equity by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2014.

	Group		Corporation	
	Equity N$	Profit or loss N$	Equity N$	Profit or loss N$
31 January 2015				
USD	(2 450 999)	(2 450 999)	(2 450 999)	(2 450 999)
GBP	(2 935 077)	(2 935 077)	(2 440 316)	(2 440 316)
EUR	(5 264 710)	(5 264 710)	(5 264 710)	(5 264 710)
31 January 2014				
USD	(47 285)	(47 285)	(47 285)	(47 285)
GBP	(3 935 732)	(3 935 732)	(5 794 881)	(5 794 881)
EUR	(7 279 175)	(7 279 175)	(7 279 175)	(7 279 175)

A 10 per cent strengthening of the Namibia Dollar against the above currencies at 31 January would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Derivative Financial Instruments

Forward exchange contracts are entered into with banks for transactions in foreign currency. If contracts rates are more favourable than the spot rate, on the exercise date, they will be used. The maturity date represents the date when the contract must be exercised. As at the end of January 2015, the Corporation had unutilised forward exchange contracts amounting to N$ 27 528 750 (2014: N$ 22 053 885). These contracts consisted of EUR nil (2014: EUR 1.6 million) and GBP 1.5 million (2014: GBP Nil) at a rate of 18.35 (2014: 13.54). The maturity date for the unutilised forward exchange contracts as at the end of January 2015 was 28 April 2015. Other derivative financial instruments include calls and puts, not yet expired at year-end, at aggregate rates for GBP between 17.62 and 18.57 and EUR 13.26 and 14.57. The expiry dates for these instruments as at the end of January 2015 were between 24 February 2015 and 20 August 2015.

3.4 Price risk

The group is not exposed to equity securities price risk or to commodity price risk.

3. Financial risk management (continued)

3.5 Cash flow and fair value interest rate risk

The Group generally adopts a policy of entering into long-term loan agreements with a variable interest rate. During the year under review the Group entered into various finance lease agreements and short term loans, for which the interest rates are linked to the prime lending rate. Refer to notes 13 and 18 for details of local and foreign borrowings. At the reporting date the interest rate profile of the interest-bearing financial instruments was:

	Group		Corporation	
	2015 N$	2014 N$	2015 N$	2014 N$
Fixed rate instruments				
Financial liabilities	--	--	--	--
Variable rate instruments				
Financial assets	87 885 017	81 533 533	80 840 113	68 498 518
Financial liabilities	(467 083 950)	(241 296 145)	(467 083 950)	(241 828 659)
	(379 198 933)	(159 762 612)	(386 243 837)	(173 330 141)

3.6 Cash flow sensitivity analysis for variable rate instruments

A change in 100 basis points in interest rates at the reporting date would have decreased equity and profit or loss by N$ 4 670 840 (2014: N$ 2 585 855) for the Group, and by N$ 4 670 840 (2014: N$ 2 582 838) for the Corporation. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2014.

The Group currently adopts a policy of ensuring that its borrowings are on a prime linked basis.

3.7 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and cash and cash equivalents.

Credit risk is managed on group basis, except for credit risk relating to accounts receivable balances. Each local entity is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. In respect of customers risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored.

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties.

3. Financial risk management (continued)

3.8 Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country, in which customers operate, has less of an influence on credit risk. Geographically there is no concentration of credit risk.

The Board of Directors has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, whether they are a wholesale, retail or end-user customers, geographic location, industry, aging profile, maturity and existence of previous financial difficulties. Trade and other receivables relate mainly to the Group's wholesale customers. Customers that are graded as "high risk" are placed on a restricted customer list, and future sales are made on a prepayment basis. The Group requires collateral in respect of "high risk" trade and other receivables.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main component of this allowance is a specific loss component that relates to individually significant exposures.

3.9 Cash and cash equivalents

The Group limits its exposure to credit risk by only investing in short term call accounts and also only with reputable long standing financial institutions. Management does not expect any counterparty to fail to meet its obligations.

3.10 Guarantees

The Group's policy is to provide financial guarantees only to institutions which require these in the normal course of business.

Collateral is required in respect of some financial assets. The exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all new customers requiring credit facilities over a certain amount. Reputable financial institutions are used for investing and cash handling purposes.

3.11 Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Group		Corporation	
	2015 N$	2014 N$	2015 N$	2014 N$
At amortised cost	164 781 268	189 649 357	126 494 089	169 242 064

3. Financial risk management (continued)

3.11 Exposure to credit risk (continued)

The maximum exposure to credit risk for trade receivables (included in loans and receivables above) at the reporting date by geographic region was:

	Group		Corporation	
	2015 N$	2014 N$	2015 N$	2014 N$
Namibia, RSA and Botswana	56 357 337	26 024 298	25 813 191	23 243 766
European Union countries	12 323 476	11 752 285	11 656 244	11 752 285
	68 680 813	37 776 583	37 469 435	34 996 051

Included in the balance above is N$ 63 941 902 (2014: N$ 90 154 899) for Group and N$ 58 509 890 (2014: N$ 86 298 844) for Corporation which are insured for risk of loss due to insolvency and / or protracted default.

This insurance covers 90 per cent of the outstanding amount, limited to the agreed credit limit per customer. At the reporting date amounts in excess of credit limits are N$ 2 783 296 (2014: N$ 43 787 811) for Group and N$ 6 708 693 (2014: N$ 41 416 350) for the Corporation.

3.12 Impairment losses

The aging of trade receivables at the reporting date was:

Group	2015		2014	
	Gross N4	Impairment N$	Gross N$	Impairment N$
Not past due	89 132 818	--	48 137 865	--
Past due 31 – 180 days	45 590 372	2 100 475	99 119 181	3 055 626
Past due 6 – 12 months	--	--	--	--
More than one year	--	--	--	--
	134 723 190	2 100 475	147 257 046	3 055 626

3. Financial risk management (continued)

3.12 Impairment losses (continued)

Corporation	2015		2014	
	Gross N$	Impairment N$	Gross N$	Impairment N$
Not past due	59 943 482	--	31 183 763	--
Past due 31 – 180 days	37 799 603	1 763 760	96 747 720	3 055 626
Past due 6 – 12 months	--	--	--	--
More than one year	--	--	--	--
	97 743 085	1 763 760	127 931 483	3 055 626

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	Group		Corporation	
	2015 N$	2014 N$	2015 N$	2014 N$
Balance at 1 February	3 055 626	837 476	3 055 626	837 476
Provision raised	420 194	2 117 946	83 479	2 117 945
Impairment loss reversed	(512 845)	(1 939 310)	(512 845)	(282 079)
Impairment loss recognised	(862 500)	2 039 514	(862 500)	382 284
Balance at 31 January	2 100 475	3 055 626	1 763 760	3 055 626

Based on historic default rates, the Group believes that no impairment allowance is necessary in respect of trade receivables not past due. The allowance accounts in respect of trade receivables are used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amount is considered irrecoverable and is written off against the financial asset directly. At 31 January 2015 the Group does not have any collective impairment on its trade receivables (2014: Nil).

3. Financial risk management (continued)

3.13 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group uses costing methods to cost its products and services, which assists it in monitoring cash flow requirements and optimising its cash return on investments. Typically the Group ensures that it has sufficient cash on demand to meet expected operation expenses for a period of 30 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The need for working capital is very seasonal and is driven by the slaughtering of cattle which occur mainly from February to July each year. At its highest level, the Corporation borrowed N$ 546.6 million (2014: N$ 297.3 million) to finance inventories and trade and other receivables. The borrowings were all short term at interest rates from prime to prime minus 1.5 per cent (2014: prime to prime minus 2.00 per cent).

The group has an overdraft facility of N$ 40 million at Bank Windhoek Limited which is reviewed annually on 1 July, as well as a pre-settlement facility of N$ 15 million (relating to N$ 150 million forward exchange contracts margined at 10 per cent).

The group has an overdraft facility of N$ 80 million with FNB Namibia Ltd, as well as a contingent facility of N$ 1.6 million for guarantees issued by the bank and a pre-settlement facility of N$ 10 million (N$ 100 million forward exchange contracts margined at 10 per cent).

The group has a seasonal overdraft facility of N$ 170 million with Nedbank Namibia Ltd. A further pre-settlement facility of N$ 20 million (relating to N$ 200 million forward exchange contracts margined at 10 per cent) has also been granted to the group. A revolving credit limit of N$ 20 million for the purchase of vehicles has been approved.

The group has Vehicle Asset Finance facilities of N$ 9.9 million with Standard Bank Namibia Ltd and Foreign Exchange Contract facilities with Standard Bank Namibia Ltd amounting to N$ 5 million (relating to N$ 50 million forward exchange contracts margined at 10 per cent).

The table below analyses the group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

3. Financial risk management (continued)

3.13 Liquidity risk (continued)

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

Group – 2015	Carrying amount N$	Contractual cash flows N$	1 to 12 months N$	1 to 5 years N$	More than 5 years N$
Interest bearing loans and borrowings	370 418 351	507 558 705	77 688 596	171 806 474	120 923 281
Bank overdraft	96 665 191	96 665 191	96 665 191	--	--
Trade and other payables	143 639 106	143 639 106	143 639 106	--	--
	610 722 648	747 863 002	317 992 893	171 806 474	120 923 281
Corporation – 2015					
Interest bearing loans and borrowings	370 418 351	507 558 705	77 688 596	171 806 474	120 923 281
Bank overdraft	96 665 191	96 665 191	96 665 191	--	--
Trade and other payables	96 791 713	96 791 713	96 791 713	--	--
	563 875 255	701 015 609	271 145 500	171 806 474	120 923 281
Group – 2014					
Interest bearing loans and borrowings	202 271 863	298 029 592	21 062 439	83 935 525	97 273 899
Bank overdraft	39 024 282	39 024 282	39 024 282	--	--
Trade and other payables	143 998 568	143 998 568	143 998 568	--	--
	385 294 713	481 052 442	204 085 289	83 935 525	97 273 899
Corporation – 2014					
Interest bearing loans and borrowings	202 271 863	298 029 592	21 062 439	83 935 525	97 273 899
Bank overdraft	39 010 796	39 010 796	39 010 796	--	--
Trade and other payables	137 903 086	137 903 086	137 903 086	--	--
	379 185 745	474 943 474	197 976 321	83 935 525	97 273 899

3. Financial risk management (continued)

3.14 Capital management

The Board's policy is to maintain a strong capital base so as to maintain its abattoir facilities on such standards as required by our export markets, whilst ensuring that producers are paid the maximum price for cattle supplied.

There were no changes in the Group's approach to capital management during the year.

Neither the Corporation, nor any of its subsidiaries, are subject to externally imposed capital requirements.

4. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions:

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Impairment of trade receivables

A provision for irrecoverable debtors was raised and management determined an estimate based on the information available.

Impairment of other assets

The recoverable amounts of cash-generating units and individual assets have been determined on the higher of value-in-use calculations and fair values. These calculations require the use of estimates and assumptions. It is reasonably possible that the key assumptions that were used may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The Corporation and the Group review and test the carrying value of assets when the events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of entity factors, together with economic factors.

Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. The Corporation and Group recognise liabilities for anticipated tax based on estimates of taxes due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The Corporation and the Group recognise the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the Corporation and the Group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on the forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Corporation and the Group to realise the net deferred tax assets recorded at the statement of financial position date could be impacted.

4. Critical accounting estimates and judgements (continued)

4.1 Critical accounting estimates and assumptions (continued)

Calculation of net realisable value for inventory

The valuation of the net realisable value of inventory is based on the latest selling prices available which are in certain instances foreign currency denominated. The significant volatility in the exchange rates as well as volatility in the selling prices thus affects the information used by management in determining the net realisable value.

Determination of fair value of biological assets

The fair value of livestock is based on the livestock prices per kilogram. The kilograms on hand at year-end are based on actual quantities of livestock on hand at year-end, adjusting the actual weight of the livestock at date of purchase with the estimated growth while in feedlot prior to slaughter.

Residual value and remaining life of Property, Plant and Equipment

The residual value of PPE (excluding motor vehicles) was estimated by management at nil. Based on the specialized nature of the equipment, further costs to be incurred to sell it and age of the assets, this seems to be reasonable. The residual value of motor vehicles was based on current trade-in values. The useful life of the Property, Plant and Equipment varies between 5 per cent and 33.3 per cent per annum.

4.2 Critical judgements in applying the entities accounting policies:

A significant portion of Meat Corporation of Namibia (UK) Ltd ("Meatco UK") revenue relates to the sale of GATT licenses. On an annual basis, Rural Payments Agency (RPA) awards Meatco UK the license to import a certain tonnage of meat into UK/Europe at a reduced levy. This GATT license is then sold to willing traders. When a willing trader purchases the license from Meatco UK, an internal sale order confirmation is raised and revenue is then recognised by Meatco UK. Thereafter, the actual license is then issued by Meatco UK, to be submitted together with the customer's shipping documents and cargo, in order for the imports to be cleared. From management's perspective, the risk and rewards has been passed to the customer when the internal sale order confirmation has been raised and revenue is recognised at this point.

5. Property, plant and equipment

	Group		Corporation	
	2015 N$	2014 N$	2015 N$	2014 N$
Owned assets				
Land and buildings	79 335 039	71 406 163	79 207 919	71 279 043
At cost	109 342 772	101 801 118	109 146 502	101 604 848
Less: Accumulated depreciation and impairment losses	(30 007 733)	(30 394 955)	(29 938 583)	(30 325 805)
A register containing details of land and buildings is available for inspection at the registered office of the Corporation at Erf 3496, Northern Industrial Area, Windhoek.				
Plant, vehicles, furniture and equipment	105 814 002	84 543 858	105 663 041	84 072 021
At cost	220 101 414	215 472 031	219 407 845	213 577 797
Less: Accumulated depreciation and impairment losses	(114 287 412)	(130 928 173)	(113 744 804)	(129 505 776)
Buildings and plant under construction	32 625 033	26 273 730	32 625 033	26 273 730
At cost	32 625 033	26 273 730	32 625 033	26 273 730
Less: Accumulated depreciation and impairment losses	--	--	--	--
Total owned assets	217 774 074	182 223 751	217 495 993	181 624 794
Leased assets				
Vehicles and equipment	26 066 356	14 712 969	26 066 356	14 712 969
At cost	39 517 907	23 065 427	39 517 907	23 065 427
Less: Accumulated depreciation and impairment losses	(13 451 551)	(8 352 458)	(13 451 551)	(8 352 458)
Total assets	243 840 430	196 936 720	243 562 349	196 337 763

5. Property, plant and equipment (continued)

Group – 2015	Land and buildings	Plant, vehicles, furniture and equipment	Uncompleted projects	Total N$
Net book value				
Owned assets				
	79 335 039	105 814 002	32 625 033	217 774 074
Opening balance	71 406 163	84 543 858	26 273 730	182 223 751
Additions	3 473 379	19 133 061	26 123 912	48 730 352
Projects capitalised	4 784 930	14 987 679	(19 772 609)	--
Reclassifications	--	--	--	--
Disposals	(324 766)	(2 569 130)	--	(2 893 896)
Depreciation	(4 667)	(10 281 466)	--	(10 286 133)
Leased assets	--	26 066 356	--	26 066 356
Opening balance	--	14 712 969	--	14 712 969
Additions	--	8 826 012	7 626 468	16 452 480
Projects capitalised	--	7 626 468	(7 626 468)	--
Disposals	--	--	--	--
Depreciation	--	(5 099 093)	--	(5 099 093)
Total assets	79 335 039	131 880 358	32 625 033	243 840 430

5. Property, plant and equipment (continued)

Group – 2014	Land and buildings	Plant, vehicles, furniture and equipment	Uncompleted projects	Total N$
Net book value				
Owned assets				
	71 406 163	84 543 858	26 273 730	182 223 751
Opening balance	69 728 056	85 410 622	7 113 154	162 251 832
Additions	826 301	7 547 168	24 260 399	32 633 868
Projects capitalised	864 198	4 235 625	(5 099 823)	--
Reclassifications	--	--	--	--
Disposals	--	(2 023 897)	--	(2 023 897)
Depreciation	(12 392)	(10 625 660)	--	(10 638 052)
Leased assets	--	14 712 969	--	14 712 969
Opening balance	--	14 960 487	--	14 960 487
Additions	--	3 039 726	--	3 039 726
Disposals	--	--	--	--
Depreciation	--	(3 287 244)	--	(3 287 244)
Total assets	71 406 163	99 256 827	26 273 730	196 936 720

5. Property, plant and equipment (continued)

Corporation – 2015	Land and buildings	Plant, vehicles, furniture and equipment	Uncompleted projects	Total N$
Net book value				
Owned assets	79 207 919	105 663 041	32 625 033	217 495 993
Opening balance	71 279 043	84 072 021	26 273 730	181 624 794
Additions	3 473 379	19 133 061	26 123 912	48 730 352
Projects capitalised	4 784 930	14 987 679	(19 772 609)	--
Reclassifications	--	--	--	--
Disposals	(324 766)	(2 330 787)	--	(2 655 553)
Depreciation	(4 667)	(10 198 933)	--	(10 203 600)
Leased assets	--	26 066 356	--	26 066 356
Opening balance	--	14 712 969	--	14 712 969
Additions	--	8 826 012	7 626 468	16 452 480
Projects capitalised	--	7 626 468	(7 626 468)	--
Disposals	--	--	--	--
Depreciation	--	(5 099 093)	--	(5 099 093)
Total assets	79 207 919	131 729 397	32 625 033	243 562 349

5. Property, plant and equipment (continued)

Corporation – 2014

	Land and buildings	Plant, vehicles, furniture and equipment	Uncompleted projects	Total N$
Net book value				
Owned assets	71 279 043	84 072 021	26 273 730	181 624 794
Opening balance	69 600 936	84 824 768	7 113 154	161 538 858
Additions	826 301	7 075 331	24 260 398	32 162 030
Projects capitalised	864 198	4 235 624	(5 099 822)	--
Reclassifications	--	--	--	--
Disposals	--	(1 438 042)	--	(1 438 042)
Depreciation	(12 392)	(10 625 660)	--	(10 638 052)
Leased assets	--	14 712 969	--	14 712 969
Opening balance	--	14 960 487	--	14 960 487
Additions	--	3 039 726	--	3 039 726
Disposals	--	--	--	--
Depreciation	--	(3 287 244)	--	(3 287 244)
Total assets	71 279 043	98 784 990	26 273 730	196 337 763

A valuation of property, plant and equipment was performed by Joe Colyer of Colyer Valuations, professional plant and machinery valuers, Edenvale, on 31 January 2014. The market value of the cost of the property, plant and equipment were fairly assessed at N$ 560 799 600 by the valuator.

Encumbered as follows: The Okahandja plant has been encumbered by means of a mortgage bond in favour of Bank Windhoek Ltd as outlined in Note 12. The bank holds the following as collateral:

- A 1st Covering Mortgage bond for N$ 64.5 million over Erf 479 and 480 Okahandja (extension 2).
- A 1st General Notarial Covering bond for N$ 68.5 million covering loose assets on Erf 479 and 480 Okahandja (extension 2).
- A 1st Covering Mortgage bond for N$ 31.1 million over portion 3 of Farm Okapuka no 51.

The Windhoek plant has been encumbered by means of a mortgage bond in favour of Development Bank of Namibia as outlined in Note 12. The bank holds the following as collateral:

- A 1st Covering Mortgage bond for N$ 13.9 million over Erf 6564 Windhoek (extension 3).
- A 2nd Continuing Covering Mortgage Bond for N$ 6.2 million over Erf 6564 Windhoek (extension 3).
- A 1st Covering Mortgage bond for N$ 110 million over Erf 7130 Windhoek (extension 6).
- A 2nd Continuing Covering Mortgage Bond for N$ 77.3 million over Erf 3130 Windhoek (extension 6).

All moveable property has been encumbered by means of a negative pledge over all moveable assets of Meatco The movable assets include the following: Bonanza Butchery, Katima Mulilo Abattoir, Okapuka Feedlot, Okapuka Tannery, Oshakati Abattoir and Windhoek Abattoir.

The leased assets are encumbered as outlined in Note 12.

6. Investment in and amounts due to subsidiaries

Details of the investments in subsidiaries and the loans to and from subsidiaries are disclosed in the directors' report. The loan to Namibia Cattle Procurement (Pty) Ltd has been subordinated in favour of other creditors until the assets of the company, fairly valued, exceed its liabilities.

7. Investment in associates

Summarised statement of financial position

	GPS Group (Holdings) Limited		GPS Norway AS		Total	
	2015 N$	2014 N$	2015 N$	2014 N$	2015 N$	2014 N$
Non-current assets	1 165 844	--	--	--	1 165 844	--
Fixed assets	1 165 844	--	--	--	1 165 844	--
Current assets	236 812 596	--	145 144 056	--	381 956 652	--
Inventory	37 407 976	--	9 410 171	--	46 818 147	--
Trade and other receivables	148 562 594	--	29 738 870	--	178 301 464	--
Cash and cash equivalents	50 842 026	--	80 892 529	--	131 734 555	--
Amounts due from subsidiaries	--	--	22 594 252	--	22 594 252	--
Tax receivable	--	--	2 508 234	--	2 508 234	--
Total assets	237 978 440	--	145 144 056	--	383 122 496	--

	GPS Group (Holdings) Limited		GPS Norway AS		Total	
	2015 N$	2014 N$	2015 N$	2014 N$	2015 N$	2014 N$
Non-current liabilities	27 913 622	--	--	--	27 913 622	--
Long term loans	27 913 622	--	--	--	27 913 622	--
Current liabilities	133 046 910	--	137 737 380	--	270 784 290	--
Trade and other payables	124 535 203	--	137 737 380	--	262 272 583	--
Tax payable	8 246 876	--	--	--	8 246 876	--
Amounts due to related parties	264 831	--	--	--	264 831	--
Total liabilities	160 960 532	--	137 737 380	--	298 697 912	--
Net assets	77 017 908	--	7 406 676	--	84 424 584	--

7. Investment in associates (continued)

Summarised statement of comprehensive income

	GPS Group (Holdings) Limited		GPS Norway AS		Total	
	2015 N$	2014 N$	2015 N$	2014 N$	2015 N$	2014 N$
Sales	710 976 750	--	116 165 150	--	827 141 900	--
Cost of Sales	(646 084 928)	--	(110 122 910)	--	(756 207 838)	--
Gross profit	64 891 822	--	6 042 240	--	70 934 062	--
Administrative expenses	(41 503 981)	--	(3 062 337)	--	(44 566 318)	--
Operating profit	23 387 841	--	2 979 903	--	26 367 744	--
Interest expense	(433 144)	--	(5 195)	--	(438 339)	--
Profit before tax	22 954 697	--	2 974 708	--	25 929 405	--
Tax	--	--	--	--	--	--
Profit after tax	22 954 697	--	2 974 708	--	25 929 405	--

Reconciliation of the summarised financial information presented to the carrying amount of the interest in associates

Summarised financial information	GPS Group (Holdings) Limited		GPS Norway AS		Total	
	2015 N$	2014 N$	2015 N$	2014 N$	2015 N$	2014 N$
Group						
Carrying value as at 31 January 2014	--	--		--	--	--
Acquisition during the year	41 701 436	--	216 790	--	41 918 226	
Profit/(loss) for the period	6 286 064	--	301 553	--	6 587 617	--
Foreign exchange differences	(3 907 395)	--	(43 060)	--	(3 950 455)	--
Carrying value as at 31 January 2015	44 080 105	--	475 283	--	44 555 388	--

8. Deferred tax assets

	Group		Corporation	
	2015 N$	2014 N$	2015 N$	2014 N$
Balance at the beginning of the year	28 754 300	30 385 952	26 176 741	27 344 353
Current charge	(4 503 706)	(1 631 652)	(2 128 967)	(1 167 612)
	24 250 594	28 754 300	24 047 774	26 176 741
Comprising of:				
- Capital allowances	(45 970 522)	(42 302 907)	(45 959 452)	(42 377 167)
- Prepayments	(1 069 998)	(706 098)	(1 069 998)	(706 098)
- Provisions	12 006 811	12 180 045	11 792 921	11 874 865
- Tax losses	64 414 665	60 142 845	64 414 665	57 944 726
- Other	(5 130 362)	(559 585)	(5 130 362)	(559 585)
	24 250 594	28 754 300	24 047 774	26 176 741

Deferred tax split between current and non-current:

Group	Current		Non-Current	
	2015 N$	2014 N$	2015 N$	2014 N$
Assets	2 009 588	5 822 619	74 411 894	66 500 271
Liabilities	(6 211 436)	(1 191 423)	(45 959 452)	(42 377 167)
Total	(4 201 848)	4 631 196	28 452 442	24 123 104
Corporation				
Assets	4 722 387	9 439 157	74 411 894	66 500 271
Liabilities	(9 127 055)	(7 385 520)	(45 959 452)	(42 377 167)
Total	(4 404 668)	2 053 637	28 452 442	24 123 104

A deferred tax asset amounting to N$ 2 482 087 (2014: N$ 2 463 874) has not been recognised, which relates to calculated tax losses of Namibia Cattle Procurement (Pty) Ltd which have not been recognised due to uncertainty of future taxable profits against which these can be utilised.

9. Inventories

	Group		Corporation	
	2015 N$	2014 N$	2015 N$	2014 N$
Meat and meat products	212 151 292	176 794 934	205 105 099	172 388 393
Cost	208 862 292	173 659 736	201 816 099	169 253 195
Inventories stated at fair value less costs to sell	3 289 000	3 135 198	3 289 000	3 135 198
Packing materials, consumable stores and spare parts	21 689 427	17 553 618	21 689 427	17 553 618
	233 840 719	194 348 552	226 794 526	189 942 011

A General Notarial Bond of N$ 15 million over inventory located in Namibia (including beef, sheep, biological assets, hides and cans, but excluding consumables and stock in transit) is registered in favour of Nedbank Namibia Ltd.

10. Biological assets

	Group		Corporation	
	2015 N$	2014 N$	2015 N$	2014 N$
Livestock cattle	197 526 853	74 553 618	59 592 743	74 553 618
Reconciliation of changes in carrying amount of biological assets:				
Carrying amount at beginning of year	74 553 618	35 172 918	74 553 618	35 172 918
Increase due to acquisitions	539 156 095	219 681 378	401 243 530	219 681 378
Net profit arising from changes in fair value	61 454 871	815 734	61 433 326	815 734
Decrease due to sales	(477 637 731)	(181 116 412)	(477 637 731)	(181 116 412)
Carrying amount at end of year	197 526 853	74 553 618	59 592 743	74 553 618
Number of cattle	31 875	13 492	8 874	13 492

11. Trade and other receivables

	Group		Corporation	
	2015 N$	2014 N$	2015 N$	2014 N$
Trade receivables in Namibia, South Africa and Botswana	78 458 682	62 930 144	42 482 523	44 514 066
Trade receivables Europe & Norway	54 164 033	81 271 276	53 496 802	80 361 791
Other receivables and prepayments	4 395 919	3 213 422	4 368 722	2 139 692
VAT receivable	27 762 635	42 226 515	26 146 042	42 226 515
	164 781 269	189 641 357	126 494 089	169 242 064

Refer to note 17 for accounts receivables encumbered as security.

12. Post-employment benefits

Severance pay benefits

The Corporation raised a provision for severance pay benefits payable to employees upon death, resignation or retirement. This obligation arose as a result of the revised Labour Act 11 of 2007 which was promulgated during November 2008. Severance pay is an amount equal to at least one week's remuneration for each year of continuous service with the employer.

An actuarial valuation was performed on 31 January 2014 of the company's liability in respect of the provision for severance pay. This valuation was rolled forward for the 2015 year.

The financial statement effects of the severance benefit liability are illustrated below for group and corporation.

	Present value of obligation N$	Fair value of plan assets N$	Impact of asset ceiling N$	Total N$
As at 31 January 2013	(19 061 000)	--	--	(19 061 000)
Income statement:				
Current service cost	(1 672 000)	--	--	(1 672 000)
Interest expense	(1 534 000)	--	--	(1 534 000)
Cash movements:				
Benefit payments	2 869 000	--	--	2 869 000
Remeasurements:				
Return on plan assets	--	--	--	--
Gain / (loss) – change in financial assumptions	2 599 000	--	--	2 599 000
Gain / (loss) – change in demographic assumptions	--	--	--	--
Experience gains / (losses)	(1 787 000)	--	--	(1 787 000)
Change in asset ceiling	--	--	--	--
As at 31 January 2014	(18 586 000)	--	--	(18 586 000)
Income statement:				
Current Service Cost	(1 525 000)	--	--	(1 525 000)
Interest expense	(1 835 000)	--	--	(1 835 000)
Cash movements:				
Benefit payments	183 813	--	--	183 813
As at 31 January 2015	(21 762 187)	--	--	(21 762 187)

	2015	2014
Discount rate	7.40 % per annum	9.20 % per annum
Salary inflation rate	6.00 % per annum	7.40 % per annum
Long-term inflation rate	6.40 % per annum	6.40 % per annum
Pre-retirement mortality table – male	SA 85-90 (Ultimate)	
Pre-retirement mortality table – female	SA 85-90 (Ultimate)	

12. Post-employment benefits (continued)

Severance pay benefits (continued)

	Impact on defined benefit obligation		
	Change in assumption	Increase assumption	Decrease assumption
Discount rate	1.00 %	Decrease by 11.7 %	Increase by 14 %
Salary inflation rate	1.00 %	Increase by 14.1 %	Decrease by 12 %

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the liability recognised within the statement of financial position.

13. Interest bearing loans and borrowings

	Group		Corporation	
	2015 N$	2014 N$	2015 N$	2014 N$
Secured loans				
Finance lease liabilities:				
Finance lease liabilities - Secured by leased vehicles as set out in Note 5. Repayable in monthly instalments which include interest at a rate of prime less 1.5% to 2.5% (2014: prime less 1.5% to 2.5%) per annum.	18 415 121	9 976 423	18 415 121	9 976 423
Bank borrowings:				
Development Bank of Namibia - Secured by the following properties: Erf 6564, Windhoek, Erf 7130, Windhoek, as set out in note 5. Interest is payable at prime overdraft rate to prime overdraft rate+ 0.25% (9.75% - 10%) (2014: 9.25%) monthly in arrears. Capital and interest are repayable in 82 (2014: 94) monthly instalments of N$ 1 685 340 and 150 (2014: 162) monthly instalments of N$ 2 023 612.	248 554 989	111 388 272	248 554 989	111 388 272
Bank Windhoek Ltd - Secured by Okahandja Factory and Okapuka Tannery as set out in note 5. Interest is payable at prime overdraft rate to prime overdraft rate + 0.25% (9.75 - 10%) (2014: 9.5%) monthly in arrears. Capital and interest are repayable in 100 (2014: 112) monthly instalments of N$ 1 171 809 and 56 (2014: 68) monthly instalments of N$ 633 918.	103 448 241	80 907 168	103 448 241	80 907 168
Total secured loans	370 418 351	202 271 863	370 418 351	202 271 863
Less: Current portion of interest bearing loans and borrowings				
Finance lease liabilities	(5 195 283)	(4 652 822)	(5 195 283)	(4 652 822)
Development Bank of Namibia	(49 018 538)	(10 007 889)	(49 018 538)	(10 007 889)
Bank Windhoek	(23 474 775)	(6 401 728)	(23 474 775)	(6 401 728)
	292 729 755	181 209 424	292 729 755	181 209 424

13. Interest bearing loans and borrowings (continued)

Finance lease liabilities are payable as follows:

	Future minimum lease payments 2015 N$	Interest 2015 N$	Present value of minimum lease payments 2015 N$	Future minimum lease payments 2014 N$	Interest 2014 N$	Present value of minimum lease payments 2014 N$
Group						
Less than one year	6 546 813	1 351 292	5 195 520	4 923 525	270 703	4 652 822
Between one and five years	15 186 173	1 966 572	13 219 601	5 457 860	134 259	5 323 601
More than five years	--	--	--	--	--	--
	21 732 986	3 317 864	18 415 121	10 381 385	404 962	9 976 423
Corporation						
Less than one year	6 546 813	1 351 292	5 195 520	4 923 525	270 703	4 652 822
Between one and five years	15 186 173	1 966 572	13 219 601	5 457 860	134 259	5 323 601
More than five years	--	--	--	--	--	--
	21 732 986	3 317 864	18 415 121	10 381 385	404 962	9 976 423

14. Provisions

	Provision for profit share N$	Other provisions N$	Total N$
Group 2015			
Opening balance	7 714 638	19 414 045	27 128 683
Additional provisions	42 727 025	5 094 452	47 821 477
Utilised during the year	(7 714 638)	(19 414 045)	(27 128 683)
Balance as at 31 January 2015	42 727 025	5 094 452	47 821 477
Group 2014			
Opening balance	--	212 674	212 674
Additional provisions	7 714 638	19 414 045	27 128 683
Utilised during the year	--	(212 674)	(212 674)
Balance as at 31 January 2014	7 714 638	19 414 045	27 128 683
Corporation 2015			
Opening balance	7 714 638	19 414 045	27 128 683
Additional provisions	5 302 955	5 094 452	10 397 407
Utilised during the year	(7 714 638)	(19 414 045)	(27 128 683)
Balance as at 31 January 2015	5 302 955	5 094 452	10 397 407
Corporation 2014			
Opening balance	--	212 674	212 674
Additional provisions	7 714 638	19 414 045	27 128 683
Utilised during the year	--	(212 674)	(212 674)
Balance as at 31 January 2014	7 714 638	19 414 045	27 128 683

15. Additional disclosure

	Group		Corporation	
	2015 N$	2014 N$	2015 N$	2014 N$
15.1 Revenue				
Sales of goods	1 610 762 267	1 405 445 603	1 723 782 820	1 335 055 652
15.2 Other income				
Other income	7 622 291	10 583 768	7 772 386	10 554 553
Net foreign exchange gain/(loss)	3 847 241	(2 117 303)	3 847 241	(1 474 136)
Total other income	11 469 532	8 466 465	11 619 627	9 080 417
15.3 Operating profit before financing costs is stated after taking into account:				
Depreciation of property, plant and equipment	15 385 226	13 925 296	15 302 693	13 925 296
- Machinery, vehicles, furniture equipment	15 385 226	13 925 296	15 302 693	13 925 296
- Buildings and plant under construction	--	--	--	--
Auditors' remuneration	3 228 622	2 817 425	3 097 222	2 199 425
Local – for services as auditors	3 097 222	2 199 425	3 097 222	2 199 425
- Current year audit fees	2 579 976	1 832 295	2 579 976	1 832 295
- Over-provision previous year	--	(445 985)	--	(445 985)
- Other services	517 246	813 115	517 246	813 115
Subsidiaries - for services as auditors	131 400	618 000	--	--
Subsidiaries - for other services	--	--	--	--
Net loss on disposal and scrapping of property, plant and equipment	1 643 989	141 324	1 639 002	139 175
Rentals under operating leases for land and buildings	2 078 683	2 573 993	2 008 683	2 009 830
Non executive directors of the corporation for services as directors			967 144	1 602 934
Profit arising from changes in fair value less estimated point of sale costs attributable to livestock	61 454 871	815 734	61 433 326	815 734
Impairment (loss)/reversal on trade and other receivables, including amounts written off during the year, net of recoveries	955 151	(2 218 150)	1 291 866	(2 218 150)

15. Additional disclosure (continued)

	Group		Corporation	
	2015 N$	2014 N$	2015 N$	2014 N$
15.4 Northern Communal Areas				
Loss included in operating profit	(43 979 265)	(26 135 540)	(43 979 265)	(26 135 540)
15.5 Personnel expenses				
Salaries and wages	188 543 273	176 164 970	175 605 639	168 909 939
Contributions to defined contribution plans	20 905 640	10 339 893	20 559 711	9 914 064
	209 448 913	186 504 863	196 165 350	178 824 003

The group salaries and wages include a severance pay provision charge of N$ 3 507 000 (2014: N$ 3 206 000). The Corporation provides retirement benefits for all its permanent employees through a defined contribution pension fund which is subject to the Pension Funds Act of 1956 as amended. The fund is appraised every year by an independent actuary. At 30 June 2014, the date of the most recent appraisal, the fund was found to be in a sound financial position.

15.6 Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

16. Income tax

	Group		Corporation	
	2015 N$	2014 N$	2015 N$	2014 N$
Normal income taxation				
- Foreign tax	(383 194)	(66 001)	--	--
Deferred taxation				
- Current year	(4 503 706)	(1 631 652)	(2 128 967)	(1 167 612)
	(4 886 900)	(1 697 653)	(2 128 967)	(1 167 612)
	%	%	%	%
Reconciliation of tax rate				
Current year charge as a percentage of income before taxation	29.7	33.4	28.9	74.3
Effect of subsidiaries being taxed at rates different to the Corporation's standard rate	20.2	65.6	--	--
Prior period adjustment	2.4	11.4	6.3	21.4
Tax rate change for deferred tax	--	(15.8)	--	(51.2)
Capital profits and exempt income not subject to tax	--	--	--	--
Unrecognised tax asset on calculated tax losses	(12.9)	(58.1)	--	--
Non-deductible expenditure	(6.4)	(3.5)	(2.2)	(11.5)
Standard tax rate	33.0	33.0	33.0	33.0

Provision has not been made for the Corporation's normal income taxation as the Corporation has a calculated tax loss of N$ 195 195 953 (2014: N$ 175 590 079) which is available for set off against future taxable income.

17. Notes to the cash flow statement

	Group		Corporation	
	2015 N$	2014 N$	2015 N$	2014 N$
17.1 Cash from/(utilised by) operations				
Operating profit before financing costs	53 039 892	30 110 084	47 979 790	26 770 317
Adjustments for non-cash flow items:				
- Depreciation	15 385 226	13 925 296	15 302 693	13 925 296
- Loss on disposal and scrapping of property, plant & equipment	1 643 989	141 324	1 639 002	139 175
- Changes in fair value of livestock	(61 454 871)	(815 734)	(61 433 326)	(815 734)
- Provision for severance pay	3 176 187	(475 000)	3 176 187	(475 000)
- Financial instrument asset / liability	(7 779 003)	(13 097 747)	(7 779 003)	(12 724 650)
- Provisions	20 692 794	26 916 009	(16 731 276)	26 916 009
	24 704 214	56 704 232	(17 845 933)	53 735 413
Decrease/(increase) in working capital	(97 203 056)	(7 234 525)	(47 675 987)	2 390 022
Inventories and biological assets	(101 010 531)	(93 031 668)	39 541 686	(96 711 359)
Trade and other receivables	24 860 088	69 615 731	42 747 975	11 659 978
Trade and other payables	(21 052 613)	16 181 412	(24 380 097)	17 444 089
Investment in subsidiaries	--	--	(105 585 551)	69 997 314
	(72 498 842)	49 469 707	(65 521 920)	56 125 435
17.2 Income taxes paid				
Amounts outstanding at beginning of year	(66 001)	(338 619)	--	--
Income statement charge	(383 194)	(66 001)	--	--
Amounts outstanding at end of year	594 058	66 001	--	--
	144 863	(338 619)	--	--
17.3 Cash and cash equivalents				
Cash and cash equivalents	87 885 017	81 533 533	80 840 113	68 498 518
Bank overdrafts	(96 665 191)	(39 024 282)	(96 665 191)	(39 010 796)
	(8 780 174)	42 509 251	(15 825 078)	29 487 722

17. Notes to the cash flow statement (continued)

N$ 1 million of the balance above is restricted cash which was received from the Government for projects in the NCA.

The overdraft facilities have been secured as follows:

- A 1st Covering Mortgage bond for N$ 64.5 million over Erf 479 and 480 Okahandja (extension 2).
- A 1st General Notarial Covering bond for N$ 68.5 million covering loose assets on Erf 479 and 480 Okahandja (extension 2).
- A 1st Covering Mortgage bond for N$ 31.1 million over portion 3 of Farm Okapuka no 51.

Pledge and cession of VAT claims amounting to N$ 31.5 million (2014: N$ 47.2 million) has been ceded to Nedbank Namibia Ltd.

RSA debtors have been ceded to FNB Namibia Ltd.

Namibian debtors have been ceded to Bank Windhoek Ltd.

Foreign debtors (excluding RSA debtors) have been ceded to Nedbank Namibia Limited.

A General Notarial Bond of N$ 50 million over inventory located in Namibia (including beef, sheep, biological assets, hides and cans, but excluding consumables and stock in transit) is registered in favour of Nedbank Namibia Ltd. Other securities provided to Nedbank Namibia Ltd include:

- Pledge and cession of the Santam Policy in respect of foreign Book Debts.
- Pledge and cession of Alexander Forbes Open Marine Policy covering stock within the borders of Namibia and South Africa. Policy underwritten by Mutual and Federal.
- Pledge and cession of Marine Insurance Policy Insured by Bannerman Rendell Lloyd's Insurance Brokers.
- Unlimited suretyship by Namibia Cattle Procurement (Pty) Ltd supported by a cession of all VAT refunds and various underlying assets.

Negative pledge in favour of Nedbank Namibia Ltd over all moveable assets of Meatco. The movable assets include the following: Bonanza Butchery, Katima Mulilo Abattoir, Okapuka Feedlot, Okapuka Tannery, Oshakati Abattoir and Windhoek Abattoir.

Nedbank total facilities details and the date of review are as follows:

- Pre and Post Shipment Trade Finance Overdraft N$ 130 million reviewed on 30 July 2015 currently at 9 per cent.
- Vat overdraft Facility N$ 40 million reviewed date of 30 July 2015 currently at 9 per cent.
- Forward Exchange Contract (FEC) Limit of N$ 20 million reviewed date 30 July 2015 currently at 9 per cent.
- Revolving Credit Line Asset Based Finance (RCL) facility of N$ 20 million reviewed date 30 April 2014.
- Reducing Business Loan facility of N$ 17.2 million, repayable over 60 months.

First National Bank total facilities details are as follows:

- Direct Overdraft Facility N$ 80 million
- Contingent Facility N$ 2.7 million (guarantees issued by the Bank)
- Pre-settlement Facility N$ 10 million (N$ 100 million forward exchange contracts margined at 10 per cent).

18. Financial instruments

Exposure to currency, interest rate and credit risk arises in the normal course of the Group's business. Derivative financial instruments are used as a means of reducing exposure to fluctuations in foreign exchange rates and interest rates, when deemed necessary.

18.1 Fair values of financial assets and liabilities

The fair values of all financial instruments are substantially identical to carrying values reflected in the statement of financial position. The fair value of financial assets is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. The fair value of financial liabilities is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. These fair values are determined for disclosure purposes.

18.2 Categories of financial assets and liabilities

The following tables reconcile the statement of financial position to the categories of financial instruments:

	At fair value through profit or loss	At amortised cost	Financial liabilities at amortised cost	Non-financial assets and liabilities	Total N$
Group – 2015					
Assets					
Property, plant and equipment	--	--	--	243 840 430	243 840 430
Deferred tax assets	--	--	--	24 250 594	24 250 594
Investment in associate	--	44 555 388	--	--	44 555 388
Inventories	--	--	--	233 840 719	233 840 719
Biological assets	--	--	--	197 526 853	197 526 853
Trade and other receivables	--	125 973 958	--	38 807 311	164 781 269
Taxation	--	--	--	--	--
Cash and cash equivalents	--	87 885 017	--		87 885 017
Financial instrument asset	--	5 026 401	--	--	5 026 401
	--	263 440 764	--	738 265 907	1 001 706 671
Liabilities					
Non – current interest bearing loans and borrowings	--	--	292 729 755	--	292 729 755
Post-employment benefit	--	--	--	21 762 187	21 762 187
Bank overdraft	--	--	96 665 191	--	96 665 191
Current interest bearing loans and borrowings	--	--	77 688 596	--	77 688 596
Trade and other payables	--	--	95 817 629	--	95 817 629
Provisions	--	--	47 821 477	--	47 821 477
Income tax payable	--	--	594 058	--	594 058
	--	--	611 316 706	21 762 187	633 078 893

18. Financial instruments (continued)

18.2 Categories of financial assets and liabilities (continued)

The following tables reconcile the statement of financial position to the categories of financial instruments:

	At fair value through profit or loss	At amortised cost	Financial liabilities at amortised cost	Non-financial assets and liabilities	Total N$
Corporation – 2015					
Assets					
Property, plant and equipment	--	--	--	243 562 349	243 562 349
Investment in subsidiaries	--	155 581 955	--	--	155 581 955
Investment in associate	--	41 918 226	--	--	41 918 226
Deferred tax assets	--	--	--	24 047 774	24 047 774
Inventories	--	--	--	226 794 526	226 794 526
Biological assets		--	--	59 592 743	59 592 743
Trade and other receivable	--	95 979 326	--	30 514 763	126 494 089
Cash and cash equivalents	--	80 840 113	--	--	80 840 113
Financial instrument asset	--	5 026 401	--	--	5 026 401
	--	379 346 021	--	584 512 155	963 858 176
Liabilities					
Non – current interest bearing loans	--	--	292 729 755	--	292 729 755
Post-employment benefit	--	--	--	21 762 187	21 762 187
Current interest bearing loans and borrowings	--	--	77 688 596	--	77 688 596
Trade and other payables	--	--	86 394 663	--	86 394 663
Provisions	--	--	10 397 407	--	10 397 407
Amounts due to subsidiaries	--	--	29 469 293	--	29 469 293
Bank overdraft	--	--	96 665 191	--	96 665 191
	--	--	593 344 905	21 762 187	615 107 092

18. Financial instruments (continued)

18.2 Categories of financial assets and liabilities (continued)

	At fair value through profit or loss	At amortised cost	Financial liabilities at amortised cost	Non-financial assets and liabilities	Total N$
Group – 2014					
Assets					
Property, plant and equipment	--	--	--	196 936 720	196 936 720
Deferred tax assets	--	--	--	28 754 300	28 754 300
Inventories	--	--	--	194 348 552	194 348 552
Biological assets	--	--	--	74 553 618	74 533 618
Trade and other receivables		144 201 420	--	45 439 937	189 641 357
Taxation	--	--	--	--	--
Cash and cash equivalents	--	81 533 533	--		81 533 533
	--	225 734 953	--	540 033 127	765 768 080
Liabilities					
Non – current interest bearing loans and borrowings	--	--	181 209 424	--	181 209 424
Post-employment benefit	--	--	--	18 586 000	18 586 000
Bank overdraft	--	--	39 024 282	--	39 024 282
Current interest bearing loans and borrowings	--	--	21 062 439	--	21 062 439
Trade and other payables	--	--	116 869 885	--	116 869 885
Provisions	--	--	27 128 683	--	27 128 683
Income tax payable	--	--	66 001	--	66 001
Financial instrument liability	--	--	2 752 602	--	2 752 602
	--	--	388 113 316	18 586 000	406 699 316

18. Financial instruments (continued)

18.2 Categories of financial assets and liabilities (continued)

	At fair value through profit or loss	At amortised cost	Financial liabilities at amortised cost	Non-financial assets and liabilities	Total N$
Corporation – 2014					
Assets					
Property, plant and equipment	--	--	--	196 337 763	196 337 763
Investment in subsidiaries	--	49 996 404	--	--	49 996 404
Deferred tax assets	--	--	--	26 176 741	26 176 741
Inventories	--	--	--	189 942 011	189 942 011
Biological assets		--	--	74 553 618	74 553 618
Trade and other receivable	--	124 875 857	--	44 366 207	169 242 064
Cash and cash equivalents	--	68 498 518	--	--	68 498 518
	--	243 370 779	--	531 376 340	774 747 119
Liabilities					
Non – current interest bearing loans	--	--	181 209 424	--	181 209 424
Post-employment benefit	--	--	--	18 586 000	18 586 000
Current interest bearing loans and borrowings	--	--	21 062 439	--	21 062 439
Trade and other payables	--	--	110 774 403	--	110 774 403
Provisions	--	--	27 128 683	--	27 128 683
Amounts due to subsidiaries	--	--	30 700 057	--	30 700 057
Financial instrument liability	--	--	2 752 602	--	2 752 602
Bank overdraft	--	--	39 010 796	--	39 010 796
	--	--	412 638 404	18 586 000	431 224 404

19. Related parties

19.1 Identity of related parties with whom material transactions have occurred

The subsidiaries of the Group are listed in the directors' report. All of these entities are related parties of the Corporation.

19.2 Types of related party transactions

The Corporation paid commission of N$ 8 591 300 (2014: N$ 9 383 132) to Meat Corporation of Namibia (UK), a wholly owned subsidiary, incorporated in the United Kingdom.

The Corporation paid commission of N$ Nil (2014: N$ 1 673 137) to Namibia Cattle Procurement (Pty) Ltd.

Amounts owing to/by subsidiaries are reflected in the directors' report.

Sales to Namibia Meat Importers & Exporters (Pty) Ltd amounted to N$ 339 266 463 (2014: N$ 290 850 996).

The directors' remuneration is reflected in note 14.2.

Sales to GPS Norway AS amounted to N$ 41 443 901.

The Corporation paid commission of N$ 28 603 978 to GPS Food Group (UK) Ltd.

Sales to Namibia Cattle Procurement (Pty) Ltd amounted to N$ 128 780 637 (2014: N$ nil).

Purchases from Namibia Cattle Procurement (Pty) Ltd amounted to N$ 5 187 477 (2014: N$ nil).

20. Contingent liabilities

As at year-end the Corporation had the following guarantees in place:

- A guarantee of N$ 1 000 000 (2014: N$ 1 000 000) is supplied to Customs and Excise.
- A guarantee of N$ 91 000 (2014: N$ 91 000) is supplied to NamPower for the purchase of electricity for Okapuka Tannery and Feedlot.
- A guarantee of N$ 67 566 (2014: N$ 67 566) is supplied to the Municipality of Windhoek for the monthly water and electricity account of Windhoek Factory.

During the prior years, the Corporation entered into agreements with producers, whereby the producers are required to deliver an agreed quantity of cattle at an agreed future date. The Corporation guarantees the minimum price per kilogram per grade carcass weight to be paid for these cattle, which will not be lower than the prevailing price per kilogram per grade payable by the Corporation to non-participant producers who slaughter their cattle at the Corporation as at the slaughter date. At year-end the Corporation had entered into agreements with producers for the future delivery of a total of 1 345 cattle (2014: 5 451).

NOTES

NOTES

MEATCO
Namibia