

Annual Report 2015/16

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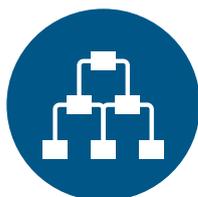


Building a Solid, Sustainable Future



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Building a Solid, Sustainable Future

The 2015/16 financial year saw a wide range of activities been implemented or planned that all contribute towards our long-term commitment to the cattle producers of the country to build a solid, sustainable foundation for the prosperity of every individual involved, as well as for the entire nation of Namibia.

Background to the 2015/16 Report



WHY INTEGRATED REPORTING?

In 2012, the Meat Corporation of Namibia (hereafter Meatco or the Corporation) took a decision to deliver its annual report to stakeholders in the form of an integrated report. An integrated report represents a summary of strategies the organisation in question uses to create short-, medium- and long-term value. Integrated reporting is thus an ideal way of articulating Meatco's commitment towards sustainability — a critical factor behind our strategic objectives and long-term commercial success.

ABOUT THIS 2015/16 REPORT

This is the fourth integrated report delivered by the Corporation to its stakeholders. It comprises information on our governance, strategies, performance and prospects and is designed to provide a balanced overview of key developments in the period under review — 1st February 2015 to 31st January 2016.

This integrated report constitutes a clear and concise narrative and in compiling and structuring the information it contains, we have taken into account the latest framework of the International Integrated Reporting Council.

The report outlines how Meatco continues to create value over time in the Namibian marketplace and beyond. It also provides information on how the corporation is working to address the social, economic, environmental and governance issues that we recognise are important to our stakeholders. The efforts we direct towards these issues — critical to our ability to remain commercially viable and socially relevant — support our stakeholders' ongoing evaluation of Meatco's commitment to their needs and therefore underpin their decision-making processes.

In collating the material contained in this integrated report, we have therefore mapped the concerns that our stakeholders prioritise against our ability as a business to impact those concerns, taking into account our strategic objectives as well as the long-term sustainability of our business operations.

A copy of this report is available on our website, at www.meatco.com.na and we encourage you to provide us with your feedback.



The material for this integrated report has been sourced from a broad range of key Meatco representatives: Members of the Board, the Executive Committee, and staff members from various departments. This latter part of the report incorporates the Corporation's Annual Financial Statements; all figures are reported on a comparable basis, with no restatements.

The Meatco Annual Report for 2015/16 was approved by the Board of Directors on 9 May 2016.

REPORTING PRINCIPLES

In compiling its Annual Financial Statements, the Corporation applies International Financial Reporting Standards and complies with the Meat Corporation of Namibia Act, 2001 (Act 1 of 2001) and other applicable legislation. 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 and also approves the Annual Financial Statements, which were prepared under the supervision of the former Group Chief Financial Officer, Mr Nico Weck, and the Acting Chief Financial Officer, Mr Bernard Zulch, for the year under review.

Highlights of the 2015/16 Reporting Year



The number of slaughtered cattle increased from 107,401 during the previous reporting period to 116,948 this reporting period.

116,948 number of cattle slaughtered during the review period



Of the 116,948 cattle slaughtered, the number of animals graded 'AB' and 'B' decreased, while that of 'A' grade cattle increased.

229.83 kg average weight per carcass, representing an increase of 2.97 kg



The overall producer price of dressed weight increased from N\$29.83/kg to N\$29.98/kg.

N\$29.⁹⁸/kg producer price, representing an increase of N\$0.15/kg



Meatco processed 26,878 tonnes of meat for our markets compared with 26,491 tonnes in the previous reporting year.

26,⁸⁷⁸ tonnes of meat processed, which are 387 tonnes more than in the previous reporting period



Perspective on
our Business



MEATCO AT A GLANCE

MEATCO SERVES NICHE MARKETS LOCALLY, REGIONALLY AND INTERNATIONALLY WITH PREMIUM QUALITY PRODUCTS THAT ARE TRACEABLE ALL THE WAY 'FROM THE FARM TO THE FORK'.

What is Meatco?

Meatco is a meat-processing and meat-marketing entity: we buy our cattle from all Namibian farmers who are committed to the specific livestock farming practices that give our end products their unique, sought-after characteristics. After processing through our world-class value chain, our meat fetches a significant premium in carefully chosen markets across the globe. Meatco has also integrated backwards into the value chain, in partnership with our Namibian producers, to produce high-quality, slaughter-ready livestock.

The Meat Corporation of Namibia was established, and is regulated by the Meat Corporation of Namibia Act, with the remit 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).

Background to Meatco

Meatco



The Meatco Group consist of Meatco and its three subsidiary companies, namely the Meat Corporation of Namibia (UK) Limited based in the UK, Namibia Meat Importers & Exporters (Pty) Ltd based in South Africa, and Namibia Cattle Procurement (Pty) Ltd (Namibia) previously known as Namibia Allied Meat Company (Pty) Ltd, based in Namibia. In addition, Meatco owns 25% in GPS Food Group (Holdings) Ltd based in Ireland and 33.3% in GPS Norway AS based in Norway. The annual financial statements reflect both Meatco's and the Meatco Group's financial information.

Namibian livestock producers who sell at least one unit of livestock to Meatco every two years are entitled to membership in the Corporation. Since we are not responsible to owners or shareholders, our overall objective is to pay our participating producers the maximum sustainable prices for their cattle while retaining 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.

Meatco's Objectives

The overall objectives of the Corporation, set out in Section 3 of the Meat Corporation of Namibia Act, are depicted below.

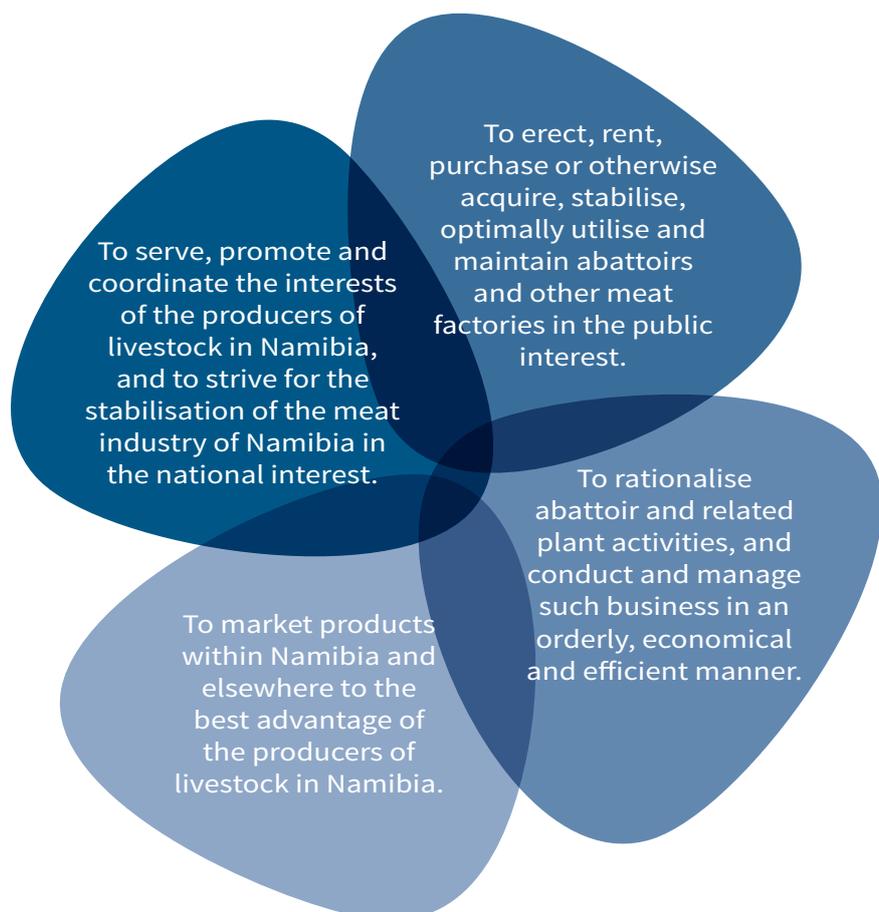


Figure 1: Our objectives



What does Meatco do?

Our reputation rests on our commitment to the highest technical, ethical, social and environmental standards, a commitment that has enabled Meatco to position itself as a principal provider of premium products to a number of niche markets.

Our organisation and its 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). The Corporation is also subject to separate auditing activities mandated by certain of our clients.

We are proud that Meatco’s export abattoirs in the capital city of Windhoek and the town of Okahandja both hold ‘A’ gradings in terms of the internationally recognised British Retail Consortium (BRC) Standards. The BRC standards relate to ethical and fair practices, animal welfare and corporate social responsibility, in addition to technical and operational aspects of food production.

At the heart of Meatco’s operations is the historical relationship it has been able to establish with its Namibian cattle producers, acting as a value-adding and marketing entity to pass the value gained from various markets back to these producers through the producer price paid for cattle. We are able to do this because it is not our objective to return profits to the

Corporation itself: in the year under review, the share of our business earnings that were passed on to producers was 62.33%, which is slightly lower than in the previous financial year (2014/15: 66.3%).

Of course, it is our aim to maintain this high percentage, even in the face of prolonged drought and water scarcity, as well as economic circumstances, through our various strategies.

Meatco’s Ownership Structure

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

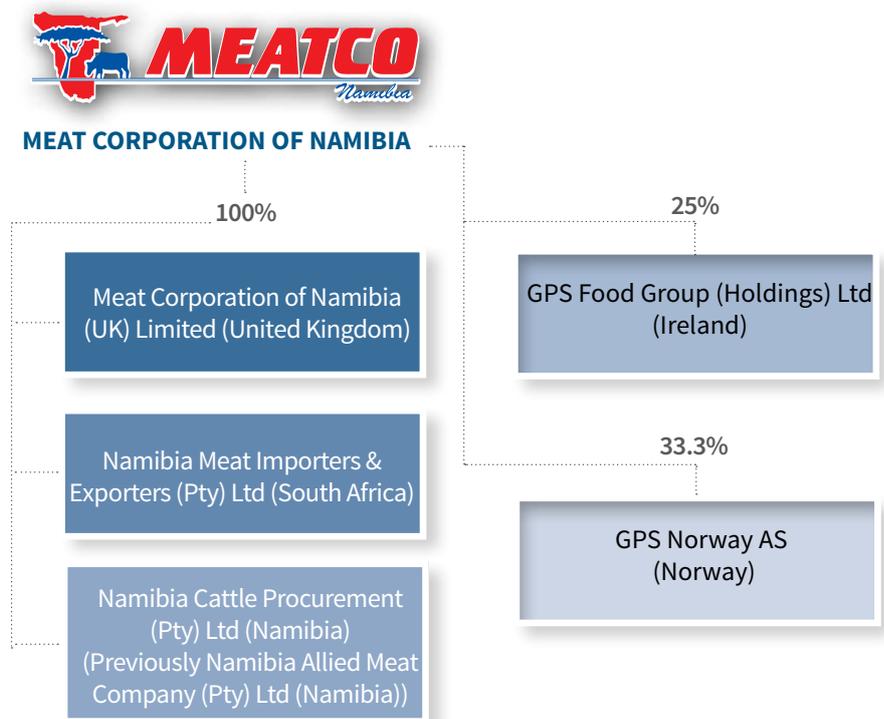


Figure 2: Ownership structure

How does Meatco add Value

Namibian farmers rear free-range stock — thus value addition begins in the veldt, where cattle are raised using all-natural methods. Meatco beef comes from animals that have eaten veldt grass for most of their lives, with no growth hormones or routine antibiotics used in their rearing.

Meatco adds further value by eschewing commodity trading as far as possible: our carcasses are not sold in international markets but we focus instead on producing value-added, deboned cuts of meat to meet the particular specifications of our individual business customers around the world. Our aim is to add as much value to carcasses as possible within Namibia by paying close attention to the requirements of the end consumers of our products. We ensure that almost 100% of the slaughtered animals are processed and sold, thus maximising value addition opportunities. The result has been that our labour-intensive, value-addition focus has assisted Meatco in creating more than 1,000 jobs in our operations across the country.

Our animals are treated according to the highest animal welfare standards at all stages of their lives, adding another facet to value addition for our producers. Indeed the unique characteristics of our products, and that special Namibian beef flavour depends — we believe — on our insistence that the cattle we process are happy and contented.

Meatco farms must be members of the Farm Assured Namibian Meat (FANMeat) scheme and comply with its high standards of livestock husbandry within the 'Five Freedoms', which are an internationally recognised means of assessing good animal welfare. (See Review: Environment for more details.)

Moreover, all cattle in Namibia must be fitted with a unique identification ear tag in order that their

movements can be traced, feed regimes and welfare standards monitored, and a record can be made of any veterinary treatments they receive.

To enhance our market positioning, we are constantly seeking to exploit our value chain by placing greater emphasis on the quality and unique characteristics of our beef. To this end we have developed a number of different ranges, aimed at meeting the various needs of our consumers: for example, Meatco's Natures Reserve brand, established in 2007, has opened up free-range beef marketing channels and serves various international customers.

In Namibia, 2014 saw the launch of the MeatMa local brand and in addition to the outlet next to our head office in Windhoek, we added a second MeatMa outlet in Okahandja this year — officially opened on 6th February 2015 — which provides an affordable, high-quality protein product directly to the Namibian public in Otjozondjupa Region. A third outlet, in Oshakati, opened on 3rd July 2015 and serves our customers in this Oshana Region town.

The Corporation's commitment to feeding our nation in a cost-effective way is now reflected in the fact that a range of value-added and other Meatco products are now available at our own outlets, wholesale partners, and retail groups such as Metro.

Complementing our MeatMa and Natures Reserve brands are our canned meat products: the *Texan*, *Eloolo* and *Ranch* brands. The development of additional products to extend these brand offerings in domestic and regional markets is ongoing.

During the reporting period, extensive upgrading of our cannery took place and this will enable us to extend our canned product range (Chicken Loaf, Luncheon Roll, Spaghetti and Meat Balls, and Canned Viennas) in the new financial year. Our *Texan* brand continues its market penetration in Zimbabwe. The production of premium wet-blue hides continues through the Meatco Okapuka Tannery.

The value addition that Meatco generates from all these different products, markets and operations benefits our producers through the sustainable prices we can realise for their beef.

Meatco establishes the benchmark for cattle prices in Namibia and in fact elevates those prices more generally because of our ability



to sell into export markets. This creates a knock-on effect for farmers who do not sell to us and those who are in the weaner production business too (Meatco only slaughters adult animals) since the price that local competitors pay for slaughter animals is pegged against the Meatco price.

Business Environment

The business environment — locally, regionally and internationally — that the Corporation operates in remains a highly competitive one, especially in view of the fact that our products compete in strategic niche markets against those from the big beef-producing countries (such as Australia and Brazil). Through our world-class quality products, our value-addition processes and the consistent, unique taste of Namibian beef, we have managed — through our *Natures Reserve* brand — to continue to differentiate ourselves advantageously from other abattoirs and processors.

Markets

Forty to seventy per cent of Namibia's agricultural exports — red meat, fish, and grapes — are destined for markets in the European Union (EU). Compliance with EU standards gives Namibian beef a competitive advantage over our competitors, including South African producers. This factor, coupled with the preferential access to the EU market enjoyed by its premium beef cuts, has enabled the Namibian red meat industry to upgrade its production facilities and to meet international standards across the world.

Meatco exports the bulk of our prime cuts (mostly from the hindquarters) overseas, as these markets provide the highest value for these particular products. Our beef thus finds its way to Norway and the European Union (EU) — more specifically the United Kingdom (UK), Germany, Denmark and Italy — and having access to the EU market means that we are recognised as conforming to the best quality standards internationally. Since countries such as Asia, Russia, and the United States of America regard compliance with the EU quality standards as a measurement of compliance with their own respective standards, this has the potential to give Meatco entry into other high-value markets. The unlocking of these markets would mean more value for our producers and broader market diversification for Meatco.

Due to South Africa's population size, income levels, and proximity, it remains a lucrative regional market for some of our beef products and represents Meatco's biggest market by volume in Africa, receiving about 40% of the Corporation's exports in the year under review.

The local market is not yet a high-value earner for Meatco, accounting for just 9.9% of actual sales in the reporting period. Nonetheless, since we need the raw material — the cattle — provided by local producers to enable us to sell high-value cuts to our international clients, the Namibian market has high strategic value for the Corporation. We therefore act as a supplier in the local beef market to ensure we retain access to our share of local raw materials. As a supplier to the local market we are competing on two fronts: selling our product to the Namibian market place, and procuring cattle from local producers.

How are We managed?

ETHICS

Meatco is committed to being ethical and responsible throughout 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 — forms the foundation for 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 that they are aligned to changing requirements as well as local and international best practices.

RISK MANAGEMENT

As a pragmatic corporation, Meatco recognises that there is no opportunity without risk. We therefore have appropriate structures in place to identify, monitor and manage our risks effectively. Risk is managed at three discrete levels in the Corporation: the line manager at operational level; the Executive Committee; and the Audit and Risk Committee of the Board.

REMUNERATION

Meatco's policy is to use remuneration as one of the tools with which to attract and retain leaders of the highest calibre, while at the same time making sure that our executives are compensated according to their performance. Performance levels are not only measured against financial and strategic metrics but also in terms of how faithfully executives apply our business principles and Code of Conduct.

Vision/ Mission/ Objective / Business Focus

VISION

Our vision is to have the most sought-after meat brands in selected markets in the long-term interest of our stakeholders.

MISSION

We will achieve this vision by creating added value for our customers through unique competencies, cost-effective and innovative processes, sound social and environmental practices, and motivated staff.

OBJECTIVE

Our principal objective is to maximise producer returns sustainably.



BUSINESS FOCUS

To achieve our main objective — maximising producer prices sustainably within the specific environment of our business operations — Meatco has identified the key value drivers shown below.

The Corporation aims to focus on these key drivers of value in order to achieve the maximum sustainable producer prices possible; this will in turn support the sustainability of the industry and, therefore, Meatco's business.



Perspective on our Business

Corporate Governance

Who Governs Us?

It is the responsibility of the Board of Directors to govern and guide Meatco. The current Board of Directors was appointed on 4th 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 the Meatco Board from individuals nominated by members 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 Government of Namibia (one person, nominated by the Minister).

Section 15 of the Act also allows the Board to co-opt a maximum of three additional persons to serve as members; such co-opted members have no voting rights, however.

On the next two pages, the current Board of Directors is provided.





Board of Directors



From left to right:

Ms Martha Namundjebo-Tilahun
Mr Diethelm Metzger
Mr Israel Itamunua Ngangane
Ms Sophia Kasheeta
Mr Charles /Urib
Mr Ronald Leonard Kubas
Advocate Vekuii Rukoro
Ms Erenstine M Tuneeko

**DR 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, Doctorate Degree Honoris Causa in Business Administration, University of Namibia, Namibia.

Dr 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, Dr 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 (resigned
17 August 2015)**

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's family makes their living raising championship cattle and also operates hunting and photographic safaris for visitors. Mr Metzger resigned as a board member in August 2015.

**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 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 the position as Foreman of the Windhoek abattoir at Meatco. He is currently serving in the role of Head of Department for By-Products at the Windhoek Factory.



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 Agricultural Production, Extension and Engineering Services (DAPEES). She was promoted to Chief Agricultural Extension Officer, then to Deputy Director, and currently serves as Director of the DAPEES.

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 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.

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.

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 are elected to represent the interests of the respective member groups that nominated them. On the current Board of Directors these individuals are: (the position of representative for commercial farmers is vacant at the time of writing):

- 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 overall composition of the Board remains appropriate to the tasks that fall under its remit, having been constituted with 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 continued development of the Directors, in order that they may build on their expertise and retain the ability to offer a detailed and up-to-date 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. These procedures continue to be available to the Directors.

Independence of External Auditors

Our 2015/16 Annual Financial Statements were audited by the independent auditors, PricewaterhouseCoopers. Meatco believes that the auditors have observed the highest level of professional ethics and we therefore have no reason to suspect that they have not acted independently of the Corporation. The Board Audit and Risk Committee have also confirmed the independence of the external auditors for the reporting period.

Company Secretary

Ms E.M. Tuneeko, the Company Secretary, is suitably qualified and has access to the Corporation’s resources so that she might 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.

The Corporate Governance Code of Namibia (NamCode)

For the purposes of corporate governance, the Corporation has accepted the King Code of Governance for South Africa (2009) and most of the precepts of the NamCode (effective from 1st January 2014 and based on international best practices). Deviations from the NamCode are listed in the table below.

Table 1: Deviations from NamCode Guidelines

NAMCODE GUIDELINES	MEATCO 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, the Chief Executive Officer is an ex officio member and the Chief Financial Officer is 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, thus ensuring 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 out the strategic objectives of the Corporation. It delegates the detailed planning and implementation of activities in respect to those objectives (in accordance with appropriate risk parameters) to the Management of Meatco in terms of a formal delegation of authority framework.

The Board is then tasked with monitoring compliance against its strategic objectives by holding Management accountable for its activities through quarterly performance reporting and updates.

The Board deals with several matters exclusively. These entail, inter alia, the approval of the Corporation's Annual 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, each with its own monitoring and reporting

system. Board committees operate within clearly defined individual charters, as approved by the Board.

The respective chairpersons report verbally on the proceedings of their various committees at the subsequent Board meeting. The board structure is depicted in Figure 3.

The Board was assisted by the following committees and external parties during the year under review (note that Mr Metzger tendered his resignation on 17th August 2015).

Members of the Audit and Risk Committee

D. Metzger (Chairperson - resigned 17 August 2015), R.L. Kubas and E. Beukes - appointed from 17 March 2016

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, Ms E.M. Tuneeko, is responsible for advising the Board, through the Chairperson, on matters of corporate governance.



Figure 3: Board Structure

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 eight times. Board Members also attended the Annual General Meeting which was held as per the requirements of the Meat Corporation of Namibia Act. 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 below, several Board Members attended farmers' 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 (who resigned in August 2015). The Committee met three 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 pertinent to their activities.

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 Corporation's Annual 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 Financial Statements, including any exceptional items, impairment reviews and tax provisions;

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	8	--	--	1
D. Metzger (resigned August 2015)	6	3	--	1
C. /Urib	8	--	2	1
I.I. Ngangane	8	--	--	1
R. L. Kubas	8	3	--	1
S. Kasheeta	7	--	2	Absent
V. Rukoro, Chief Executive Officer	8	2	2	1
By invitation:				
N. Weck, Chief Financial Officer (resigned December 2015)	6	3	2	1
E. Tuneeko, Company Secretary	8	3	2	1

- the effectiveness of governance within, and control of, the Corporation’s activities;
- specifically the implementation of Information Technology (IT) Governance;
- 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.

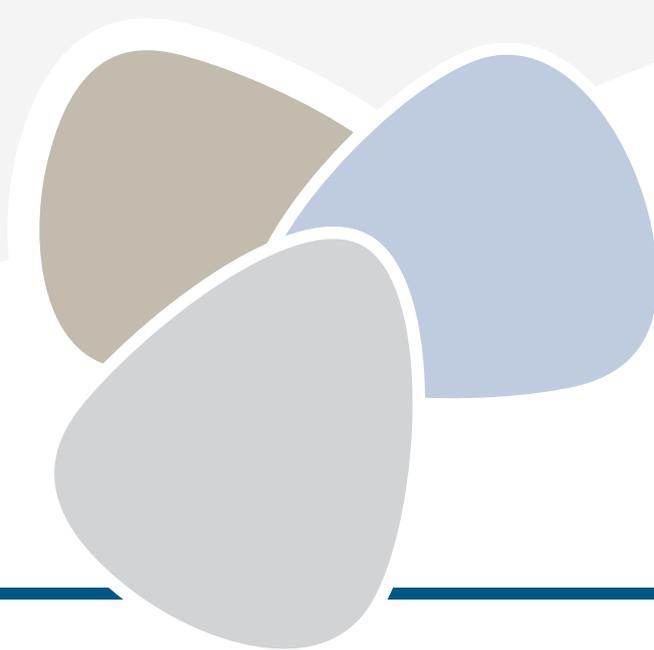
The Committee was satisfied that, for the period under review, the independence of the external auditors had not been affected by the provision of non-audit services (related to taxation services). Fees in respect of non-audit services provided by external auditors were mainly related to such taxation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

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

REMUNERATION AND HUMAN RESOURCES COMMITTEE

The Remuneration and Human Resources Committee was chaired by Board Member Ms S. Kasheeta and met formally two times during the reporting year. The meetings were attended by the Chief Executive Officer, the Chief Financial Officer and the Executive: Human Resources. Other members of the Management Team attended on request.

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



Perspective on our Business

Our Management Team

Who leads us?

Our Executive Committee is responsible for the detailed planning and implementation of Meatco's objectives and policies, as determined by the Board of Directors.

The Executive Committee comprises the Chief Executive Officer and eight executives responsible for the portfolios that constitute the heart of our operations.

Effective 1st November 2015, the committee's functions were realigned to ensure closer correlation between management responsibilities and delivery of the core functions identified in our *Strategic Framework: raw materials, processing and markets*.

Management Committee

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.

The incumbents, as on 9 March 2016, are listed over the following two pages and their responsibilities in respect of the structural realignment of management roles that took place towards the end of 2015 are outlined.

Our Code of Conduct

The Corporation operates within a formal Code of Conduct that was developed as the result of an all-inclusive, transparent, and participatory process involving the majority of the Corporation's staff and Management. The Code relates to five sets of key behavioural attributes (see Figure 4)



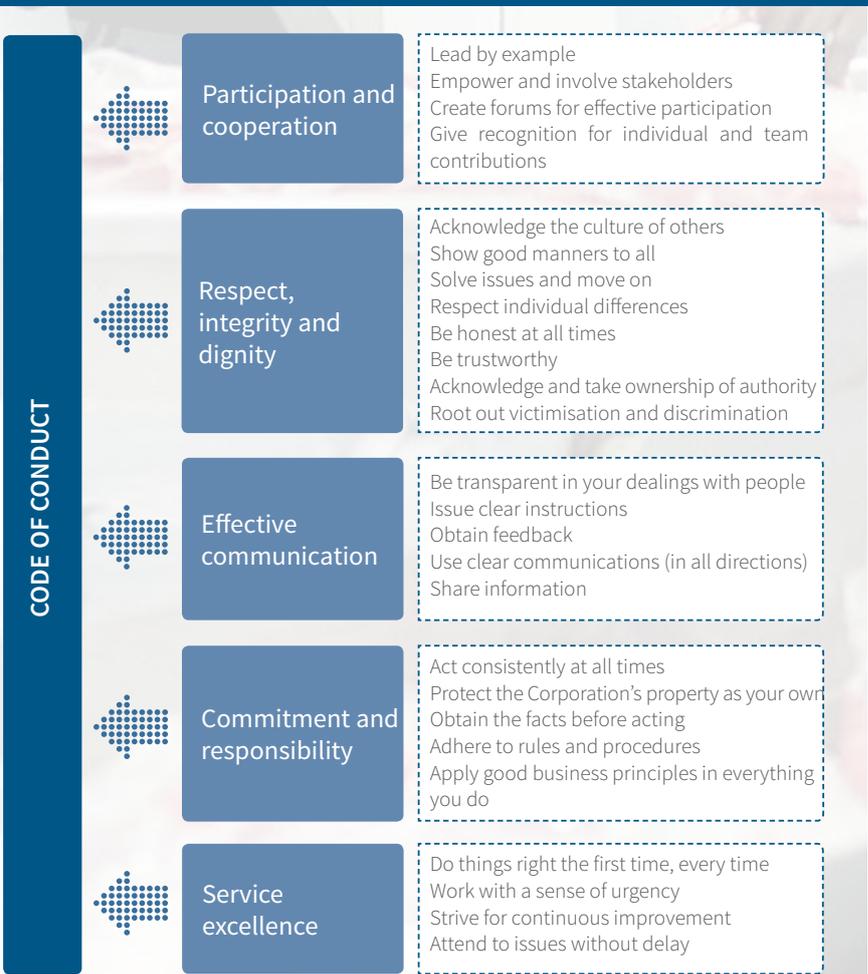


Figure 4: Code of Conduct

Management Team



From left to right:

Advocate Vekuii Rukoro

Mr Heiner Böhme

Mr Cyprianus Khaiseb

Ms Rosa Katjivena

Mr Vehaka Tjimune

Mr Jannie Breytenbach

Mr Stanley Hoveka-Mbura

Mr Bernard Zulch

Mr Kingsley Kwenani

ADV. 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 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 with the brief to implement Meatco's backwards integration initiatives. His focus area is developing and driving strategies for livestock procurement from commercial and emerging producers. He is responsible for

livestock procurement; Meatco's backwards integration initiatives such as Meatco-owned Cattle initiatives; the Meatco Okapuka Feedlot; and privately-owned feedlots.

MR CYPRIANUS KHAISEB
EXECUTIVE: MARKETING AND SALES

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 responsibility for operations in the Northern Communal Areas (NCA). His current focus areas include developing the local market and Meatco's value addition activities in line with the Government's 'Growth at Home' strategy and providing the local market with good-quality and affordable meat products through the Meatma brand. He is now responsible for the marketing of all the Corporation's products and sales logistics.

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 re-allocated 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 statutory and other standards locally and internationally.

MR VEHAKA TJIMUNE
EXECUTIVE: 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 policy issues affecting Meatco and developing strategies to positively influence outcomes; managing critical stakeholder relations on a continuous basis, ensuring effective communication between Meatco and its stakeholders and managing Meatco's public relations activities.

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. He is responsible for the operational activities at Meatco's two abattoirs and processing plants, the Okapuka Tannery and the canning plant, as well as for the Group's Engineering and Safety units. His focus areas relate directly to the capabilities and efficiency of the plants, including labour infrastructure and support services, maximising production yield, and reducing downtime and waste. Following on from the structural realignment of management towards the end of the year, he also became responsible for activities within the NCA.

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 are: guiding 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. He is also responsible for all matters relating to industrial relations at Meatco.

MR BERNARD ZULCH
ACTING CHIEF FINANCIAL OFFICER

Formal education: B Accounting (Hons) (University of Stellenbosch)/ Chartered Accountant (Namibia and RSA). Senior Management Development (USB-ED)

Mr Zulch joined the Corporation as Acting Chief Financial Officer in October 2015 (he had previously been Group Financial Accountant). In addition to his responsibilities with regards to finance, his focus areas include administration and information technology.

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 Rural Development from University of Pretoria; currently pursuing an MBA, Regent Business School.

Mr Kwenani joined the Meatco Foundation in 2013. His focus area is ensuring that the decisions of the Board of Trustees are implemented in accordance with the Foundation's strategic framework. This includes the management of the Foundation and driving socioeconomic development and empowerment in the livestock sector through corporate social investments.

2015 /16:

Reports and Reviews





“

THE ECONOMIC CHALLENGES UNDERLINED THE KEY IMPORTANCE OF OUR BACKWARDS INTEGRATION STRATEGIES AS A STRATEGIC IMPERATIVE, CRITICAL TO THE SUSTAINABILITY OF OUR OPERATIONS.

”

DR MARTHA NAMUNDJEBO-TILAHUN, CHAIRPERSON

Chairperson's Report

FINANCIAL

The Group recorded revenue of N\$1.8 billion, 12% up on the previous financial year while the Corporation recorded a revenue of N\$1.79 billion, 4.1% up on previous year.

In terms of volume, the Group recorded an overall increase of 8.8% over prior year of the amount of cattle slaughtered South of VCF. The Group also achieved growth of 6% on gross profits.

These factors combined to create a tough year for the industry regionally, and for our business in Namibia specifically — although it is to be hoped that the welcome late rains at the end of the year will lead to better prospects for our farmers and the Corporation in the next financial year.

The Group generated a net profit of N\$13 million after tax as compared to a N\$14.2 million profit in the prior year. However, it is important to bear in mind that Meatco is not a profit-seeking entity — we paid 62.3% of our beef revenue to our producers.

This huge decrease in profits was mainly contributed by the extreme pressure experienced on operations as a result of unfavourable climatic conditions, fluctuating currencies and changes to export regulations, as well as disease outbreaks in the northern part of Namibia.

The Group maintained a working capital of N\$462 million. After settling long-term debts (N\$34 million), the Group retained N\$22 million in cash at the end of the financial year.

“THE GROUP RECORDED A REVENUE OF N\$1.8 BILLION, 12% UP ON THE PREVIOUS YEAR.”

**DR MARTHA NAMUNDJEBO-TILAHUN, CHAIRPERSON:
BOARD OF DIRECTORS**



8.8%

In terms of volume, an overall increase of 8.8% in slaughtered cattle were recorded South of the VCF.

N\$1.79b

The Corporation recorded a revenue of N\$1.79 billion, an increase of 4.1% on the previous reporting period.



OPERATIONAL

These economic challenges only underlined the key importance of our backwards integration strategies as a strategic imperative, critical to the sustainability of our operations.

Our backwards integration programme is intended to ensure that the Corporation has a consistent and reliable source of high-quality cattle supplied to our

processing plants, to ensure maximum utilisation of our slaughter facilities by means of dependable throughput volumes.

Given the constraints under which we were compelled to operate this year, our achievements in terms of numbers of cattle slaughtered and prices paid only serve to reinforce the importance of this backwards integration programme to Namibian beef production.

N\$174m

During the past three years, the capital invested amounted to N\$174 million, upgrading and expanding infrastructure.

N\$462m

The Group maintained a working capital of N\$462 million.



“ DESPITE CHALLENGING CONDITIONS IN OUR INTERNATIONAL HIGH-VALUE MARKETS AND THE NATIONAL DROUGHT CONDITIONS THROUGHOUT THE LATTER PART OF 2015, MEATCO MAINTAINED ITS COMMITMENT TO EXTRACTING MAXIMUM VALUE FROM THE MARKETS AND PASSING ON THE BENEFITS TO OUR PRODUCERS. DR MARTHA NAMUNDJEBO-TILAHUN, CHAIRPERSON ”

The vital role played by these backward integration strategies in the continuous success of our business is evidenced by the fact that we were ultimately able to slaughter 116,948 cattle, of which 67.5% was procured from producers and 32.4% from our own feedlots and Meatco-owned cattle.

However, the overall quality was lower than the previous financial year, mainly due to the drought conditions experienced in most regions of the country during the latter part of 2015.

The increased Norway quota that came into play in 2014 contributed positively to the prices we were able to achieve for our producers. On the other hand, average sales prices in euros decreased, mainly due to the economic downturn in Europe and Scandinavia (including Norway).

This was due to the decrease in the global oil price — Norway’s main income derives from sales of oil and gas to its neighbours and the decrease in the oil price has a significant impact on the Norwegian market.

STRENGTHENING PARTNERSHIP TO WORK TOWARDS COMMON GOALS

Certainly one development in 2015 demonstrated the commitment of the Namibian meat industry to aligning the long-term goals of all players towards a sustainable and competitive sector in the future through the harmonisation of livestock producers' marketing activities.

In February 2015, the Honourable Minister of Agriculture, launched the *Common Vision* document, which will provide a blueprint for industry to make its own decisions regarding the growth of the sector, guided by the common vision and five specific action plans.

The mentioned five action plans include plans for animal health and welfare, food safety, production, value addition, marketing and product trade and industry consolidation. These implementation plans will enable role players to contribute towards the identification of market opportunities and the optimisation of the strengths of our collective experience, interests and skills; to create an integrated and mutually beneficially forum, well prepared to face the challenges of the future.

We were also pleased to see the same ministry launch its *Food Safety Policy* in the middle of the reporting year. This document, produced through consultation with key stakeholders and developed in line with international best practices, will help to create synergies and avoid duplication of effort across sectors involved in the safety of food products traded nationally and internationally, an effort that Meatco is already heavily invested in through our 'farm-to-table' approach to food safety throughout the value chain.

INTO THE FUTURE

Despite challenging conditions in our international high-value markets and the national drought conditions throughout the latter part of 2015, Meatco maintained its commitment to extracting maximum value from the markets and passing on the benefits to our producers.

We strove to manage our costs and to shield our producers – as much as possible – from the negative effects of various policies and regulatory restrictions, a particularly important aspect of our work since our producers are currently being hit by agricultural inflation running at over 10% per annum.

The signing of the Protocol on veterinary health conditions and quarantine in Beijing in early August 2015 will open doors to a huge new group of consumers in China, a development that will offer innovative opportunities for Meatco – as well as other beef exporters – to develop their products in an exciting, diversified market. This development will serve to reduce the dependence of Meatco on its existing markets and thus offset, to an extent, the effects of fluctuations in those markets on our operations.

Investing in our assets is another vital aspect of ensuring our long-term growth. This reporting year our capital spend amounted to N\$76.4 million, adding up to N\$174.2 million invested during the past three years in upgrading and expanding our infrastructure, gearing us up for the next decade's production and processing needs.

During the reporting year, the Board continues to engage Government on the Ownership issue and I am confident that this issue will be resolved soon.

DIRECTORATE

The Board wishes to advise that Mr Diethelm Metzger and Mr Nico Weck resigned from the Corporation as Vice-Chairperson of the Board and Group Chief Financial Officer respectively during the year.

In conclusion, I would like to express my deepest appreciation to the Honourable Minister of Agriculture, Water and Forestry, John Mutorwa for his continued guidance and commitment to the Corporation and the industry.

I equally want to thank and appreciated my colleagues on the Board for their unwavering commitment as well as the Chief Executive Officer, Advocate Vekuii Rukoro, his management team and staff for their dedication and hard work.

By order of the Board



Chairperson
Dr Martha Namundjebo-Tilahun
9 May 2016

Chief Executive Officer's Report



Q&A

with Adv. Vekuii Rukoro, CEO

How would you describe the year under review in short?

Two catastrophic drought years in close succession — the ones experienced during the 2013/14 and 2015/16 reporting years — created conditions not witnessed before in the lifetimes of many Namibian farmers. Outbreaks of foot-and-mouth disease and economic uncertainty across many of our markets have seen Meatco rise to the occasion through the deployment of strategies for creating business resilience and enhancing the sustainability of our supplies.

What was achieved in terms of the commercial producers' areas?

In January 2015, Meatco was budgeting to slaughter just over 120,000 cattle over the coming 12-month period. But by the middle of the year we were already advising our producers on how to prepare for yet another drought year and were making provision for emergency slaughter bookings... What a difference a few months can make.

We had to cut short the period of rotational operations; both the Windhoek and Okahandja factories were in full operation from April 2014 onwards. This enabled us to slaughter a total of 116,948 (2014/15: 107,401) cattle south of the Veterinary Cordon Fence (VCF), increasing the volume by 9,547 cattle year-on-year. However, this

“THE TOTAL CATTLE SLAUGHTERED REPRESENTS AN INCREASE COMPARED WITH THE PREVIOUS REPORTING YEAR, WHICH WAS MAINLY DUE TO THE LATE AND LOW LEVELS OF RAIN IN MANY PARTS OF THE COUNTRY.”

ADV. VEKUII RUKORO, CHIEF EXECUTIVE OFFICER

is 3,548 cattle below what we've budgeted for. The total cattle slaughtered represents a substantial increase compared with the previous reporting year, which was mainly due to the late and low levels of rains in many parts of the country.

Understandably, farmers were concerned about the effects of another drought year and started to slaughter their cattle before their conditions deteriorate too

“ **THE PRODUCER PRICES, WHICH WERE VERY GOOD FOR MOST PART OF THE YEAR, ALSO SERVED AS AN INCENTIVE TO SEND CATTLE TO SLAUGHTER.** ”
ADV. VEKUII RUKORO, CEO

much. The producer prices, which were very good for most part of the year, also served as an incentive to send cattle to slaughter.

And in the Northern Communal Areas (NCA)?

The first case of Foot-and-Mouth Disease (FMD) relevant to the year under review was reported in Mukwe Constituency, in Kavango-East Region, at the end of 2014, and the last case was confirmed on 7th February 2015.

This development forced us to close the two Northern Communal Areas (NCA) abattoirs in Katima Mulilo and Oshakati once South Africa instituted an import ban on all cloven-hoofed animals and their products from the FMD affected areas. Later outbreaks in Oshana and Oshikoto regions led the Ministry of Agriculture, Water

and Forestry (MAWF) to revise the Addendum to the Declaration in respect of animals and products that might be moved south through veterinary cordon gates.

Subsequently, Government was obliged to introduce measures to assist Namibian farmers affected by FMD and the drought. Cabinet approved for implementation measures designed to ameliorate the effects of the ban on transport of livestock from the NCA and to mitigate the effects of drought. It is an indication of the severity of the drought that Government budgeted an initial allocation of N\$74 million for drought relief measures.

Thus, during the reporting period, no cattle were slaughtered at the two NCA abattoirs, compared with the 9,370 cattle slaughtered during the previous reporting year.

As Meatco has sustained major financial losses — as much as N\$354 million — in the NCA over the past 25 years, it was decided not to renew the lease agreement with the MAWF for the two abattoirs, but rather to pursue a different business strategy in the new financial year. This will see a mobile abattoir unit in the northern communal areas, which was approved by the Board in December 2015.

The new mobile slaughtering unit — a first in Africa — will bring several benefits to the communal farmers, especially in terms of reducing transport cost for the producer, resulting in less damage to animals. It allows for more operational flexibility and any available number of cattle can be slaughtered.

From Meatco's point of view, it will mean a significant reduction in operational costs, which will be a fraction of those of fixed abattoirs. An additional income stream through game meat is a future possibility if the units are deployed in-season for game slaughtering. The first unit is expected to be operational in July 2016.

In such a difficult year, could Meatco still pay producers good prices?

In 2014, a decision was taken to pay our producers high, stable prices throughout the year. The need for the Off Season Premium therefore fell away as farmers prepared their cattle for delivery to abattoirs in more regular and predictable numbers over the full twelve months of the year.

Subsequently, the purpose behind the veldlotting initiative similarly became obsolete and this reporting year it was decided to suspend this service once all existing contracts were processed. This, though, does not preclude the possibility that the initiative might be revived — and possibly revised — at some time in the future, should a need be identified.

A number of over-arching factors come into play regarding the prices we are able to offer our producers in any given year, above and beyond those effects created by fluctuations in international exchange rates and environmental/climatic conditions. These can be summarised as:

- Fluctuations in actual sales prices;
- Sales movement and production volumes;
- The quality of the available product;
- The seasonality of production and markets;
- The size and nature of the cuts;
- Distribution costs associated with delivering the product to markets; and
- The economic condition/consumer behaviour in the export markets.

Our 2015 producers prices were also affected by the weakness of the South African rand and the drought that was, in many places, worse than that of 2013.

Uncertainties in the value of the euro and a strengthening in the pound in the year under review have meant that the 74.1% of overall sales returns represented by euro and pound denominated sales were subject to an adjustment in export volume mix, in order to mitigate fluctuations in exchange rates. Our 'B' and 'C' grades became overpaid in terms of the actual returns delivered by their respective markets and as a result we were compelled to reduce producer prices for these two grades, to reflect the situation on the ground.

The exchange rate has fluctuated significantly during the year under review, with the Namibian dollar reaching extreme lows during December 2015 and January 2016. The effect of this was not that significant on the full year results as our beef products are sold throughout the year and not at a single point in time when exchange rates are beneficial to export. The net effect of the exchange rate on our export products compared to the previous year was only 4.8% increase on weighted average basis year on year.

In April, the Ministry of Agriculture, Water and Forestry, guided by a recommendation from the Meat Board, increased the levies on the transaction value of livestock, meat and meat products. The increase was also applied to the 'in transit' transport of livestock, meat and meat products.

Remarkably, in view of the 2013/14 drought year and the most recent one following on in quick succession, the year under review saw Meatco continue to be able to pay high producer prices across all grades.

Meatco increased its overall producer price of dressed weight by N\$0.15 per kg when compared with the prior year. The overall average producer price amounted to N\$29.98 per kg compared with N\$29.83 per kg for the corresponding period during the 2014/15 financial year. Total payments to producers during year under review amounted to N\$849,483,330, representing 62.35% of our beef revenue.

It is important to note that prices were not only driven by market trends in southern Africa. The total premiums paid by Meatco over and above the South African price amounted to N\$61.03 million over the period under review. This represents N\$2.27 per kg. The majority of these premiums went to farmers naturally producing 'B' and 'C' Grade cattle (N\$3.21 and N\$1.93 respectively).





What long-term strategies did Meatco put in place to ensure the sustainability of the red meat industry?

The backwards integration strategies we put in place to secure a consistent throughput in our plants by increasing available animals from our feedlots and MoC initiatives have continued to allow us to support our producers during the year under review.

We secured 4,532 less cattle from these two sources during the reporting year, as the number of cattle sourced from producers increased exponentially due to drought conditions. We envisage that our backwards integration initiatives will continue to be an important aspect of our sustainability of cattle supply. Our backward integration strategies were especially pertinent in the year under review when we were compelled to create emergency slaughtering slots for cattle due to the drought conditions and needed to run our Okahandja abattoir at full capacity in order to streamline operations.

Our producers are to be commended on their efforts to adhere to their allocated slots, despite the difficulties they might have encountered in planning for slaughter due to the conditions of their grazing.

In view of the likely tightening of import restrictions for weaners into South Africa in the future, Meatco is

currently exploring options for expanding its feedlots (the Meatco Feedlots Expansion Drive) and supporting them through the option of locally grown fodder, in order to assist communal area farmers to adapt to the probable shrinkage in demand for their weaners.

To this end, the Environmental Impact Assessment (EIA) component of the Gobabis feedlot development at Annasruh is almost complete and construction will begin once the EIA is finalised. This will see 26 pens installed to allow up to 11,200 animals to be accommodated in the first year.

The commercial and communal farmers of Omaheke Region will then have the option to sell their animals to Meatco, rather than being obliged to find a market for their weaners on the hoof at a time when export regulations for these animals are becoming increasingly cumbersome. The processing facilities at the site will also enable Meatco to take up more excess animals that farmers might be obliged to market early in future drought years.

All of these developments need to be seen within the much broader context of year-on-year agricultural inflation: a particularly important factor at this time since our producers are currently being hit by agricultural inflation running at over 10% per annum.

In terms of marketing Meatco's products, which market is the most important, and what is the outlook for the South African market?

Given prevailing market and climatic conditions, remarkable results were achieved in 2015/16 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 in terms of value, 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.

We have an annual quota of 13,000 tonnes into the EU, which we struggle to fulfil, averaging around 9,000 to 10,000 tonnes per year. With our expansion plans with extra feedlots in Gobabis and Kombat areas, we will hopefully be able to meet the full quota in the next few years, which will enable us to maximise our return on our products.

Our 25% stake in the Global Protein Solutions (GPS) Food Group, the world-class protein marketing and trading company with its head office in London, once again helped us make an even greater impact on the international market. In the reporting year, N\$12.7 million were allocated to Meatco in associate profits from GPS that contributed to the final profit result.

South Africa traditionally is one of Meatco's important markets, and it remains the largest importer of forequarter cuts. Currently, South Africa takes approximately 42% of Meatco's beef exports, but 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.

Fortunately, Meatco's diversification has meant that we are no longer dependent on this market alone, 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 of 2014, Meatco is able to utilise the quota throughout the year, which creates confidence in our farmers and stability in the procurement process.

Can Meatco really compete in the international arena, given our relatively small red meat industry?

Meatco stands alone as a unique entity in Namibia, with no effective competitors at national scale in the country. We do, however, compete for our markets against gigantic meat-producing countries such as Brazil and Uruguay, where several giant land-owning businesses are completely integrated backwards and forwards, enabling them to manage massive company farms and supply huge volumes of product to company abattoirs without the need for middlemen.

With their capacity and production stable they can market enormous tonnages of meat to the international markets – the same markets that we aim to serve.

As mentioned many times, 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, through both good years and those that bring adversity.



This year has furnished us with ample evidence that market conditions in both South Africa and Europe, where our biggest customers are located, can change quickly. The euro has been unstable and has exhibited fluctuations over the year under review, impacting on our markets there; the South African economy continues to be under considerable pressure, leaving people there with less money to spend on protein.

We monitor these markets continuously and have this reporting year employed a number of strategies to enable us to adapt quickly to changing circumstances. We are also actively exploring new markets: the opening up of China to our products — especially bone-in beef — is due to have significant impacts on our operations in the near future.

The US market is also opening up for Namibia; early in 2015, we received confirmation that we passed the various audits and that a change to their legislation is underway to add Namibia as an approved exporter for red meat products. The 2016 financial year should see the start of exporting to this market.

Meatco is a rapidly evolving business. During this reporting year we successfully expanded and upgraded our facilities, laying a solid foundation for sustainable growth in future. We invested substantial funds and it will take time to see all the benefits. But we know we are heading in the right direction and as partners of Meatco, our producers will always be well-informed and involved in developments.

What else did Meatco achieve during the reporting period?

Our achievements at the PMR Golden Arrows Awards (two Overall Golden Arrow Excellence awards and a further Golden Arrow Excellence award) represented an improvement on our ratings for last year in the national survey. This recognition is evidence that the Corporation's commitment to enhance profitability, improving producer prices, and building on stakeholder relationships are bearing fruit, even in times that are proving tough for our industry.

Towards the end of the year we were also very proud to be judged overall winner in the Best Large Enterprise category at the Development Bank of Namibia's Good Business and Innovation Awards, in recognition of the contribution of our feedlot expansion backward integration initiative to the development of the Namibian agri-industry.

“ THIS YEAR HAS FURNISHED US WITH AMPLE EVIDENCE THAT MARKET CONDITIONS ON BOTH SOUTH AFRICA AND EUROPE, WHERE OUR BIGGEST CUSTOMERS ARE LOCATED, CAN CHANGE QUICKLY. ”
ADV. VEKUII RUKORO, CEO

On a more personal level, in June I began my series of Farmers' Liaison Meetings (FLMs) for the year at a meeting with farmers in Otjozondjupa Region. These meetings across the communal areas enable me to interact directly with our producers in order to share with them information on how best to market their animals to the Corporation but also — importantly — to receive feedback from them regarding the impacts of our operations on their livelihoods.

Although the overall theme of this year's series of FLMs was “Shortening the supply chain of animals destined for slaughter by Meatco”, farmers also used the opportunity to discuss innovations for managing their grazing areas and applying different farming approaches in times of persistent drought.

The inputs received and the knowledge shared during these FLMs will assist us in better aligning Meatco's support to NCA farmers with their specific needs and goals.

There are some changes in the Norwegian quota on the horizon; can you elaborate and what will be the impact on Namibia's producers?

The allocation of the Norwegian quota had an important impact on the producer price that we were able to achieve for our farmers this year and had knock-on effects for the Namibian economy more broadly, since national prices are pegged against those paid by Meatco. It is not, therefore, an exaggeration to say that the fortunes of Namibian beef producers are very tightly linked at present to the status of this quota.

With Namibia classified as an Upper Middle Income Country (UMIC) by the World Bank in 2011, the Norwegian Ministry of Foreign Affairs has now recommended an end to preferential access for Namibian beef, with the proviso that the termination of such agreements should not result in less-favourable market access conditions for Namibia in respect of its Norwegian markets in the future.

This led to a proposed migration of the GSP Quota into the FTA Quota with GSP market access conditions remaining in place until such time as a new quota system could be developed under the FTA system.

A more secure and predictable market access could be assured by merging the GSP Quota (which is a preference decided unilaterally by Norway, with no reference to Namibia) within the framework of the SACU-EFTA Agreement, the concessions of which may only be altered or withdrawn by agreement from all concerned parties.

Any increase in value from this market accruing to Namibia through the incorporation of the GSP Quota into the FTA Quota would have the additional bonus of increasing producer prices nationally, since Meatco's producer prices are used as the national benchmark.

However, should the auction process for the FTA Quota be similarly applied to the GSP Quota on migration, a degree of uncertainty might result due to the need to forge new relationships with companies winning bids at auction on a year-by-year basis. Since the minimum bidding prices vary each year — introducing a level of speculation into operations — the ability of exporters to make long-term plans will be compromised.

These, and other, constraints were computed to represent a potential loss in value to the combined markets of Namibia and Botswana. This could be mitigated by: negotiating for an allocation system for the GSP Quota, both now and at migration; requesting an increase in quotas once they have been merged into one 'first come, first served' system; and considering potential trade-offs similar to the EU market access offers if the auction system is to be abandoned.

**"MEATCO IS PROUD OF OUR LONG-STANDING ADHERENCE TO THE HIGHEST INTERNATIONAL QUALITY AND COMPLIANCE STANDARDS, WHICH WE VIEW AS A PRIORITY IN GIVING US A COMPETITIVE EDGE."
ADV. VEKUII RUKORO, CEO**



Strategies need to be established to maintain, and even improve, the current trading environment for beef in Norway as the regime for GSP migrates. This should include the provision for switching the responsibility for quota allocation from Cabinet to industry, by means of a self-regulating mechanism.

Closer to home, the Norway quota remains a key factor affecting our business. After much debate in the industry on the allocation of the quota, Government decided that the 50-50 allocation was not in the best interest of the producers of the country and that throughput should be the measure. Thus, during the 2014/15 financial year, Meatco was allocated the full quota.

However, at the end of the reporting period a decision was taken that will affect our production in 2016: a certain portion of the quota was withheld and thus was not allocated. It is in violation of a Cabinet directive how the quota must be allocated.

Cabinet directed that all applicants for the quota must be in possession of a certificate that clearly shows that the plant where the quota will be utilised, is EU approved. The Witvlei abattoir was not operational during time of application, and the owner of the plant, the Agricultural Bank, did not apply. Thus, at the time of application there were only two applicants: Meatco and Brukkaros.



However, a quota of 225 tonnes was reserved for the Witvlei abattoir without them having applied. This tonnage was taken away from our quota, which means a potential loss of N\$40 million income, which can have a substantial impact on our profitability and ability to pay producers — commercial and communal farmers — good prices for their cattle. We feel that decision was not proper and we will drive the issue to resolve it amicably.

Looking ahead, are you optimistic about the future?

As I predicted in my report in last year's Annual Report, the 2015 drought year has inevitably affected our procurement in terms of the quality and quantity of the animals that Meatco processed.

Nevertheless, Meatco's backwards integration programmes and its incentives for producers — such as delivery agreements, Meatco-owned Contract Feeding and profit-share agreements, and on-the-hoof purchases — have created lifelines in terms of the options and access to markets available to our producers. These incentives have allowed Meatco to plan for greater efficiency during this year of potentially ruinous climatic conditions.

Meatco is proud of our long-standing adherence to the highest international quality and compliance standards, which we view 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 future years.

One such example is by developing a state-of-the-art laboratory at our Windhoek abattoir that can handle the increasing volumes of tests required to meet regulatory requirements, as well as the specific assays requested by our individual clients. The possibility of cross-contamination will be reduced by moving laboratory services away from the factory production at the site, too.

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. The Corporation will continue to explore avenues for adding value to our products for the benefit of our stakeholders even as we continually evaluate and revise our strategies to bolster the sustainability of our operations in response to Namibia's changing climate and grazing and water availability.

As a major national role player in Namibian agriculture, Meatco is aware of the effect that the drought has had — and continues to have — on our beleaguered farming community. We are fully committed to playing our part in examining how setbacks such as those experienced this year can be addressed and mitigated in the future. We pledge to work with our producers, the Namibia Agricultural Union, the Namibian National Farmers' Union, and other farmers' associations, and the broader stakeholder community to investigate sustainable solutions to the wide range of issues that affect Namibian meat production and the export of our high-quality beef.

Effective 1st November 2015, our Executive Committee's functions were therefore realigned to ensure closer correlation between the management responsibilities of a business currently in a contraction phase and delivery of the core functions identified in our Strategic Framework in terms of raw materials, processing, and markets.

Through this restructuring we aim to develop a management cohort more responsive to the challenges our producers face and more competitive, too, so that our Corporation can deliver solutions for Namibian beef production and processing that make our operations more resilient against any difficulties we might encounter in the future.

One policy area that we as an industry have to address as a matter of urgency is bush encroachment. The drought once again made it abundantly clear: Namibia's rangeland conditions are seriously deteriorating year-on-year. We need to take a decision to start producing animal fodder so that we are not so highly dependent on neighbouring countries for feed. And not just under dry land cultivation, but under irrigation because we want to have secured harvests.

Other areas are how to handle droughts — which will always be a reality in Namibia — and the need to build up the national herd. During droughts Government assists farmers to market their cattle before their condition deteriorates or the animals die.

But after every drought the challenge of how to rebuild herds remains. Past experience has shown that herds seldom get build up to a size bigger than before the drought. Thus, it's quite possible that in 30 or 40 years from now, Namibia could become a net importer of beef instead of the current position of being a net exporter.

The reality is that restocking cannot just be left to the producer alone if one looks at it from the national herd context. These are decisions that we need to take now and that will affect our children, our future generations, substantially.

There is a common vision for the industry, which we developed painstakingly with the resources of the industry. It was eventually approved by the industry, and signed off by the Minister of Agriculture, Water and Forestry. However, it now has to be implemented. It is a good vision, a good policy, and we have to be careful that it does not start collecting dust.

At the time of writing we are in the midst of some late — but very welcome — rains across the country. It remains to be seen if the late rains are sufficient to alleviate some of the pressures experienced by Namibia's

communal and commercial farming fraternities in 2015 but certainly the prospects are becoming more hopeful by the day. We therefore begin our next financial year with optimism, budgeting to increase cattle numbers to the processing plants to just over 120,000 cattle.

Any last thoughts you'd like to share?

I want to thank our producers 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 successes of this most difficult of years 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. As ever, we owe them a debt of gratitude for their endeavours on behalf of the Namibian livestock farmer.

We look forward to working together with all our stakeholders in 2016 to explore options for counteracting the effects of disease and disease control, bush encroachment, trade barriers, climate change, grazing and water availability, foreign exchange and other impacts — both anticipated and unexpected — so that we can grow our operations and, critically, support our farmers in facing the challenges of the future with confidence in our strategies and in our ability to place their best interests at the heart of our operations.

ADVOCATE VEKUII RUKORO
Chief Executive Officer
Windhoek, Namibia
9 May 2016

N\$29^{.98/kg}

PRODUCER PRICE:
Meatco paid N\$29.98 per kg (across all grades) .

62.35%

PRODUCER RETURNS: A total of 62.35% of Meatco's revenue was paid out to producers.

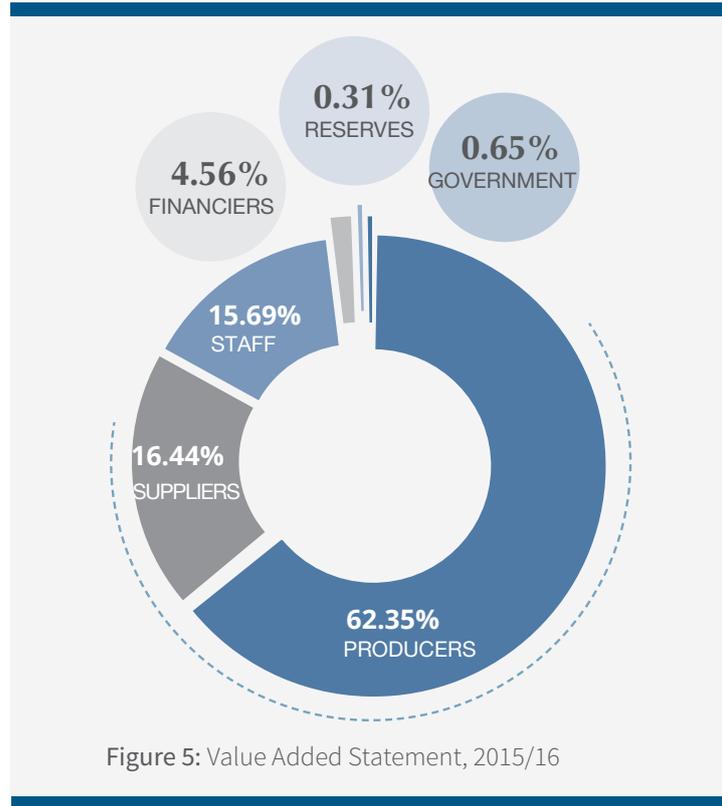


Figure 5: Value Added Statement, 2015/16

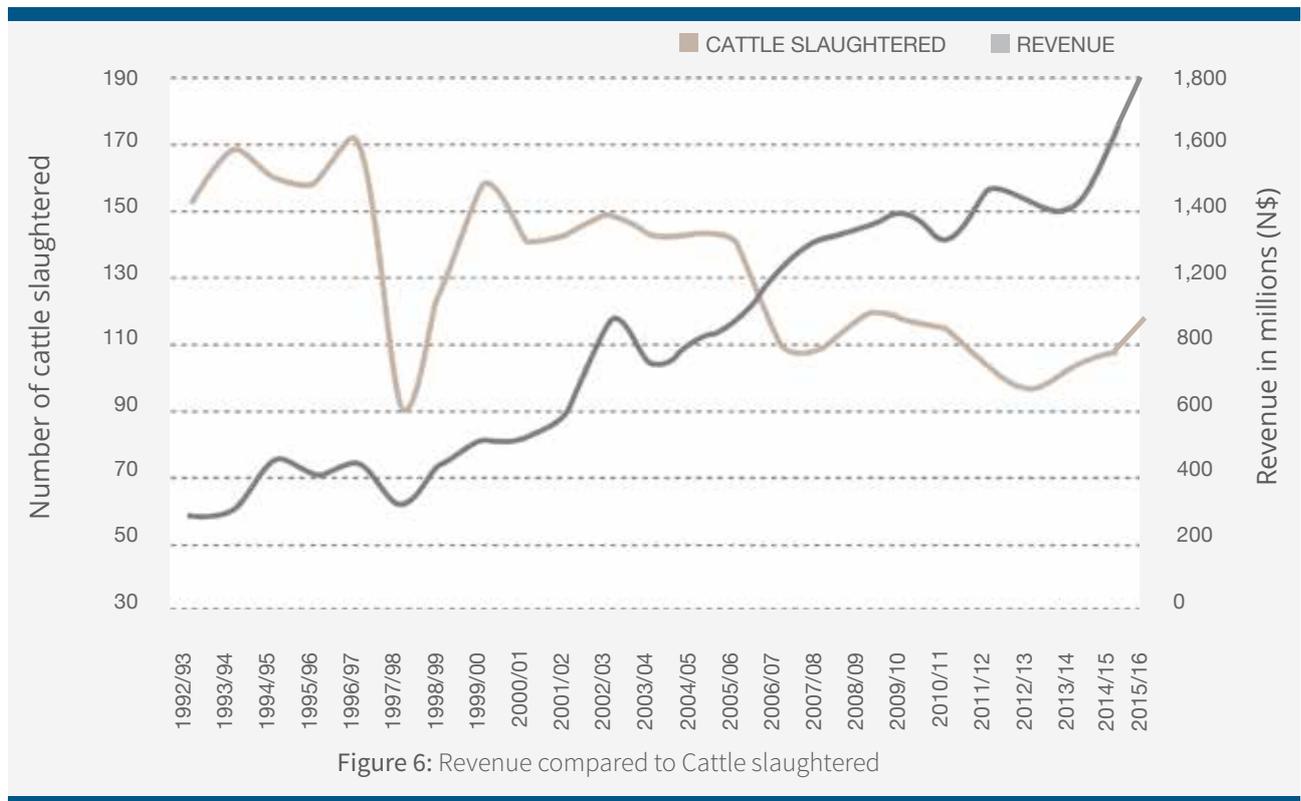


Figure 6: Revenue compared to Cattle slaughtered

24.6%

CATTLE SOURCES: In total, Meatco procured 24.6% more cattle from producers compared with 2015.

N\$61.03m

TOTAL PREMIUMS PAID over and above the South African price amounted to N\$61.03 million, representing N\$2.27/kg.

Review: Livestock Procurement

During the reporting year much work was done behind the scenes, laying a strong foundation for our future procurement activities.

Together with our in-house information technology team, we integrated our different supply channels, aimed at streamlining our MoC initiatives and thus allowing us to be in full control of our biological assets.

We also developed a producer classification system which will assist us in providing special service delivery to producers that make the most impact on our business.

In addition, policies and pricing systems were updated; the department was restructured and realigned, and new positions were created.

Thus, much groundwork was done on which we will build in the years to come.



“MUCH GROUNDWORK WAS DONE ON WHICH WE WILL BUILD IN THE YEARS TO COME. AMONG OTHERS, WE DEVELOPED A PRODUCER CLASSIFICATION SYSTEM WHICH WILL ASSIST US IN PROVIDING SPECIAL SERVICE DELIVERY TO PRODUCERS THAT MAKE THE MOST IMPACT ON OUR BUSINESS.”
HEINER BÖHME, EXECUTIVE: LIVESTOCK PROCUREMENT



Meatco slaughtered a total of 116,948 cattle. This is 9,547 animals more than the previous reporting year (2014/15: 107,403). All these animals were procured from South of the VCF (SVCF), as the two northern abattoirs were closed throughout the year due to FMD.

Most of the increase in slaughtered cattle was due to emergency slaughters, but also due to our backwards integration strategies such as the expansion of our feedlot — 5,239 more cattle were available from the feedlot.

The lack of rainfall in 2015 meant that farmers struggled with the impacts of two low rainfall years in close succession. Although it was a challenge to accommodate such high numbers of cattle, we are glad that we did manage to accommodate all in our systems.

Of the 116,948 cattle slaughtered in our own facilities (we slaughtered 236 cattle in other facilities) in the



2015/16 reporting year, 61.0% (or 71,291 cattle) were procured from producers; 32,532 cattle were procured from Meatco's feedlots (representing 27.8%); and 13,125 were procured through Meatco's backwards integration initiatives (11.2%).



The cattle in general were of reasonable quality, and it seems that the strategy of aligning market realisation to producer prices is bearing fruit. Although many producers expected a rise in producer prices towards the end of the year, keeping producer prices stable throughout the year in general finds good resonance with most producers.



As indicated in Figure 7, since the 2008/09 reporting year, the number of cattle received from commercial producers (SVCF) has steadily decreased, but increased during the reporting period due to emergency slaughter.

On the other hand, cattle numbers from Meatco's feedlots have steadily increased over the same period, stressing the importance of these backwards integration strategies in ensuring consistent supply and quality.

The trend of more cattle being slaughtered by private abattoirs is continuing unabated, which means these animals were not available to the Meatco abattoirs. As noted in Meatco's previous annual report, 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 abattoirs operated.

“I RECENTLY STARTED TO DELIVER MY CATTLE TO MEATCO AND I MUST SAY THAT I WAS VERY SURPRISED AT THE PRICES I GOT; I NEVER GOT SUCH GOOD PRICES FROM ANY AUCTION. MEATCO ALSO ENSURED THAT WE GET GOOD ADVICE, TRAINING US IN IMPORTANT ASPECTS OF FARMING.”
JOB MUNIARO, COMMUNAL FARMER

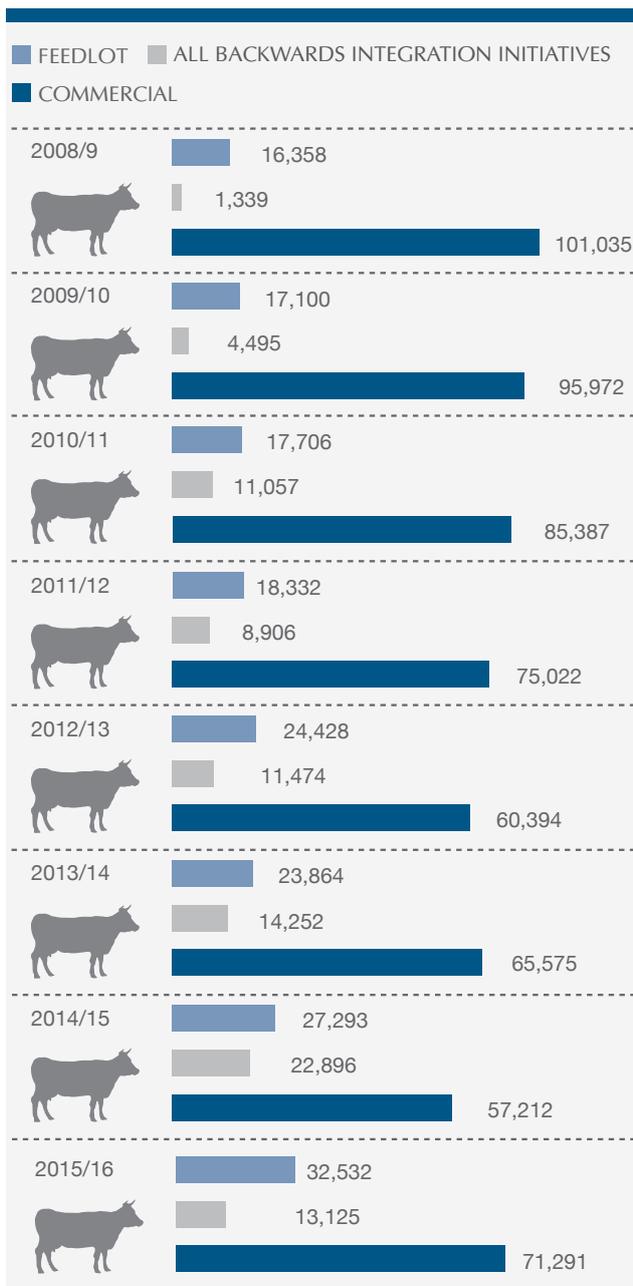


Figure 7: Cattle slaughtered at Meatco (SVCF): 2008/09-2015/16

Indeed, it was this original fragmentation that led to the birth of Meatco, when producers formed the Corporation with the objective of consolidating abattoir facilities and lowering operational costs, thus delivering better prices to the producers.

Coming out of the 2013 and 2015 droughts, many cattle have been marketed by our producers, and indications are that the national cow herd has shrunk.

This will lead to at least two years of good rains needed to rebuild the national herd. Even younger animals (stores) are difficult to procure currently.

PROCUREMENT FROM COMMUNAL AREAS

As mentioned, no cattle were procured from the NCA due to FMD.

In the communal areas South of the VCF, we restarted Meatco’s permit days, which was one of our successes during the reporting year. We also work closely with the Meatco Foundation and are in the process of obtaining funding for a sorting station at our new Gobabis feedlot on the farm Annasruh.

This allow us to buy cattle on a permit day, sort them into our different procurement channels, and export or auction off those that we cannot accommodate in our own channels.

In addition, we already have 750 cattle as part of our MoC system in the NCA, where we gone into partnership agreements with communal farmers to raise our cattle for 100% profit share at slaughter. When the mobile slaughtering unit is deployed in July 2016, these cattle will be the first that will be slaughtered. Once we have the data of this specific MoC project and it’s proven to be successful, we aim to expand it substantially in the NCA, and even expanding it to the SVCF areas.



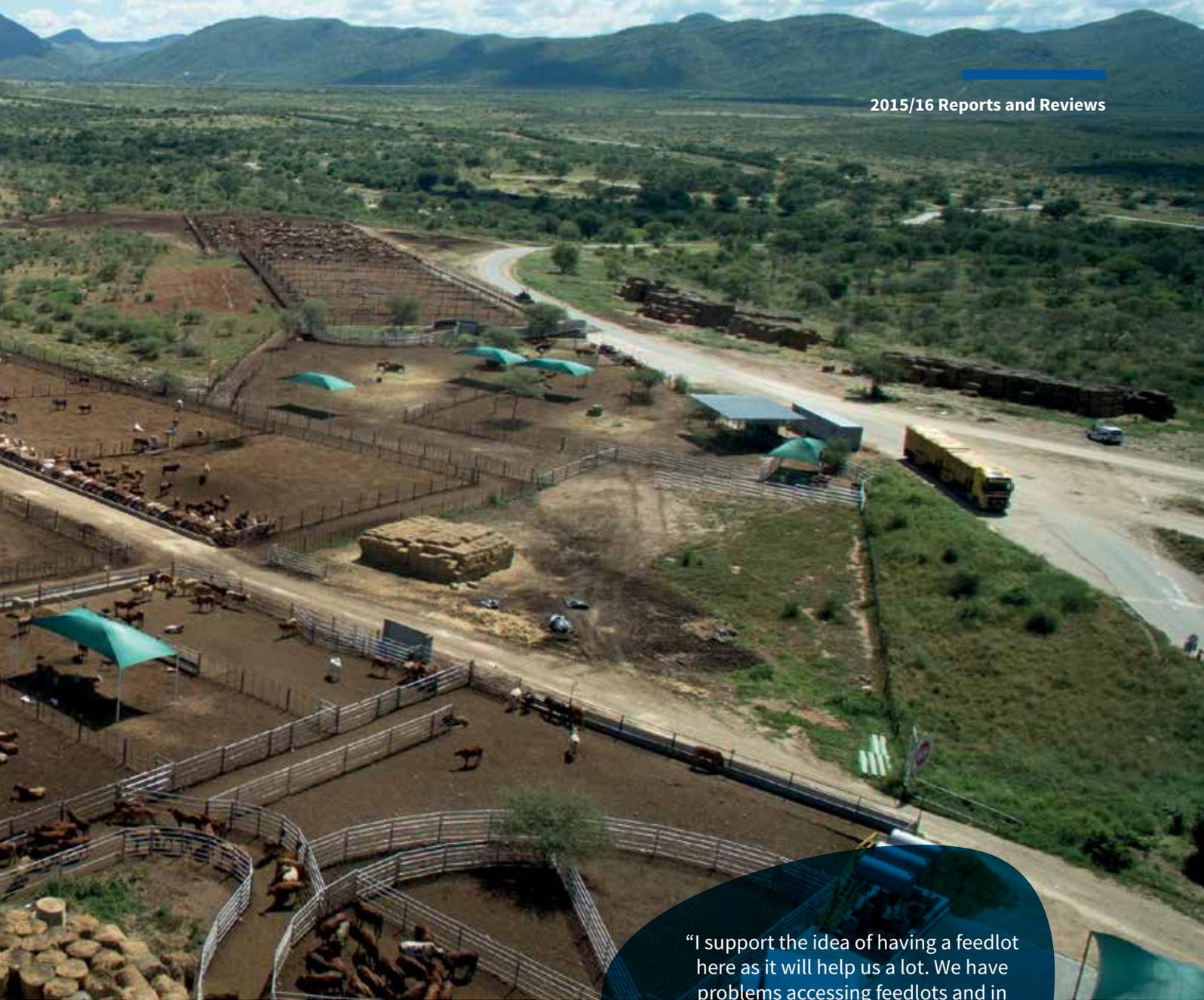
“I STARTED FARMING IN 2004 AND BEGAN DELIVERING MY CATTLE TO MEATCO TWO YEARS AGO. IN MY VIEW, MEATCO HAS THE INTEREST OF THE FARMERS AT HEART, SUCH AS SPONSORING FARMERS’ EVENTS, OR HELPING US TO BUILD AUCTION PENS. WE HAVE A GOOD PARTNER IN MEATCO.”
KAVERI KAVARI, COMMUNAL FARMER

FEEDLOTS AND FEED SUPPLY

During the reporting year, a total of 32,532 cattle were sourced from the Okapuka Feedlot for slaughter, compared with 27,293 cattle in the previous period, thus 5,239 more cattle.

The Okapuka Feedlot was expanded from a capacity of 28,000 cattle slaughtered previously to 32,000 cattle. An additional six holding pens were constructed in 2015/16, with each pen capable of accommodating 120 cattle at a time. The facility has a standing capacity of 9,200 cattle — worth N\$45 million.

Much work was done to secure our feed supply, relying less on middle men and thus improving our cost efficiency. As such, we were successful in buying directly from suppliers in Zambia and elsewhere, building up strong relationships that will stand us in good stead during drought conditions when demand outstrips supply.



This strategy has already paid off, as the drought did not have such an enormous impact on the feed prices as it did in South Africa, where the price basically doubled, while our prices increased only about 15-20%. We did the same with animal medicine, sourcing it directly from main suppliers.

VELDLOTTING SUSPENDED

In the past, Meatco's operations were hampered by the interruption of supply during the traditional September to February off season. As a result, we introduced the Off Season Premium to encourage our producers to consider delivering their animals to us over those months.

The premium allowed them to purchase feed to bring their animals to slaughter condition at a time when the veldt was unproductive during a dry time of the year, rather than waiting until peak season (March to August) to do so.

"I support the idea of having a feedlot here as it will help us a lot. We have problems accessing feedlots and in most cases we have to send our cattle to Okahandja or sell to South Africa. It will be much better to have a local feedlot for us to raise our weaners for slaughter."

Victor Kaune, a farmer in Omaheke Region

"It will be great to have a feedlot for both communal and commercial farmers in our region. As much as we have to consider the concerns raised by the community and stakeholders, I believe that with proper communication and due consideration, it will be a positive investment in our region."

Pijoo Nganate, Special Advisor to the Governor of the Omaheke Region

We supplemented this countermeasure by introducing our veldlotting initiative, whereby feed purchased by the Corporation from countries such as Zambia was provided interest-free to farmers willing to accelerate the improvement in the quality of their herds. The price of the feed was then deducted from the price paid to the producer once the animals were slaughtered.

In 2014, a decision was taken to pay high, stable prices throughout the year and the need for the Off Season Premium therefore fell away.

Subsequently, the purpose behind the veldlotting initiative similarly became obsolete and this year it was decided to suspend this service once all existing contracts were processed.

THE FUTURE OF LIVE CATTLE EXPORTS TO SOUTH AFRICA

Namibian communal farmers are the leading weaner producers in the country and South Africa represents the country's largest export market for these animals. Any decision by the South African Government to make import measures for weaners more restrictive — as seems to be likely to be effected in the near future due to pressure from South Africa's National Animal Health Forum — can only have negative consequences for these producers.



“

THESE REQUIREMENTS ARE BASED ON TRADE RESTRICTIONS REQUESTED BY THE SOUTH AFRICAN RED MEAT PRODUCERS ORGANISATION, BECAUSE THEY HAVE NO SYSTEM IN PLACE TO CONTROL THE FLOW OF ANIMALS TO AND FROM SOUTH AFRICA. WE HAVE CONDUCTED ENDLESS MEETINGS AND DISCUSSIONS AND HAVE BEEN INVOLVED IN NONSTOP CORRESPONDENCE. WE HAVE NO ALTERNATIVE BUT TO ASK PRESIDENT GEINGOB TO ADDRESS THE ISSUE AT THE HIGHEST LEVEL OF GOVERNMENT.

”

MECKI SCHNEIDER, CHAIRPERSON OF THE LIVESTOCK PRODUCERS ORGANISATION

While Meatco’s feedlot expansion in the Otjozondjupa and Omaheke regions forms part of our backwards integration strategy, it can contribute towards mitigating in part the pressure on weaner producers. Feedlots become a necessity when Namibian grazing is inadequate to the task of feeding weaners up to the slaughter mass required by export abattoirs — a situation exacerbated by unfavourable climatic conditions such as those we have experienced over recent years.

Previously, more than 150,000 animals were destined for South Africa per year. The Kombat feedlot (Otjozondjupa Region) and the Annasruh feedlot in Omaheke Region will see around 85,000 weaners absorbed in total, as well as the creation of additional jobs at the sites. The remaining cattle could be accommodated by the country’s oxen producers, and weaner producers could begin transitioning over to oxen production.

Meatco is exploring further options for expanding its feedlot operations nationally, but additional feedlots only make sense if they are integrated with an abattoir and the expense of importing fodder can be addressed.

Making land available at Green Scheme projects for growing fodder locally is an avenue worth exploring with Government. The Corporation is currently also investigating the possibility of importing bulk fodder at cheaper rates.

ALIGNMENT OF DEPARTMENT

The alignment of Meatco’s organisational structure enabled us to streamline our staff functions. Previously, we had three procurement managers operating in the northern, central and southern areas. We consolidated it into a procurement manager servicing the commercial areas and another one servicing the communal areas.

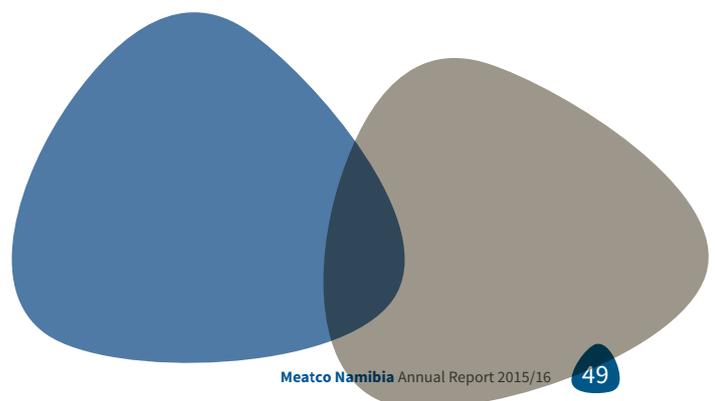
LOOKING AHEAD

We expect it to be tough to procure the number of cattle needed to maximise our production capacity, due to the impact of the two near-successive droughts which reduced cattle herds. Rebuilding the national herd will be a challenge for the next two to three years.

This means the importance of our feedlot development increases exponentially, but it will require time to build it up to maximum capacity. Thus, availability of good quality slaughter cattle to supply our high-end international market will test our ingenuity and resilience.

As we expect more weaners to become available locally due to the increased cost to export them to South Africa, another challenge will be to find a market for the small weaner (below 220-230 kg).

We are investigating the veal market, but it is a very different market to what we are used to and it will take a while to develop that market. As most of the weaners come from the communal areas — 70-80% of cattle sold during permit days are weaners — it is an important area that will require attention in future.



Review: Sustainability of our Cattle Supply

HISTORY AND BACKGROUND

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 continuous decline in slaughter 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, as well as upgrading facilities and infrastructure and completing routine maintenance.

The previous year, 2014/15, marked the first year that these initiatives really paid off, but the various negative impacts on our operations, such as increased utility costs in the reporting year, have constrained our ability to turn these efforts into increased throughput and producer prices. Nevertheless, we will continue to expand on these initiatives as our objective is to increase our slaughtering figures to 180,000 per annum.

Our Livestock 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.

It also links livestock procurement more closely to the rest of our operations, 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 — important considerations during times of adverse climatic conditions or outbreaks of foot-and-mouth disease.

Specific elements of the Livestock Procurement Policy include:

- *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;
- *Meatco-owned contract feeding*, whereby Meatco purchases calves and then farmers raise them in an intensive feeding environment;
- *The 'MoC profit share' option*, through which Meatco procures cattle and farmers rear the cattle on its behalf.
- *On-the-hoof purchases*, where Meatco buys animals directly from producers at auctions or on their farms; and
- *Cash payments*, which offer on-the-spot cash for animals in the communal areas.

FEEDLOT EXPANSION DRIVE

As mentioned, the Okapuka Feedlot was expanded during the reporting period and capital development amounted to N\$14.8 million.

In terms of our new feedlot on Annasruh, 10 km north of Gobabis in the Omahake Region, the focus during the reporting year was to get the master plan developed and the environmental impact assessment (EIA) done. Water drilling is completed and as soon as the EIA is approved, we will commence with construction in the new financial year.





The MoC initiative has given me the chance to migrate to oxen production, since I was solely in the weaner industry the past couple of years. I started participating in the MoC initiative in the middle of 2015 and I can already see the difference in my animals. The previous — and first — time the animals were weighed, the heaviest animal tipped the scales at 308 kg. Now it weighs 394 kg. The animal weighing the least was 117 kg and it now weighs 177 kg. I can really see how the cattle on my farm are growing.”

Moolman Scheepers van Zyl, a MoC producer farming in the Khomas Hochland area

“We need a feedlot to help us raise our weaners to slaughter cattle. The feedlot will also improve our cattle numbers, especially weaners. Gobabis produces a lot of cattle but with no feedlot in the area we end up selling our cattle to other countries since access is easier. But now, thanks to this development, we can sell our animals to Meatco.”

Elia Kavari, a farmer in the Gobabis area

Expanding feedlot capacity further, we completed the process of buying a portion of a farm in Kombat in the Otjozondjupa Region and await transfer. The master plan and EIA should be completed before end of 2016 when construction is scheduled to commence.

Both the Annasruh and Kombat feedlots will be constructed in phases of 3,000 cattle standing per year for three years, making provision for eventual capacity of 12,000 cattle standing.

The feedlots will also include a processing facility, a feed mixing and storage area, as well as an additional feed dispenser, thus allowing farmers to raise their weaners to slaughter animals that can be sold to Meatco, rather than being forced to try to market their animals on the hoof to South Africa under increasingly difficult export conditions.

The contribution the Corporation’s feedlot initiative makes to the Namibian agri-industry is inestimable, especially in areas such as Omaheke with a very high unemployment rate.

Having received N\$70,000 from the Development Bank of Namibia to expand its feedlot operations, Meatco was awarded the overall winner's prize at the bank's Good Business and Operations Awards in October 2015, in recognition of the crucial role this component of its operations makes to poverty alleviation and job creation.

Trials relating to animal production and animal welfare were initiated at the Okapuka Feedlot in July 2015, supervised by Cornelia Kahl, a bursary M.Sc. student. The results of the year-long study should enable the feedlot to implement strategies to improve its production.

In addition, Meatco continued 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.

SUSTAINABILITY CHALLENGES THROUGHOUT 2015/16

Namibia is a country of extremes. Whether a farmer has a small field of *mahangu* or an expanse of *veldt* with hundreds of head of cattle, a few cloud bursts can mean the difference between a year of plenty and a crisis situation. This is why Meatco's backward integration projects, such as the Meatco-owned Cattle (MoC) initiative, are so essential to the livelihoods of our producers.

What more can be said about the 2015/16 year of drought that has not been expressed already in the media by stakeholders in the Namibian agricultural community? By March in the reporting year, only 5% of beef producers had received rainfall in the normal range. Coming on top of the low rainfall of 2013, the



veldt was already in poor condition and farmers were already marketing their cattle in large numbers before the year was even half over.

The market will thus be expected to be under-supplied next year, while over the period under consideration Namibian and South African farmers were forced to sell their animals, flooding the market and leading to a decrease in market prices.

The impact on the drought in the NCA compelled the MAWF to revise the emergency movement control measures for livestock put in place in April 2015 after the initial outbreak of foot-and-mouth disease. In 2015 it was announced that although farmers in FMD-affected areas were still not allowed to move their animals freely outside affected zones, they were able to water and graze their animals anywhere in the affected constituencies.

This measure was only applicable if no new FMD cases had been reported within a 10 km radius of the grazing/watering destination within the past 28 days; animals could not be moved to infected areas or the Etosha National Park in search of grazing or water.

Their animals could also be transported to abattoirs within affected zones — on condition that animals were slaughtered within 24 hours of arrival — and to pens at approved municipal abattoirs.



MEETING LONG-TERM CHALLENGES TO SUSTAINABILITY

The Namibian livestock industry is under pressure from a number of different threats. Some of these — foot-and-mouth disease, decimated grazing, and restricted water resources — have been especially high profile this year and we hope that we will not experience another set of adverse conditions such as those that assailed us this year for a long time to come.

But it is relevant — and important — that we view such setbacks as part of a broader pattern that is likely to continue to affect the Namibian farming community for as long as agricultural inflation, climate change, changes to regional market access, and global economics make their effects felt on the volumes of products we can deliver to our markets and the prices we can command for them.

The Namibian Government's *Strategic Plan for the Livestock Industry* captures and discusses the various interlinked challenges that Namibian livestock farmers face. The document was collated by the Government to harmonise the inputs of all key role players: the Meat Board, Abattoir Association of Namibia, farmers' unions and — of course — Meatco.

Government has met the challenge of strengthening veterinary services and surveillance systems. The human capital of this sector will be enhanced by training, increasing diagnostic capacity, and the introduction of a quality management system for laboratories. Infrastructure will be expanded.

Decreasing profitability; elevated input and production costs; bush encroachment; trade barriers to exports; outbreaks of diseases; animal health and welfare standards; local value addition ('Growth at Home'); rangeland management; fluctuations in producers prices and value chain benefits — these are all ongoing aspects of Namibian livestock agriculture that must be part of the national dialogue.

We ignore any and all of them at our peril — but perhaps those that are the result of climatic variability will have the most devastating consequences for the country in the future, and will have the most deleterious effects on the sustainability of our operations and the services and prices we can offer our producers.

We therefore need to engage government in discussions around the need to align its policies with economic and business realities on the ground. We have a responsibility to ensure that any restructuring at Meatco, or any change in its priorities, takes place with due consideration for the repercussions this might have for farmers.



“Profitability is decreasing, while production costs are increasing faster than the producer price. Bush encroachment reduces carrying capacity, diminishing livestock production per hectare. The potential trade barriers to South African markets for the live export of cattle, sheep and goats have also been a huge blow to the industry, bringing about substantial financial losses. There is a lack of alignment between Government policies and economic and business realities. Dual production systems between the NCA and commercial areas have also come into play and we need to keep in mind that climatic variability is a huge crisis at the moment. Inputs from all stakeholders are needed to address these issues.”

**Sakkie Coetzee, Executive Manager,
Namibia Agriculture Union (NAU)**

The goals of the Growth at Home strategy must be compared against those of, for example, the Small Stock Marketing Scheme and meaningful synergies investigated. The dual production system embodied in the separation of the NCA and commercial farming sectors must not be allowed to lead to a kind of two-tier support mechanism that prioritises one over the other.

Only through participation in consultations such as the Agriculture Trade Forum's 36th Public Dialogue on Growth at Home, which took place in August 2015, can Meatco retain its 'seat at the table' and contribute to public/private dialogue on economic growth and job creation within the agro-processing sector.

Interventions discussed at this forum included those that will play a critical role in ensuring the sustainability of our operations in the future: promotion and enhancement of value addition; industrialisation through delivery of prime agricultural raw materials to agro-processing; product diversification (including in the game meat market) and expansion; access to alternative high-value markets; and a cold storage beef export facility at Walvis Bay.

The possibility of more restrictive South Africa import measures and the ever-present threat of more regular and more protracted droughts only make this type of engagement more imperative to the sustainability of our business and the welfare of the farming communities that rely on the partnerships we forge with our producers.

Meatco will continue to investigate and initial innovative approaches to address the suite of issues that impact our producer farmers and determine the sustainability of our operations. For example, when drought conditions in the future might ordinarily compel farmers to market their cattle too early in the season, extra feedlot capacity will allow us to accommodate their excess cattle and bring them on to slaughter quality and weight.

GOVERNMENT MEASURES TO ASSIST NAMIBIAN FARMERS

Following the second outbreak of foot-and-mouth disease (FMD) of the year in the north, and the recognition that the country was officially in its second drought year in a decade, Government was obliged to introduce measures to assist Namibian farmers affected by FMD and the poor grazing conditions nationally.

Cabinet approved for implementation measures designed to ameliorate the effects of the ban on transport of livestock from the NCA and to mitigate the effects of drought (Cabinet Decision No. 1/14.04.15/003).

Eligible NCA applicants, with the exception of those in Zambezi Region, were invited to complete forms at their local Directorate of Agricultural Production, Extension and Engineering Services (DAPEES) office in order that they might benefit from the Livestock Marketing Incentive Scheme.

The scheme was applicable to animals they sold from 1st March 2015 until 15th May 2015 (when the official MAWF ban on livestock movement came into force as a response to the FMD outbreak) as a direct result of having to contend with drought conditions on their grazing areas.

Suitably qualified farmers in Zambezi Region were able to avail themselves of drought mitigation measures as of 27th May 2015.

The marketing incentive of N\$400 per large livestock unit (i.e., one head of cattle) up to a maximum of 200 animals was payable, a disbursement that will assist communal area farmers to continue their operations until such time as the condition of veldt grazing has recovered.

Review: Processing Operations

DURING THE 2015/16 FINANCIAL YEAR, MEATCO FOCUSED ON THE AFFORDABILITY, FLEXIBILITY, EFFECTIVENESS, AND SCALABILITY OF OUR OPERATIONS, FOLLOWING THE INVESTMENT OF N\$174.3 MILLION IN UPGRADING OUR PROCESSING OPERATIONS OR PLANTS OVER THE PAST THREE YEARS.

These efforts paid off in terms of managing volume of cattle delivered for slaughter, processing to client specifications, responding to market demands, and adding value to raw materials despite various challenges throughout the year, specifically those linked to managing throughput in a cost-effective manner.

Our strategic intent in our operations is to ensure affordability, flexibility, effectiveness and scalability. This means our focus areas were to ensure the correct size capacity for optimum flexibility; improvement in labour productivity; conforming to quality and food safety standards; improving efficiencies; management of costs and compliance to occupational health and safety standards.

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 factory has been maintained at 98%, which compares well with the minimum world target of 95%. To improve throughput efficiencies and to avoid compromising standards at the Windhoek plant, a list of items for repair and upgrading was prepared and a schedule for system maintenance was then created, which involved identifying those activities that could be carried out during production and those that would have to await the cessation of operations.



“OUR STRATEGIC INTENT IN OUR OPERATIONS IS TO ENSURE AFFORDABILITY, FLEXIBILITY, EFFECTIVENESS AND SCALABILITY.”

JANNIE BREYTENBACH, EXECUTIVE: OPERATIONS

The Windhoek plant was closed for maintenance from August until the end of the reporting year and as a result 1,093 fewer cattle were slaughtered at this plant than budgeted; however, the Okahandja plant mitigated this shortfall, with full slaughter numbers achieved in September, October, November and December.

The deboning production section at the Windhoek plant has expanded considerably over the past three years and this has meant that installing a larger air-conditioning unit has become a priority. A new refrigerator compressor was also required — costing about N\$10 million — and the overhead conveyor chains, bunch conveyor and plates needed replacing. All machinery was also dismantled, inspected and repaired where necessary.



The Okahandja plant was closed briefly early in 2015 in order to improve its capacity to process different carcasses and to make modifications that aligned the plant with the Corporations' changing marketing needs.



Expansion also took place through the development of increased feedlot capacity (planned for Otjozondjupa and Omaheke regions) and at the Okapuka Tannery, in order to address the anticipated increase in number of animals slaughtered at the abattoirs.

All these renovations and expansion activities comprise elements of our Operation Department's strategic plan.

Meatco aims to complete the work within the next two years and the improved efficiencies across our operations will allow us to process greater numbers of cattle and ensure consistency in the supply to the market.



In total, Meatco processed 26,878 tonnes of meat

for our various markets during the reporting period; this represents an increase of 1.51%.



“MY FATHER DELIVERED ALL HIS CATTLE TO MEATCO AND WHEN I TOOK OVER FROM HIM, I CONTINUED DOING IT. OUR FARM IS A FAMILY BUSINESS AND MEATCO HAS ALWAYS BEEN OUR ABATTOIR OF CHOICE IN TERMS OF WHO WE SUPPLY OUR CATTLE TO.”

WILFRIED SLANEY, COMMERCIAL FARMER

Of the 116,948 cattle we slaughtered in the year under review, the number of animals graded ‘AB’ and ‘B’ decreased while that of ‘A’ Grade cattle increased. The average weight per carcass increased by 2.97 kg from 226.86 kg to 229.83 kg for this year.

Most animals slaughtered at the abattoirs were a fat grade of 1 and 2. Therefore, overall in the past year, the condition of the cattle was fair and the volumes were lower than expected.

In total, Meatco processed 26,878 tonnes of meat for our markets during the reporting period, compared with 26,491 tonnes recorded in the previous reporting period.

Even as early as the start of 2015, as it became increasingly difficult to ignore the omens indicating that a drought situation was looming, Meatco met with livestock producers’ organisations to plan the way forwards for dealing with the consequences of another poor rainy season.

At that stage we agreed to increase our emergency slaughter dates and sent out requests for farmers to bring in their cattle early to the abattoirs. Nevertheless, good rains in February and March in a few areas forestalled the aims of this strategy to a degree, with some farmers cancelling their slots at very short notice, leading to compromised efficiencies at the two factories, one of which — Windhoek — had been kept open specifically to accommodate farmers wishing to slaughter their animals early.

Meatco incurred expenses through keeping the factories open and contracting additional labour to deal with the emergency slaughter dates it had scheduled for February, March and April 2015. Cancellation for the three months was 9,500 animals. The Procurement Office was compelled to phone farmers to shift their slaughter dates to an earlier slot, in order to compensate for the cancellations and the costs these incurred at the two factories.

The drought conditions, in tandem with the numbers of cattle available and foot-and-mouth disease outbreaks during the year forced Meatco to make a series of strategic operational decisions with regard to our factories and when they should close. Although expected numbers simply could not be achieved during the first months of the reporting year, throughput did remain consistent.

Obviously, overheads are almost the same at a factory whether it is running at full production or at lower numbers and by consulting with the procurement department the Windhoek and Okahandja abattoirs were able to plan efficiently over a period of lower-than-expected slaughter demand in April so that in the end a balanced production level was achievable.

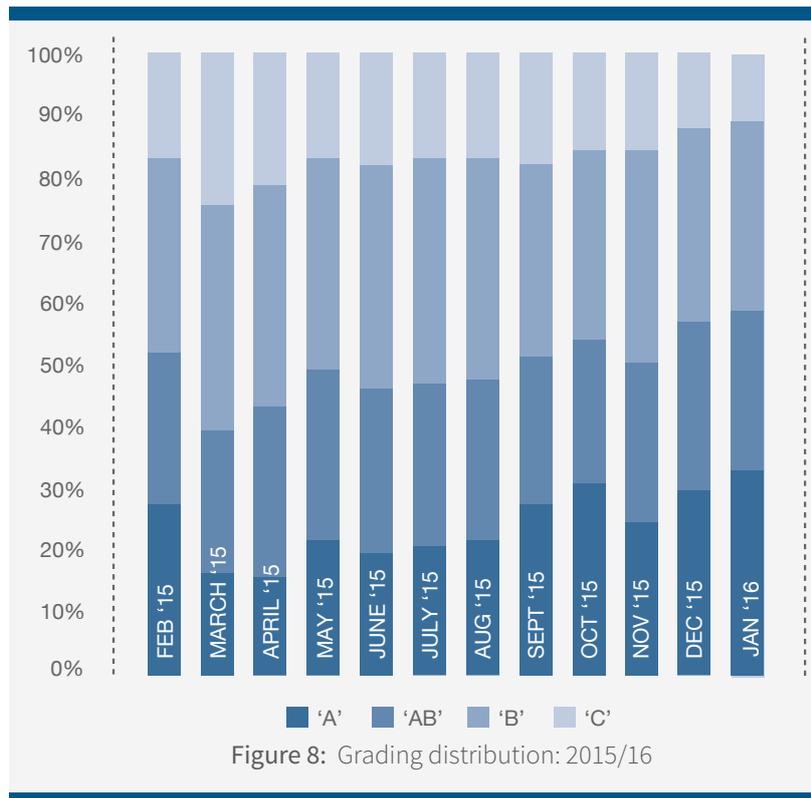
Meatco’s international European Union (EU) export status is dependent on regular maintenance and upgrades of our facilities.



MEATCO AND THE JSE

Industry stakeholders and representatives from the Johannesburg Stock Exchange (JSE) have been in discussions over the year under review to investigate how local producers can benefit from beef carcass and feeder calf contracts, in view of the fact that the Namibian Stock Exchange does not have a derivatives market. Although the beef carcass contract listed on the JSE uses South African prices, Namibian producers and processors — such as Meatco — can make use of the instrument to lock in favourable prices, thereby managing their exposure to fluctuating prices through sound forward planning.

Says Raphael Karuaihe, Manager: Commodity Derivatives (JSE): “Meatco is a major buyer of livestock and processor of beef, and may use the beef carcass contract listed on the JSE for price risk management purposes. The historical prices for ‘A2’ and ‘A3’ grade carcasses for South Africa and Namibia have shown a very high correlation.”



Continuous audits of our plants are conducted by the department of Veterinary Services from the Ministry of Agriculture, Water and Forestry, supplemented by similar auditing activities by local and international clients, as well as other competent authorities of countries of potential export. In this period Meatco has also been receiving specialist inputs from an abattoir and operations expert from the EU, who assisted in streamlining production processes, as well as training and mentoring our junior leathers at the factories.

With Meatco’s backwards integration strategy and the alignment or upgrade of the operational infrastructure to accommodate the strategy, Meatco is on track to reach its goal of slaughtering 180,000 animals annually by 2019, thus utilising 90 per cent of our current abattoir capacity.

RELATED OPERATIONS

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

CANNING PLANT

Meatco’s canned beef range has been part of our production since the early 1980s. Our brands *Texan*, *Eloolo* and *Ranch* are well established in Namibia and across southern Africa, and they are part of a long and proud tradition for Meatco. We introduce two new brand labels, *Longhorn* for the Namibian market and *Cattleman* for the Nigerian market. All our canned products are ISO-, HACCP- and Halaal-certified.

During the reporting period, the canning plant was operational for only nine months, due to upgrading of the refrigeration system and the installation of a new round can line. Since the upgrading, the plant is running more efficiently and cost effectively. The introducing of the round can line is part of the two-year turn-around strategy to increase our profitability per unit, as well as increasing Meatco’s local value-addition plan in line with Government’s ‘grow at home’ strategy, specifically focused on local and export (Africa) markets.

The new round can line increased Meatco’s basket of candid product to the market. The round can line will allow us to expand our product range substantially. We started with three new products — Canned Viennas in brine, Chicken Loaf, and Luncheon Roll — and will add more as the market demand grows. These products are designed for the domestic and regional market and we have already received positive feedback from our buyers, confirming we’ve laid the foundation for greater efficiency, flexibility and cost effectiveness in our canning plant.

In the 2015/16 financial year, our canning plant produced a total 14,083,136 cans of corned meat products and sold a total of 14,828,343, in doing so adding N\$ 7,1 million profit to the Meatco bottom-line.

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 this year.

The awards were the culmination of a national survey conducted by the research consultancy company PMR Africa during which companies were appraised and rated in terms of perceptions of the company, its processes, leadership, competitiveness, effectiveness, excellence, customer service, and levels of satisfaction.

The aim of the awards is to create awareness of Namibia as a growing economy with investment potential for foreign and local developers and investors and to showcase key contributors to the economic growth and development of municipalities and regions, as well as SADC countries more generally.

Meatco received its 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 are an opportunity to demonstrate that the Corporation retains its position as leader in the Namibian meat industry and is recognised as a corporation that offers service excellence.

Last year Meatco achieved two Golden Arrows in the categories of Agriculture Livestock and Meat Processing Companies, as well as a Silver Arrow for Agriculture Abattoirs so this year's Golden Arrows prove that Meatco's drive to improve the quality of our abattoirs is paying off, since we improved on last year's achievements.





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 1997 and currently employs 48 people. It uses sophisticated electronic equipment to process hides for export markets, with the end products destined principally for Italy. China and NAKARA are also important markets, but yields are much less than from Italy.

Hides are sourced from all over Namibia, including from Meatco's abattoirs and other local abattoirs, as well as from South Africa and Mauritius. Availability of local green or raw hides was limited during the reporting year and nearly 45% of hides had to be sourced from South Africa.

Prices in South Africa were relatively steady at N\$13/kg, but with the current shortage in hides it is expected that prices will increase in 2016. Hides from Mauritius are very expensive with the weakening of the South

“TWO ADDITIONAL JUMBO DRUMS WERE INSTALLED, ALLOWING US TO INCREASE PROCESSING CAPACITY FROM 800 SKINS AND HIDES TO AT LEAST 1,200 PER DAY.”

**JANNIE BREYTENBACH,
EXECUTIVE: OPERATIONS**

African rand; we continue to monitor the situation and will procure hides from this market if the currency is in our favour.

The period under review was the worst year for the tannery in a decade, due to a decrease in international market prices. The tannery business is directly linked to fashion, which is a fickle business and easily affected by economic factors. Due to the economic circumstances in Europe all prices dropped by 40-45%, while the negative exchange rate exacerbated the situation.

In China, 400 tanneries were temporarily closed due to effluent pollution. This move also had a major impact on the selling price, as high stock levels of raw skins and hides meant low sales movement, which resulted in depressed prices.

Review: Processing Operations

By the end of the year the market improved slightly, but then we didn't have the volumes.

During the reporting period, Meatco processed 240,230 cattle hides and sold 222,801 hides. Two additional jumbo drums were installed, allowing us to increase capacity from 800 a day to at least 1,200 a day. However, the drought affected water availability and we had to align production accordingly.

We stopped the tanning of sheep skin as the market for small stock hides is under huge pressure with the strength of the US dollar against the euro. Meatco still has two containers of sheep skin in stock and our strategy is to hold it back until the market recovers. During the reporting period Meatco processed 41,332 sheep skins and sold 336,563 sheep skins into the markets.

In the meantime, we developed the game skin business during the reporting

period, tanning between 9,000 and 10,000 skins. We are developing niche markets in China and Pakistan. Small volumes already were shipped to China; prices are reasonable and volumes are expected to increase during the 2016 hunting season.

We target to produce 24,000 game skins and hides in 2016, but the availability of water may present a challenge to achieve that.

Much technical work was also done during the reporting year to reduce the possibility of effluent pollution and to save water. Drying beds were installed to capture the water used during the tanning process before it goes into evaporation dams. .



NORTHERN COMMUNAL AREAS (NCA)

The 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.

More than 60% of Namibia's cattle can be found in the NCA. The annual off-take rate from these areas is just 8.1% (MCA report), in comparison with about 20-25% in the commercial farming areas SVCF. Nevertheless, it is an area of potential growth and is of great importance to the nation and Meatco.

During the reporting year, both the abattoirs in Oshakati and Katima Mulilo were close due to foot-and-mouth disease (FMD). The first case relevant to the year under review was reported in Mukwe Constituency, in

Kavango-East Region. Later outbreaks in Oshana and Oshikoto regions

led the Ministry of Agriculture, Water and Forestry to revise the Addendum to the Declaration in respect of animals and products that might be moved south through veterinary cordon gates. Restrictions on animal movement were lifted only on 22 January 2016.

Due to no animal movement in the NCA area, all Meatco operational activities were stopped for the year with the focus on minimising all costs in the NCA.

During the FMD outbreak Meatco was heavily involved in the combatting of FMD in the region, with Meatco staff working at the control points, Technical staff were erecting and maintained infrastructure and equipment, and Management were helping DVS and the Meat Board to co-ordinate all activities of the different stakeholders in the area. Meatco's direct contribution to the FMD outbreak was N\$810,864.

Due to the increased losses over the past 25 years in the Meatco NCA operations, the Meatco members mandated the Board and Management to provide alternative sustainable strategies that allows Meatco to maintain its footprint in the NCA, while reducing its cost of operations in the NCA.

A new innovative approach to serve the NCA farmers were presented and approved by the Board of Directors during the period under review. This entails not renewing the lease agreement with the Ministry of Agriculture, Water and Forestry (MAWF) and this intention has been communicated to the MAWF and other relevant stakeholders as from November 2015. We are now in the process of executing the NCA exit plan.

Our new operational plan for the NCA is to introduce a mobile slaughter unit in the NCA and it will be a game-changer for Meatco and the communal farmers alike. The unit will enable us to provide better and more cost-effective services to NCA producers. One of the biggest advantages of the mobile unit is that, should there be another outbreak of FMD, the unit can simply be moved to an alternative location where slaughter can continue unabated, even south of the VCF.

The unit, currently being constructed in Bellingham in the United States, is being tailor-built for the unique circumstances in the NCA, including the condition of the roads. The reduced transport cost and less stress to cattle resulting from long-distance transport are other benefits. We also plan to employ a core slaughter staff and source support staff from the villages near where the unit will be stationed on a particular day. Offal will be sold directly to villages and small businesses to stimulate local entrepreneurship.

The mobile unit allows for more operational flexibility and we plan to slaughter between 25 and 30 cattle a day. Carcasses will be processed at a value addition plant (Bonanza) in Ondangwa.

For Meatco, the unit will mean a significant reduction in operational cost, as it will be a fraction of those of fixed abattoirs. In addition, a new income stream through game meat is a future possibility if the mobile unit is deployed in-season for game slaughtering.

We are well aware that it is vital for farmers to resume the marketing of livestock after facing the double-edged sword of drought and FMD. Thus, we are already in the process of purchasing cattle and keeping them in available quarantine camps, while awaiting the arrival of the mobile unit. A total of 750 MoC cattle in the Kavango Region are ready for slaughter in July 2016, when the mobile slaughter mobile unit arrives. We plan to introduce a second unit in February 2017.



Review: Quality Assurance and Standards

QUALITY ASSURANCE IS THE ESSENCE OF MEATCO'S OPERATIONS, ENSURING THAT WE HAVE QUALITY PRODUCTS TO DELIVER TO OUR HIGH-END CUSTOMERS, THEREBY BRINGING BETTER YIELDS AND DEVELOPING A STRONG BRAND. OUR REPUTATION STANDS (OR FALLS) ON THE QUALITY OF THE PRODUCT WE CAN DELIVER EVERY YEAR.

We remain fully committed to producing only meat of the very highest quality, even when our local conditions are far from optimal and despite the challenges we face due to the changing demands of the global marketplace. We are able to do this by utilising world-class processes and adhering to strict food safety and hygiene practices.

Formal certification is valuable in this regard, since regular verification that high standards have been maintained at Meatco facilitates our access to premium markets. Our Okahandja and Windhoek abattoirs and manufacturing facilities are subject to a variety of audits done according to a fixed schedule, and carried out by independent, internationally recognised auditing firms such as SAI Global.

“QUALITY ASSURANCE IS THE ESSENCE OF MEATCO'S OPERATIONS, ENSURING THAT WE HAVE QUALITY PRODUCTS TO DELIVER TO OUR HIGH-END CUSTOMERS, THEREBY BRINGING BETTER YIELDS AND DEVELOPING A STRONG BRAND.”
ROSA KATJIVENA, EXECUTIVE: QUALITY ASSURANCE





These audits and other independent assessments enable the Corporation to reduce its risk and continuously improve our products and services. Thus our products continue to be in demand by high-end international markets and customers, as well as regional customers.

The annual audit of Meatco's Quality Assurance Department took place from May to July 2015. Assessments included those for the British Retail Consortium, McDonalds South Africa, Heinz (Italy), and Famous Brands (South Africa), which were all done in May; the Directorate of Veterinary Services and the Namibian Standards Institution (June); and the South African Bureau of Standards and Clinics audits (July). All certifications have been renewed and Meatco remains an approved supplier to these high end customers.

ISO 9001 CERTIFICATION

For the past eleven years, all of Meatco's exporting abattoirs and manufacturing facilities have been ISO 9001-certified. ISO 9001 is one of a series of a quality management standards aimed at achieving quality products and services for customers; to this end they 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.



“ WE ARE PROUD THAT ALL MEATCO'S EXPORTING ABATTOIRS AND MANUFACTURING FACILITIES HAVE BEEN HACCP-CERTIFIED FOR THE PAST ELEVEN YEARS. ROSA KATJIVENA, EXECUTIVE: QUALITY ASSURANCE ”

The standards deal with the fundamentals of quality management systems, including the eight management principles on which the family of standards is based. In the next reporting year, we plan to upgrade this standard to the new ISO 22000.

HACCP CERTIFICATION

Food safety is an issue that concerns us all — from governments and food manufacturers through to retailers and the consumers of the end product, confidence in the process by which our food reaches the table is critical for the reputation of our industry.

Hazard Analysis Critical Control Point (HACCP) is a systematic, preventative approach to food safety. It is a management system that deploys the standardised analysis and control of biological, chemical and physical hazards from raw material production, procurement, handling and manufacturing, distribution and consumption (as opposed to microbiological testing of the finished product).

This approach has significant benefits to companies operating within the food supply chain: it enables them to determine key controls over their processes (hazard identification, monitoring, and corrective measures) so that they can focus their resources on measures that are critical to ensuring food safety throughout their operations.

We are therefore proud that all Meatco's exporting abattoirs and manufacturing facilities have been HACCP-certified for the past eleven years.



BRITISH RETAIL CONSORTIUM CERTIFICATION

The British Retail Consortium (BRC) facilitates the standardisation of quality, safety, operational criteria and manufacturers' fulfilment of legal obligations. As such, it is a leading food safety and quality body globally in terms of the application of internationally recognised standards for food manufacturers.

BRC certification also helps protect consumers, too: 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 of its operations.

Retailers are assured that their supplier monitors and continually improves their products' quality, safety and legality and has taken every possible precaution to prevent problems should there ever be a challenge made against a product's safety or quality.

BRC audits are done once a year, and grading is awarded based on the assessment of the food safety management systems in place. We are aiming to be ready to upgrade from BRC Issue 6 to BRC Issue 7 in time for the audit in February 2016 in order to further optimise our food quality and safety programme.



Both our Okahandja and Windhoek abattoir and meat-processing facility were awarded an 'A' Grade certificate against the BRC standard. Our BRC certification verifies 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 food safety legislation comprises a suite of health and supervisory requirements that are intended to guarantee that food imports from non-EU countries meet the standards of production in EU 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 entering the EU, while at the same time ensuring the effective functioning of the internal market.

A guiding principle is to apply an integrated approach from farm to table, covering all sectors of the food production 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 continue to market our products in the EU.

US 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), a division in the US Government's Department of Agriculture that is equivalent to Namibia's Directorate of Veterinary Services (DVS) within the Ministry of Agriculture, Water and Forestry. The remit of the FSIS is to ensure that meat, poultry and egg products consumed in the US are safe, wholesome, unadulterated and accurately labelled.

The FSIS standards are designed specifically for food manufacturers and together comprise an all-encompassing food safety audit system that applies food manufacturing best practices 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.

More specifically in the context of our industry, the FSIS sets the minimum requirements that need to be met by any country wishing to export its meat products to the US.

The US Department of Agriculture, in consultation with the DVS, decides the frequency at which FSIS verification audits are conducted and the DVS is approved to manage the FSIS requirements for the meat inspection systems at Namibian abattoirs exporting to the US.

This then means that local abattoirs that meet the requirements can gain access to the US meat market as an alternative to the EU market (which is the primary destination for Namibian beef currently).



Meatco has been operating in compliance with this audit since 2007. The last audit was done in late 2014 and during the reporting year we received confirmation that our facilities passed the audit. Changes to their legislation will now be made to include Namibia as an approved exporter, which we expect to be done towards the end of 2016, enabling us to start exporting to this potential market.

SIGNING OF PROTOCOL WITH CHINA

On 3 August 2015, the General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China and the Ministry of Agriculture, Water and Forestry signed the Protocol agreement on Quarantine and Veterinary Health Conditions for Beef to be exported from Namibia to China. This important protocol paves the way for bone-in meat and beef to be allowed to be exported to China, which will lead to better yields for Meatco and our producers. This is especially the case with bone-in meat, as most markets do not allow exports of bone-in meat due to animal diseases such as FMD and *Bovine Spongiform Encephalopathy* (BSE), commonly known as mad cow disease.

NEW, STATE-OF-THE-ART TESTING FACILITIES

The introduction of new testing regimens necessary to meet international food safety standards — specifically from the US and Russia — has led to an increase in the volumes of tests that must be carried out by Meatco.

The Corporation currently carries out the necessary testing (on its products, employees and factory hygiene) in-house and we are confident that our Quality Management System is reliable and delivers credible results. These results are currently verified by an independent and objective third-party auditing body; in order to achieve full accreditation it will be necessary for us to upgrade and extend the laboratory at the Windhoek abattoir so that it can handle the increasing volumes of tests required to meet regulatory requirements, as well as the specific assays requested by individual clients. Moving laboratory services away from the factory production areas will also reduce the possibility of cross-contamination.

The new laboratory now under construction will include two executive offices, a laboratory manager's office, an open office for laboratory personnel, a reception area and a subdivided testing area. On completion early in

2016, it will be able to undertake testing for *Clostridium perfringens*, *Enterobacteriaceae* and the USDA STEC group.

The new laboratory will also be able to generate revenue for Meatco by testing for external clients especially pathogen using the BAX system which offer results in 24 hours. (The BAX system is an automated DNA-based system for simplified food safety and quality testing.)

THE FOOD SAFETY POLICY

The Ministry of Agriculture, Water and Forestry launched its 2014 Food Safety Policy in the middle of the year. This document — produced through consultation with key stakeholders and developed in line with international best practices — will help to create synergies and avoid duplication of effort across sectors involved in the safety of Namibian food products traded nationally and internationally. This is, of course, an effort that Meatco is already heavily invested in through our 'farm-to-fork' approach to food safety throughout the value chain.

In view of the fact that national legislation on food safety is currently outdated, the Corporation is happy to note that the Ministry of Health and Social Services will introduce a draft Food Safety Bill to Parliament shortly, based on the objectives and guiding principles set out in the policy.

Review: Marketing and Sales



In the year under review, our international markets accounts for 44.48% of sales by volume, compared with South Africa's 32.91% and the local market's 22.60%.

Nevertheless, our international markets — the EU, Norway, Reunion and the UK — accounted for 74.07% of the value of our sales as compared with the South African (16.01%) and Namibian (9.91%) markets, thus confirming the importance of our high-value international markets to the success of our business.

“THE VALUE OF OUR INTERNATIONAL MARKET INCREASED BY 29.9%, WHILE THE VOLUME MARKETED TO THIS MARKET ALSO INCREASED BY 8.51%, CONFIRMING THE IMPORTANCE OF OUR HIGH-VALUE INTERNATIONAL MARKETS TO THE SUCCESS OF OUR BUSINESS.”
CYPRIANUS KHAISEB, EXECUTIVE: MARKETING & SALES



N\$1.8b

Group's total revenue increased from N\$1.6 billion to N\$1.8 billion

TOTAL SALES ACHIEVED

Compared with the previous reporting year, the value of our international market increased by 29.9.8%, while the volume marketed to this market also increased by 8.51%.

GLOBAL ECONOMIC OVERVIEW

The prevailing stagnant global economic climate and the volatile markets for trading throughout 2015/16 contributed to a difficult year for Meatco, on top of the depressed market conditions of 2014/15.

The continued depreciation of the rand against international currencies and the instability of the South African economy have had negative effects on our exports there. The strengthening of the US currency, stalled economic growth across much of the EU, the drop in the oil price, and economic slowdown or stagnation in certain countries resulted in significant upheaval in many of our current markets.



In more detailed terms:

- The average euro vs. N\$ exchange rate for the first seven months of the year was far below that of the same period in the preceding year; the rate before August 2015 was N\$14.57/€ (8.5% less than 2014). This was also the period during which Meatco slaughtered most cattle as a result of this year's drought. (The British pound did appreciate against the N\$ by an average of 2.58% compared with its value in 2014 but nearly half of Meatco's total sales value is euro based, against only 19.59% that is pound based.)
- Average sales prices in euros decreased, mainly due to the economic downturn in Europe and Scandinavia (including Norway). This was due to the decrease in the global oil price (from US\$106.18 per barrel to US\$45.53/barrel). Norway's main income derives from sales of oil and gas to its neighbours and the decrease in the oil price had a significant impact on the Norwegian market.

Review: Marketing and Sales

- Until the end of October 2015, more than €60 billion was being printed and injected into the European economy on a monthly basis, as part of the European Central Bank's quantitative easing programme, equating to more than five times the annual Namibian GDP in a year.
- Economic sanctions against Russia resulted in significant volumes of European exports destined for that market being redirected into European markets, leading to a temporary oversupply of beef.
- Sales prices in mainland Europe decreased by 6.29%, with a further 8.69% decrease due to currency impacts. A further 8.10% decrease in sales resulted from the strengthening of the N\$ against the euro during the first half of 2015.

Uncertainties in the value of the euro and a strengthening in the pound in the year under review have meant that the 67.2% of overall sales returns represented by euro and pound denominated sales were subject to an adjustment in export volume mix, in order to mitigate fluctuations in exchange rates.

On the other hand, the signing of a protocol on veterinary health conditions and quarantine in Beijing in early August will now open doors to this huge new group of consumers in China, a development that will offer innovative opportunities for Meatco — as well as other beef exporters — to develop their products in an exciting, diversified market.

“The problems are all at home, and the drought is perhaps the biggest challenge. When grazing deteriorates, farmers are forced to market their cattle faster. This usually leads to a spike in Meatco's production, which then quickly slumps over a period of six months, as the herd is depleted.

In the following season, Meatco will feel the impact as slaughter is reduced when farmers rebuild their herds, export volumes come under pressure, and Meatco's own operating margins become stressed.”

Daniel Steinman, local economist

According to recent Food and Agriculture Organization statistics, average per capita consumption of meat in the developed world was predicted to be 76.1 kg for 2014, compared with 33.7 kg on average in the same year for the developing world — figures which emphasise the importance of meat in the diets of Western countries. (Globally, people individually consumed 42.9 kg of meat each on average over the same period.)



Although global trends indicate that emerging nations are tending to adopt more westernised diets, suggesting a positive outlook for the world's beef markets due to greater demand from these consumers, meat-eating has seen a decline in many countries in the West over the past decade. Short supplies and high prices have contributed to this effect in the US, for example, as have concerns about the human health, environmental, and ethical impacts of a diet high in red meat. In the UK, consumers have been forced to trade down from prime cuts of fresh meat to processed and lesser-quality products, such as minced beef, due to the sustained economic downturn of the past few years.



Furthermore, concerns voiced towards the end of the reporting year following the publication of a report by the International Agency for Research on Cancer (IARC) that correlated consumption of processed meat with increased rates of colorectal cancer may yet have an effect on global trends in consumption of these meat products in some markets.

Although we can hope to see per capita consumption of meat increase in countries such as China in the future, this will not have a significant effect in terms of volumes of Namibian beef exported. Within the context of the global supply chain, Namibia remains a relatively small player in terms of producers and processors. This is clearly illustrated by the fact that the largest global processor, JBS, has a capacity to process 500,000 cattle per week across its global

operations and Namibia has a capacity of less than 1% of that figure over the same period of time.

Where Meatco can win out is through its key marketing strategies — products with unique characteristics that are strongly aligned to high-value niche markets and an individualised 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 2007, we have grown a dedicated and loyal customer base willing to pay a premium prices for our exceptional products above those of the global commodity producers. Meatco products must remain the consumers' first choice, however, so

we continue to refine and develop our products and services to optimise returns to our business and our producers.

The average cumulative sales price for beef products increased by 8.5% compared with the previous year due to a wide range of factors that are explored in more depth in the subsections that follow.

The effects of the drought were significant in terms of the numbers and quality of animals we could slaughter to supply to our markets, with many herds shrinking as owners rushed to sell before their losses became too great. The quality of animals marketed to Meatco suffered as the veldt had not yet recovered from the poor rainfall of 2013 and cattle brought to slaughter were older and thinner than usual.

The market is thus set to be under-supplied next year since over the period under review Namibian and South African farmers were forced to sell large numbers of their animals, flooding the market and leading to a decrease in market prices. The increased Norway quota, which went up to 78.1% in February 2014, and the favourable exchange rate for certain currencies, did mitigate these effects to an extent however.

MARKETS OVERVIEW

Foreign markets are critical to Meatco's success, with around 85% of production currently destined for our export markets. Our neighbour, South Africa, continues to represent an important market in terms of volumes of beef leaving Namibia;

the European Union and Norway remain vital to our suppliers because of the value of the exports that go to these destinations.

Namibia and Botswana share preferential market access for beef products into Europe through two main mechanisms. Under the SACU-EFTA (Southern African Development Community-European Free Trade Association) Agreement — commonly known as the 'FTA quota' — implemented in 2008, trade between the two regions is facilitated by the removal or reduction of tariffs. A separate bilateral agreement to regulate trade in agricultural products,

including beef, provides a quota to Botswana and Namibia of 500 tonnes each per annum to Norway. Norway then also has a separate scheme, the Generalised System of Preferences (GSP), that determines conditions for exports from nations it identifies as being 'least developed countries'.

Meatco's anticipated entry into the Russian market did not take place as hoped. The Russian economy has not enjoyed a good year and its dependence on the oil and gas industries, currently experiencing drops in prices, makes expansion into this new territory problematic for the Corporation at present.



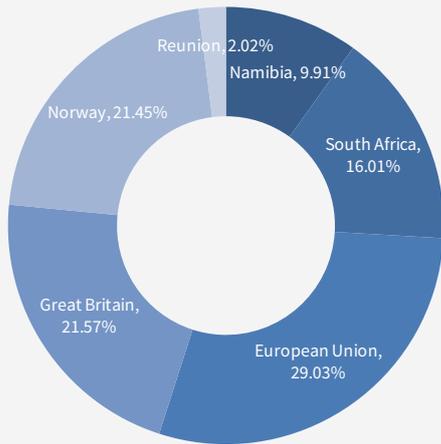


Figure 9: Actual sales distribution: 2015/16

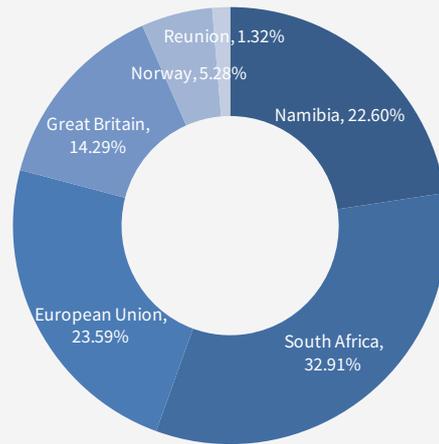


Figure 10: Actual volume distribution: 2015/16

Generally speaking, the 2015/16 trading period resulted in mixed fortunes for our operations. Some markets were weakened by currency volatility from the beginning of August onwards with the South

African market, in particular, suffering as a result of a depressed economy. This had a detrimental effect on markets for our beef within the Southern African Customs Union.

On the other hand, the weakened rand meant that exports elsewhere resulted in Namibian red meat producers receiving around 14% more for their foreign sales than in the first quarter of the year. The UK market increased slightly (the sterling price remained stable) but income in rand increased by 12% in the first quarter.

The European market generally remains under pressure, with economies stagnant or growing only very slowly. Prices for our exports have not been able to reach the levels that we might have wished to see over the year under review as European consumers continue to feel that their disposable incomes are under pressure; instability in the Euro — a result of quantitative easing — has added to uncertainty in these markets. This situation was offset, to a degree, by the ability

of the increased Norway quota to support the Namibian producer price, with our prices outperforming the equivalent prices for South African cattle.

CHANGES UNDERWAY IN THE NORWEGIAN MARKET

Currently, 500 tonnes of Namibian beef makes its way into the Norwegian market annually, through a process by which registered import companies bid at online auction in October for a share of the Free Trade Agreement (FTA) quota.

In addition, Namibia and Botswana share preferential access to the Norwegian market through the Generalised System of Preferences (GSP), implemented in 1971 and revised in 2008. This quota is currently 1,350 tonnes of beef per country, allocated on a ‘first come, first served’ basis by the Norwegian Agricultural Authority.

With Namibia classified as an upper middle income country (UMIC) by the World Bank in 2011, the World Trade Organization principle of ‘most favoured nation’ was deemed to have been violated due to the fact that no other country with the same economic status was enjoying the same treatment.

The Norwegian Ministry of Foreign Affairs recommended an end to

preferential access for Namibian beef, with the proviso that the termination of such agreements should not result in less-favourable market access conditions for Namibia in respect of its Norwegian markets in the future. This led to a proposed migration of the GSP Quota into the FTA Quota with GSP market access conditions remaining in place until such time as a new quota system could be developed under the FTA system.

Research was carried out by a senior trade advisor from the Namibian Agricultural Trade Forum on behalf of Meatco and presented as a policy brief considered the merits of this arrangement. The study concluded that more secure and predictable market access could be assured by merging the GSP Quota (which is a preference decided unilaterally by Norway, with no reference to Namibia) within the framework of the SACU-EFTA Agreement, the concessions of which may only be altered or withdrawn by agreement from all concerned parties.

Any increase in value from this market accruing to Namibia through the incorporation of the GSP Quota into the FTA Quota would have the additional bonus of increasing producer prices nationally, since Meatco’s producer prices are used as the national benchmark.





plans and introducing a level of speculation into their operations.

Furthermore, the arrangement could lead to a situation

whereby Namibian exporters are compelled to flood the market with a single large consignment rather than feeding smaller volumes of products into the market throughout the year.

for the GSP Quota, both now and at migration; requesting an increase in quotas once they have been merged into one 'first come, first served' system; and considering potential trade-offs similar to the EU market access offers if the auction system is to be abandoned.

It is therefore imperative that SACU, MAWF, MITSD, the Namibian beef industry and the Namibian legislature prepare the debate the process, since the termination of GSP preferences is on the horizon.

The policy brief issued a warning, however, that should the auction process for the FTA Quota be similarly applied to the GSP Quota on migration, a degree of uncertainty might result due to the need to forge new relationships with companies winning bids at auction on a year-by-year basis, with an inevitable compromise in terms of long-term business partnerships and the stability of brand identities with Norwegian importers and consumers.

Moreover, the minimum bidding prices vary each year, impacting exporters' ability to make long-term

It is unclear at present if the cost of the combined quotas to the Norwegian importers would mean a transfer of the costs through to Namibian exporters by means of lower prices paid, or if the Norwegian consumers will foot the bill, making Namibian beef less competitive due to increased prices there.

These constraints were computed to represent a potential loss in value to the combined markets of Namibia and Botswana of N\$34 million per year. This could be mitigated by: negotiating for an allocation system

Strategies need to be established to maintain, and even improve, the current trading environment for beef in Norway as the regime for GSP migrates. This should include the provision for switching the responsibility for quota allocation from Cabinet to industry, by means of a self-regulating mechanism.

Norway's main income derives from sales of oil and gas to its neighbours and the decrease in the oil price had a significant impact on the Norwegian market. The Norwegian Kroner's weakness continues to increase as the global cost of crude



“From the beginning when I started to farm, I supplied my cattle to Meatco. Meatco is a safe market where I can deliver my cattle on a regular basis. I like this ‘farm to fork’ principle, because, at the end of the day, there is a person, somewhere in the country or in the world, enjoying our meat and giving us the compliment that we are doing something right. We gladly take up the challenge to make it even better.”
Peter Schaepe, commercial producer

oil continues to weaken. Meatco experienced a drop of 10.28% in actual euro sales prices within this market, as compared against the previous year.

However, the good news is that Meatco successfully completed its quota allocation for 2015, and all customer orders were fulfilled on time.

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 launch of the co-branded Natures Reserve Family Pack is on track for February 2016. The initial launch order was completed in full and shipped on time, just before Christmas.

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 effects on producer prices as a result of the drought have only been exacerbated by the negative consequences of trends in certain currency values in Europe.

Uncertainties in respect to the value of the euro and a strengthening in the pound in the year under review have meant that the 67.2% of overall sales returns represented by euro and pound denominated sales (35% of all sales volumes) were subject to an adjustment in export volume mix by the Corporation.

As the euro weakened against the pound, the N\$ and the US\$, Meatco shifted its sales volumes to the United Kingdom, to offset the effects of long-term currency exchange fluctuations.

Although Meatco makes every effort to pay producers the highest returns in selected markets, any changes in the value of the euro must have a significant knock-on effect with regard to the prices we can pay, given the size of this market sector. For example, returns for B and C grades in the euro denominated market had fallen by the middle of the year to a point where we were compelled to reduce producer prices for these grades, in order to better reflect the actual market situation.

By maintaining our strategy of market diversification and multi-option marketing channels we have kept demand for the Natures Reserve products buoyant and have been able to command good prices, above market averages.

Information from Brazil recently shows that they are expecting stronger sales into markets such as China, the MENA region (Middle East and North Africa region) and their domestic market. With these markets starting to take higher value cuts, the pressure is slowly being taken off these producers having to ship to the EU.

However, to balance this we expect higher slaughter numbers of cows within Europe due to the depressed dairy market, with the biggest competition coming from Ireland especially effecting UK sales and realisations.

The general information and the view of FAO is that world protein prices have entered a weakening phase for the next five year cycle and this will be led by chicken and pork products. The weakness in these proteins will pressure both beef and lamb returns and lead to weakness in prices overall.

One of our UK customers, Fairfax Meadow, is looking to follow an 'EU Only' purchasing policy and to stop using third country imported material. Meatco has been reducing our reliance on this customer over the last few years and this should not damage our returns. However, if this was to move from a single action to a trend, then we may well have difficulties in maintaining returns.

As the Namibian Dollar and South Africa Rand continue to free-fall to lows not seen for some time, returns from the UK and Europe will continue to perform well and therefore, we still envisage that the UK will play a major part in sales for 2016, as was the case for 2015.

THE SOUTH AFRICAN MARKET

Our neighbour, South Africa, has always been one of Meatco's important markets, being 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 are still diminished, the result of an unstable economy and a downward trend in consumer purchasing. In addition, this market was problematic in the reporting period due to the prices we could realise.

Although in recent years Meatco's successful diversification strategy has meant that we are no longer dependent on this market alone, there has been a limited demand for forequarter cuts other than in South Africa up to now (although this may be changing with the opening-up of the Chinese market).

Decreased consumer spending power and an increase in the supply of deboned manufacturing meat to fast-food processors has led to a reduction in sales returns in this market; this year's drought, a growing local supply, and a lack of other markets for these cuts



has meant that Meatco has had to increase its sales volumes to South Africa.

However, since December 2014, South African market prices for carcasses have decreased by 1.38%; manufacturing meat prices have seen prices fall too, with chuck and blade prices falling by 4.47% compared with 2014 and that for manufacturing beef falling by 2.83% year-on-year.

Grades B and C were overpaid at the beginning of the year and Meatco subsequently decreased the prices paid for these grades to bring them down to sustainable and realistic levels.

Many of the main packers – Karan, Beefmaster, Sparta, and OK – are developing export opportunities in the Middle East and North Africa (MENA) markets, which should help to keep prices stable in the future.

Meatco's main product focus is still 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.

If prices continue to rise due to the continued weakness of the Rand coupled with the high increase forecast for maize, this market could once again be challenging the EU returns. We therefore continue to monitor the South African market closely.

However, if the Chinese and US markets open up in the next year or two, we might see a further decrease in volumes to the South African market, as we would be able to realise better prices in China for bovine products, while the US is a big manufacturing market.

THE NAMIBIAN MARKET

Meatco's commitment to our local market remains undimmed: during the reporting year, we continued the expansion of our product range begun in the previous year, extended our outreach to the national market, and reaffirmed our ability to supply the local market with a good, affordable source of protein.

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

In operation since 1996, our original wholesale outlet was located next to the Meatco Head Office in Windhoek's Northern Industrial Area. In 2014, with the launch of the MeatMa brand, this became a MeatMa retail outlet. A further outlet was opened on 6th February 2015 in Okahandja and a third was opened in Oshakati (Bonanza Butchery) in July this reporting year. Meatco's abattoirs supply products to these outlets.





With our MeatMa initiative, we move closer to the Namibian end consumer, reducing the channel and thus maximising returns for the Corporation and our producers, as well as ensuring the quality and hygiene standards are maintained.

In August 2016 the MeatMa brand and outlets will have been operational for two years, thus this initiative is still in its development phase to secure our market space. However, there are big opportunities for growth and once the MeatMa brand is established in the marketplace, we will see positive returns.

Our strategy to partner with the Metro chain of 12 retail outlets across the country is expected to reap fruit in the next financial year and we continue to explore more avenues to increase our footprint, such as through Agra and Shoprite retailers. In 2016 we will introduce a similar concept as the bulk frozen chicken products currently on the market, which will further increase our brand recognition.

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.

In value terms, we marketed 11.58% of our total sales in Namibia over the period under consideration; however, in weight terms (kg), Namibian sales made up 25.62% of our total volume since the local market can only absorb large volumes of medium- and lower-value meat, not prime cuts.

We are aware that meat remains as costly luxury for many Namibians and that the industry needs to work to address the high prices that people must pay for Namibian beef. Impacts on beef prices locally have come from changes in the exchange rate and in the product mix in 2015: production volumes, distribution costs, sales prices and sales movements, the quality of the cuts, and the seasonal nature of production all contribute to prices that are unrealistic for the local consumer.

DEVELOPING OTHER MARKETS

Global populations are increasing and growth in the global beef herd is stagnant. Therefore it remains important for Meatco and Namibia to look to new markets for its products. This is especially pertinent given the significant turmoil within the major international markets for beef production, as well as fluctuations in beef consumption in certain countries.

Russia

In 2014/15, Meatco looked to Russia to provide an emerging market for our producers' beef. Unfortunately our hopes have turned out to be too optimistic at this time since the reporting year saw the Russian rouble fall by 50% in value, to its lowest point in many years. This was a result of the drop in prices for oil globally — Russia's economy is very dependent on its oil and gas exports and until such time as prices for these improve on the world markets, Meatco will have to suspend its exploration of the potential in this country for its meat products.

China

On 3rd August of the reporting year, the Governments of the Republic of Namibia and the People's Republic of China signed a protocol on veterinary health conditions and quarantine, paving the way for an opening up of this huge market to Namibian beef producers. Currently, we are the only country in Africa in a position to deliver to this market; indeed we are one of only ten countries in the world to do so.

This development has particular repercussions for the marketing of Meatco's high-end beef segment: bone-in products will now be exported to China, enabling us to achieve better returns than we can achieve for boneless meat in the

South African market. This diversification also cushions us against fluctuations in the lucrative EU market and allows the marketing of large volumes of a product that has hitherto failed to reach foreign consumers due to delays in applications to export bone-in beef.

We at Meatco also view negotiations on beef export requirements as a huge vote of confidence in Namibian meat: the Chinese have scrutinised our national veterinary oversight as well as the standards achieved by our producers and our processing systems and have found them satisfactory. We can now export bone-in beef to the world's largest consumer market from areas free of foot-and-mouth disease, under the slaughtering and processing supervision of the DVS.

United States of America (US)
Namibia passed the US's FSIS audit, having undertaken the necessary corrective actions. Consequently, direct access to the US market was secured during 2015. Once the necessary changes to its legislation is made to add Namibia as an approved exporter to the US – which we expect to take 12 months – we envisage exporting to this market to commence towards the end of 2016.

Partly in response to new US testing requirements (as well as those of Russia), Meatco has embarked on the construction of a new laboratory at the Windhoek abattoir.

MEATMA CELEBRATES A YEAR OF SUCCESS IN THE NAMIBIAN MARKET

Meatco launched a new brand of products, MeatMa, into the Namibian market in 2014 and at the end of September this year we officially celebrated the first anniversary of the brand.

MeatMa is a complete range of quality value-added beef products produced through Meatco's Local Markets and Value Addition department (now 'Marketing and Sales'). MeatMa products are available to local Namibians at affordable prices, with various value-added and other products now available through our own three shops, wholesale partners and large retail outlets, such as Metro.

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 outlet (opened on 6th February 2015), and in Oshakati at Bonanza Butchery (opened in July this reporting year).

Each of our outlet customers is furnished with a MeatMa Reward Card that enables them 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.



Review: Human Resources

MEATCO'S HUMAN RESOURCES STRATEGY AND APPROACH

Our Human Resources (HR) strategic intent is to develop, implement strategies and to align policies and plans to the overall business strategy that enable Meatco to achieve its business objectives through human capital. Therefore, we recognise that our workforce is one of Meatco's key assets for success.

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.

In summary, Meatco shall endeavour to:

- Attract a sustainable pool of talent for current and future organisations employment needs;
- Manage the retention and development of talent;
- Develop the required leadership skills; and
- Plan for succession for key and critical skills.

REMUNERATION AND BENEFIT POLICY

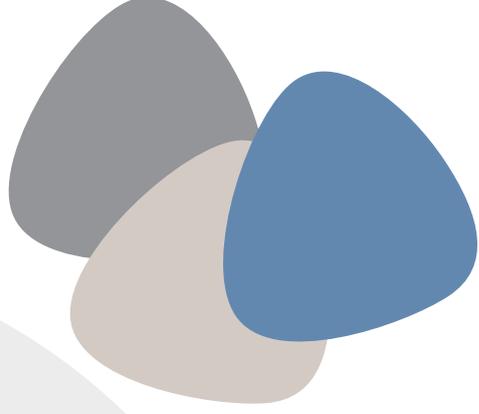
Remuneration at Meatco is directly linked to the Patterson Job Grading System, which is used to grade all positions within the Corporation. Remuneration levels or scales are based on recognised market surveys on the Namibian labour market.

Remuneration represents the total value of all payments — in

“THE EXPERTISE, COMMITMENT AND PROFESSIONALISM OF OUR PEOPLE ARE AT THE CORE OF OUR BUSINESS.”

STANLEY HOVEKA-MBURA, EXECUTIVE: HUMAN RESOURCES





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.

Our general staff receive basic remuneration, bonuses, medical aid and a pension in line with the salary 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. The remuneration of employees in managerial positions is based on Total Cost of Employment.

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.

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

WORKFORCE PROFILE

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.

At the close of the review period, Meatco's workforce stood at 1,015 permanent employees, rotating them between the Windhoek and Okahandja facilities as and when necessary. Furthermore, Meatco will manage its workforce to ensure sustainable organisational capability in pursuit of the achievement of its strategic and operational objectives.

BEST COMPANY TO WORK FOR

In November 2015, Meatco received the results of its participation in the Deloitte 'Best Company to Work For' survey. The survey was launched in South Africa in 2001 and was extended to Namibia in 2011.

Our participation during the reporting year was for an award that differs from that of the



previous year, which meant that the Corporation undertook the survey to ascertain the level of employees' satisfaction with company performance.

The results from the survey allowed us to obtain a better understanding of our areas of strength, as well as those areas we needed to focus on in terms of improving employees' satisfaction.

We decided not to participate in 2016, but rather to take time addressing the issues that have been highlighted. Given our fifth position in the 2015 survey results, we believe that we shall obtain better results when we participate again.

RECOGNITION AND REWARDS

As Meatco depends on motivated employees to deliver on our mandate, recognising and rewarding performance excellence remains a key focus area for the Corporation.

The Remuneration Policy will be reviewed and approved by Management during the next year, which will make providing for commission-based rewards for some workers in the Livestock Procurement Unit, as well as benchmarking with other stakeholders. This is geared towards ensuring that employee remuneration initiatives are on par with current market trends.

Meatco also recognise long service employment through the awarding of Long Service Awards in seven different categories, ranging from 5 to 35 years of long service.

EMPLOYMENT EQUITY

Meatco strives to be an equal opportunity employer and create equal opportunity for advancement for all. Our Affirmative Action Report was approved by the Labour Commissioner of the Ministry of Labour, Industrial Relations and Employment Creation, and as such, Meatco continues to be compliant.

We now have a ratio of racially disadvantaged staff to racially advantaged staff of 7 out of 9, showing clear improvements in the empowerment of disadvantaged groups, particularly at senior management level.

The Corporation took a decision to establish a committee to ensure employment equity at Meatco, with the aim of identifying and addressing discriminatory practices

and barriers to employment. This Affirmative Action Consultative Committee will appraise existing policies, monitor and evaluate regulations and conditions across operations that constrain the full advancement and involvement of previously disadvantaged and people with disabilities.

For the number of employees that are appointed as understudies, proper training interventions are in place and the employees are groomed 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. During the period under review, we revised the Recognition Agreement with the Namibia Food and Allied Workers Union to ensure that it conforms to the current realities on the ground, as well as being relevant to the current legislation and legal framework.

To create a climate of trust, cooperation and stability, Management regards the Workers' Committee and the Labour Union as key strategic partners and continue to regularly engage the Workers' Committee and the Union leadership with the view to sustain the existing sound relationship between the two parties.

During the reporting period, Meatco's management met with the Workers' Committee monthly, which has so far contributed positively to relations.



In addition, the CEO has information sessions with management, including the Workers' Committee or any other influential informal leaders in the organisation, as well as with employees in their own capacities. At these sessions, the CEO briefs the parties on matters of strategic importance, including overall company performance.

SKILLS DEVELOPMENT AND TRAINING

Aside from ongoing employee engagement, Meatco firmly believes in improving the skill levels of our workforce 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, dynamic and accommodate lifelong learning, which is crucial in order to build 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 vital 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 competencies 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 the various business units through the process of a functional training needs analysis process, which Human Resources department consolidate in the Annual Training Matrix. 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 that employees are able to contribute to the workplace in a meaningful manner.

During the reporting year, we invested a total value of N\$2,571,300 in training and developing staff, which excludes the Namibia Training Authority (NTA) levy payments of which 50% can be claimed back in April 2016 for training expenses we incurred.

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.

During the reporting year, bursaries were awarded to two students. One bursary student completed her studies and she is now attached to the Livestock Procurement department whilst pursuing her Honours degree.

Three new bursaries have been allocated to financially-deserving Namibians to pursue tertiary studies as a veterinarian, an engineer in electronics and in the field of information technology.

Also during the period under review, 23 student interns/ attachments 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 continuous development by financing the studies of employees in areas of relevance to Meatco's operations. For the period under review, we granted interest-free study loans to 12 employees.



OCCUPATIONAL HEALTH AND SAFETY

Meatco places paramount importance on occupational health and safety (OHS). Driven by our OHS Policy, all business units have been empowered to undertake any measures 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.

EMPLOYEE WELLNESS

While aspects of employee effectiveness such as productivity and quality of work can be affected by several factors, it's important to remember the role that

health, safety and wellness plays in keeping employees motivated and performing at an optimal level.

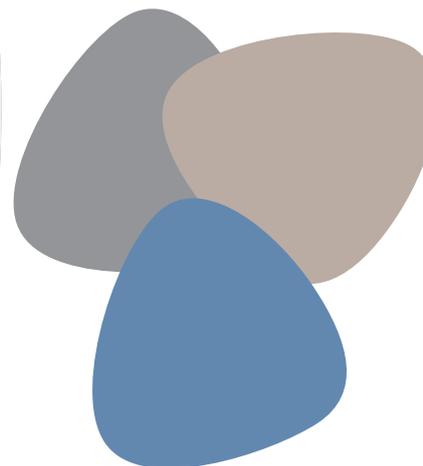
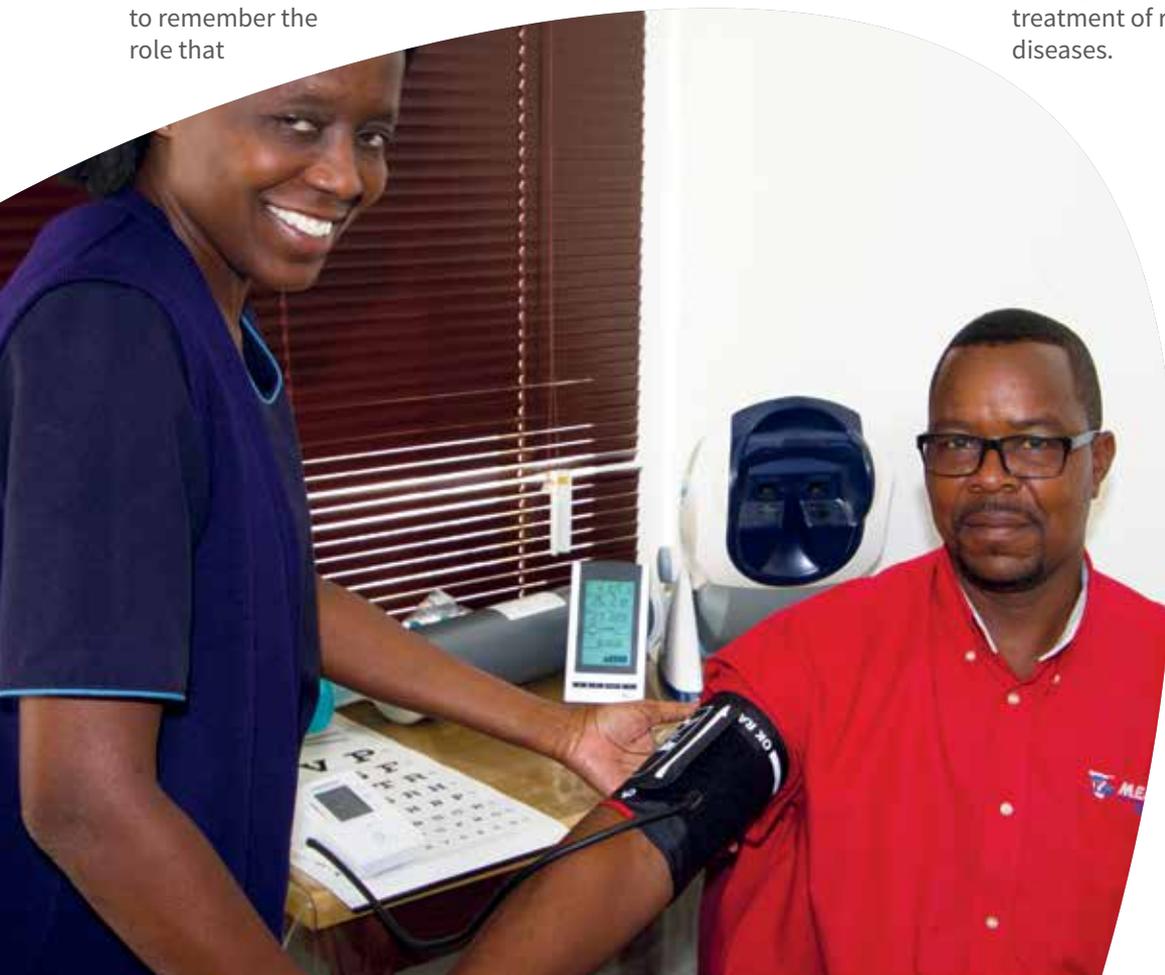
As a result and as part of the employee strategy, various employee wellness initiatives have been developed to ensure a safe and healthy work and social environment is created and maintained, as wellness commitment enables employees to perform optimally, whilst at the same time meeting all health and safety legislative requirements and other wellness good practices. Research indicates that greater employee well-being is significantly associated with better job performance and engagement, lower absenteeism, and reduced probability of leaving an employer.

It is against this background that Meatco has embarked upon on a proactive project to establish a new clinic at the Windhoek plant to

support Government in providing effective and sustainable healthcare services to staff members of the Windhoek plant, as well as their dependents.

The clinic was officially commissioned on 26th February 2016 and was 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, as well employees in the value chain. (The new clinic project forms part of the Meatco Foundation's activities.)

The new clinic provides medical services for our production employees, as well as 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 also undertakes occupational healthcare services and food handlers' medical examinations, while clinic staff members implement Corporation-wide wellness and assistance programmes.

The project receives technical assistance from the PharmAccess Foundation Namibia as an external service provider with expertise in the field of public health.

The Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) is another project partner and it launched an innovative HIV/AIDS pilot programme through the clinic.

CORPORATE CULTURE

As part of a renewed commitment to inculcating a positive corporate culture at Meatco, 2015 saw the introduction of a number of new activities designed to bring about positive change within that culture and make the workplace more conducive and enjoyable for staff members.

As a first step, a Culture Committee representing the various departments was established at the Windhoek site as a pilot activity, initiated with the aim of understanding the existing corporate culture and investigating ways of reinvigorating it.

A mid-year workshop included all members of the Culture Committee, as well as members of management; a set of 'Simple Guiding Principles' was established and activities were carried out to explore concepts relating to the current cultural landscape and value system. This initiative will be expanded in the coming years.

YEAR AHEAD: FOCUS AREAS

Cost-effective HR employment

In partnership with the various business units, the HR department will drive the creation and approval of organisational structures which will be the basis of appointments. Proper workforce planning will be done to ensure that the Corporation have the right number of staff with the right skills-set at the right time and in line with the available cattle numbers for processing.

Revised performance management system

The current Performance Management System will be reviewed to ensure that a performance culture is cultivated across the Corporation. The underlining principles will be:

- To align the individual objectives of employees and departments to the overall corporate strategy;
- To translate and cascade broad organisational performance drivers into individual targets;
- To establish an appropriate performance management system, process and methodology relevant to the needs which support the development of a performance culture; and
- To link performance management to other HR processes to align appropriate performance culture which are link with reward, recognition, development opportunities which attract, retain and motivate employees, while at the same time addresses corrective poor performance management.

Leadership development

Meatco is committed to developing leadership throughout the Corporation to drive our strategic aims and objectives. The HR department's central objective is to create a sustainable pool of leadership competency in terms of succession planning and to build a highly competitive managerial team.

Key aspects of the leadership development intervention aims to:

- Prepare our middle management and supervisory level leadership team with the right set of skills to meet the challenges of service delivery;
- Identify future leaders, groom them and prepare them for leadership role; and
- Develop an adequate strategic resource plan to maintain the managerial continuity of the Corporation and reduce succession risks.

Succession planning

As part of employee superior performance recognition, an advancement drive was developed which will ensure that Meatco have a succession pool of employees at the right time which will:

- Enable the Corporation to identify and prepare the right people for the right positions at the times when they are needed;
- Reinforce competent performance, ensuring that the our Employment Equity Plan is provided for;
- Ensure continuation of specifically identified management, leadership and critical scarce technical competencies; and
- To manage employee advancement.

Review: Stakeholder Engagement

MEATCO INTERACTS WITH, IS DEPENDENT ON, AND SUPPORTS A NUMBER OF KEY STAKEHOLDERS WHO ARE IN TURN RELIANT ON ITS ACTIVITIES AND IMPACTED BY THEM IN VARIOUS WAYS.

These stakeholders include:

- producers who supply raw materials;
- employees, who have the skills and knowledge to process raw materials into in-demand, value-added 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 Stakeholder Relations and Corporate Affairs is responsible for Meatco's stakeholder engagement activities.

Our most important stakeholders are the Meatco members — the communal, emerging, or commercial farmers. These hardworking men and women form the foundation of the Namibian slaughter livestock industry.

The crux of the Corporation's relationship with its producers is predicated on the ability of its operations to offer its farmers a competitive and sustainable producer price. The relationship is more complex than that,

“MEATCO RECOGNISES THAT THE LONG-TERM SUSTAINABILITY OF OUR BUSINESS IS DEPENDENT ON REINFORCING AND REAFFIRMING THE AFFILIATION BETWEEN US AND OUR PRODUCERS IN A MUTUALLY BENEFICIAL WAY.”

VEHAKA TJIMUNE, EXECUTIVE: STAKEHOLDER RELATIONS & CORPORATE AFFAIRS



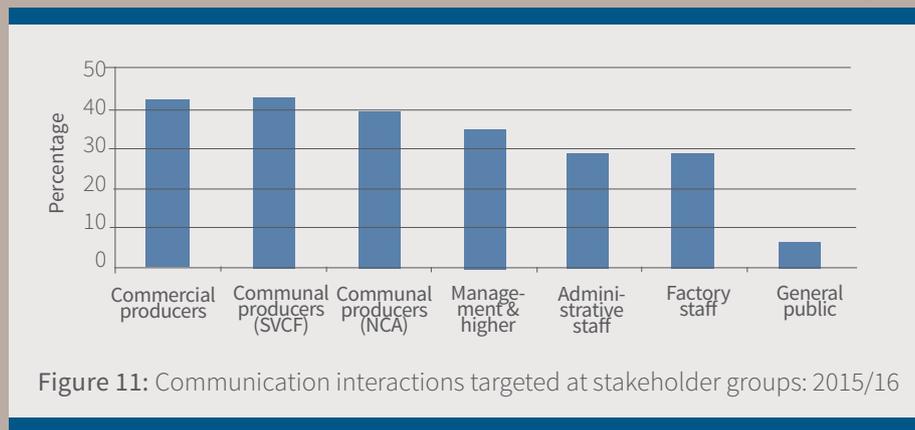


Figure 11: Communication interactions targeted at stakeholder groups: 2015/16

however, since Meatco recognises that the long-term sustainability of its business — and of the Namibian livestock industry overall — is dependent on reinforcing and reaffirming that affiliation in a mutually beneficial way. This is reflected in the fact that more than 40% of all our communications and corporate projects are aimed at our producers, while the bulk of our corporate sponsorships go to farmers' associations and organised agricultural activities.

It is Meatco's policy to be wholly transparent and fully consultative in its dealings with its member farmers, engaging with them directly on a regular basis through a variety of channels, including printed and electronic media as well as frequent meetings at various major producer locations across the country. Figure 11 summarises the communication interactions targeted at our various stakeholders over the reporting period.

Through its Directorate of Veterinary Services (DVS) in the Ministry of Agriculture, Water and Forestry, the Namibian Government is also a key stakeholder in the domestic beef production industry since the Directorate is tasked with ensuring that the animal health status of Namibia's export regions remains intact and supply to critical markets is not interrupted by outbreaks of disease.

The 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 beef industry in order to find solutions to challenges such as those encountered during the period under review.

FARMERS LIAISON MEETINGS AND OTHER OUTREACH ACTIVITIES

Meatco's CEO, Advocate Vekuui Rukoro, met with farmers in Otjozondjupa Region in June at the start of his series of Farmers' Liaison Meetings (FLM) for the year. These meetings are part of a strategy to create platforms for interacting with our producers in proactive ways, in order to empower them with information on how best to market their animals to the Corporation and receive feedback from them regarding our operations.

The theme of this year's FLMs was: "Shortening the supply chain of animals destined for slaughter by Meatco." The first meeting was held at Ongongoro, in Okakarara Constituency, with further ones scheduled for Ohangwena, Omaheke, Erongo, Zambezi, Kunene and Khomas regions later in the year.

Advocate Rukoro was accompanied on the first FLM by Vehaka Tjimune and the Communications team. Farmers in attendance were provided with details of Meatco's marketing options so that they could appreciate the purpose of

raising communal area standards to those employed by the commercial sector. Importantly, farmers also discussed innovations for managing their grazing areas and applying different farming approaches in times of persistent drought.

As part of Meatco's corporate social responsibility, the Corporation was also represented at annual trade fairs and agricultural shows across the country and was thus able to engage with farmers from many regions and share information with them.

MEDIA OPEN DAY

As a response to challenging times for the Namibian agricultural sector, Meatco decided to host its first Media Open Day by inviting journalists and editors to an information-sharing session in Windhoek at the end of May. The event was convened with the purpose of disseminating information on the importance of the livestock sector to the Namibian economy to those tasked with covering environmental, farming and scientific stories in the media and to present opportunities for enhancing reporting on the agriculture sector and the challenges it faces nationally. One of the key outcomes of the first session was the call by agricultural journalist Ronelle Rademeyer for an improvement in the quality of reporting on agricultural issues through the establishment of an Agriculture Press Club.



Giving back to our Producers





Meatco's overall average producer price in the reporting year was N\$29.98 per kg, a slight increase compared with the previous reporting period.

N\$29.98/KG



MEATCO'S PRINCIPAL GOAL IS TO BE A SUCCESSFUL, PROFITABLE BUSINESS IN THE INTERESTS OF OUR PRODUCERS. THE MORE SUCCESSFUL WE ARE AS A BUSINESS, THE MORE PROFIT WE ARE THEN ABLE TO RETURN TO THE PRODUCER.

Producer Returns



Meatco's policy regarding price does not change: we do not amend our schedule of prices from one year to the next and our producers are assured that the price we pay to them is solely dependent upon environmental and market factors.

During the 2015/16 reporting period, Meatco was compelled to reduce the price paid for 'B' and 'C' grades, as a reflection of the drop in returns from their respective markets.

Meatco increased its overall producer price by an average of N\$0.15/kg when compared with the previous reporting year. The overall average producer price amounted to N\$29.98/kg compared with N\$29.83/kg for the corresponding period during the 2014/15 reporting year.

The total premiums paid by Meatco over and above the South African price were N\$61.03 million (2014/15: N\$102.9 million) over the period, which represents N\$2.27 (2014/15: 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 the reporting year: the price for 'A' and 'AB' grades increased by 5.8% and 2.8% (2014/15: 13% and 16%), respectively. The price for 'B' Grade decreased by 3.5% (2014/15: 29.71%), while prices for 'C' Grade decreased by 5.4% (2014/15: 30.56%) from the previous year.

Figure 12 depicts the average weighted producer price per kg (all grades) since the 1992/3 reporting year.

During the 2015/16 reporting period, the average price paid by Meatco at our Okapuka Feedlot for weaners amounted to N\$16.78/kg compared with the average price of N\$16.88/kg for the corresponding period during the 2014/15 reporting year. This represents 0.6% decrease when compared with the prior year.



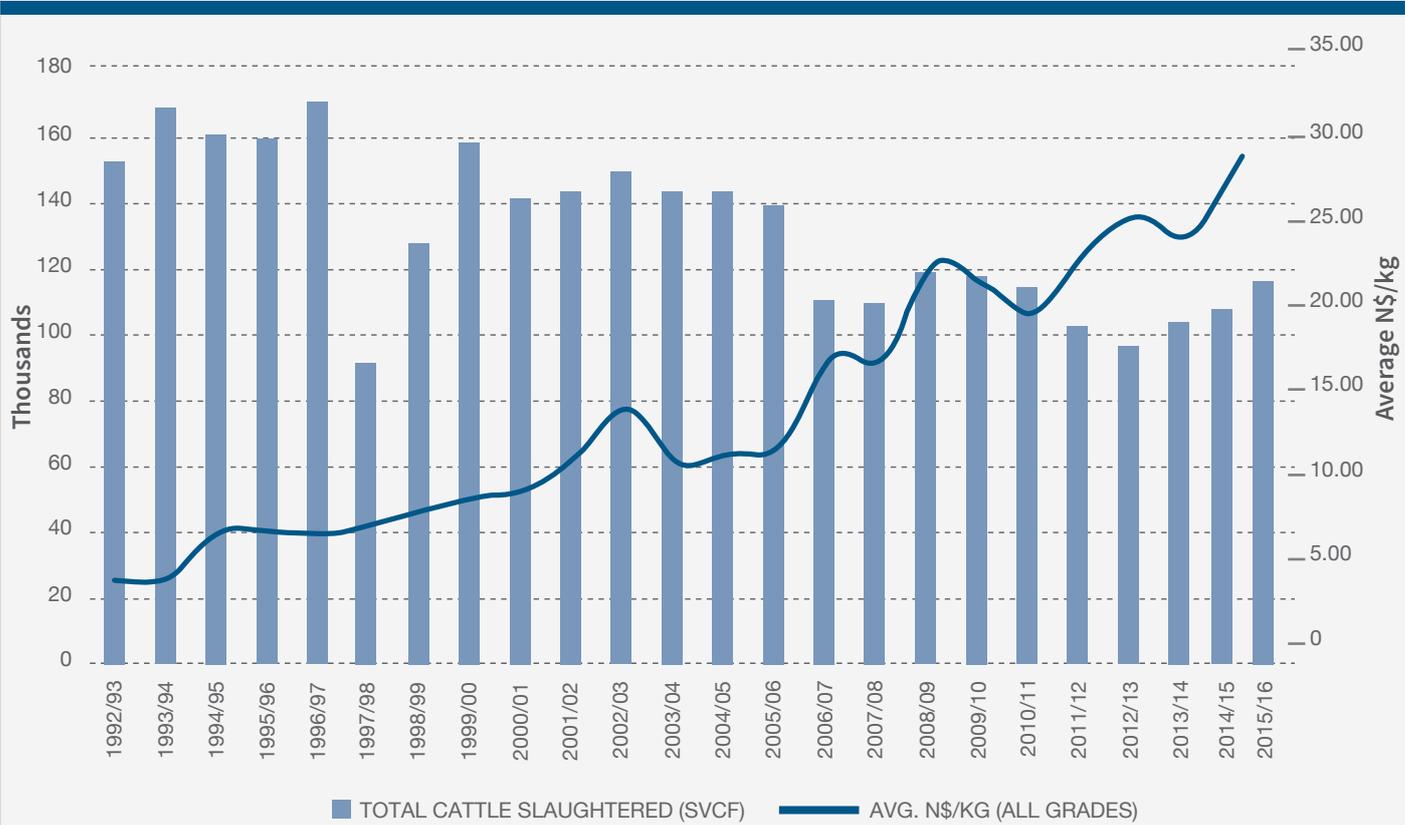


Figure 12: Overall average Producer Price per kilogram vs throughput (SVCF): 1992/93-2015/16

2015/16 Producer of the Year Awards



It was an evening of celebration in Windhoek on 11 March 2016, as leading farmers and industry stakeholder from across the width and breadth of Namibia gathered at the NamPower convention centre to share success formulas and celebrate triumphs at the annual Meatco Producer of the Year awards ceremony.

Highlights of the evening include the announcement of Okahandja Farmers' Association as the Farmers' Association of the Year based on volumes delivered, while Job Muniaro was named Communal Producer of the Year. Overall winner of the night was Wilhelm Diekmann, who walked away with three awards, including 2015/16 Producer of the Year.





2015 PRODUCER OF THE YEAR AWARD

Wilhelm Gerd Diekmann of the farm Gross Hamakari, situated close to the Waterberg in the Otjozondjupa Region



2015/16 Producer of the Year: Wilhelm Diekmann



The Diekmann family, originally from northern Germany, has been running the Farm Hamakari situated close to the Waterberg, about 280 km north of Windhoek since 1908.

The current owner, Wilhelm Diekmann won the Meatco Commercial Producer of the Year award for 2015.

He took over the family farm from his mother in 1982 after she had successfully managed the enterprise for eleven years after his father's fatal car accident in 1971.

"The farm has been in the family hands for over 100 years. So my main target is to maintain the legacy passed on to me by my parents and ancestors," he said.

Cattle farming is the main activity on the 20,000 hectares, although this is complemented with professional hunting on the principle of sustainable utilisation of local resources.

In the savannah bush of Hamakari, which forms part of the Waterberg Conservancy, the seasoned hunter is offered an exciting and ethical (fair) chase at game such as kudu, eland, oryx and many other species under the supervision of experienced hunting guides.

Like many other farmers, Wilhelm faces challenges such as trying to farm in a profitable way and maintaining a sustainable business, but also caring for a healthy ecology.

"These personal objectives have been getting harder and harder to achieve in drought years such as the current one. I also try to maintain a constant and good relationship firstly with my outstanding team of workers, secondly with the neighbouring communities," he said.

In terms of the business' future plans, the main aim is to adapt to changes in a sustainable way, climate, price structures as well as economical conditions.

"Farmers are the backbone of the country's economy. All industrial countries in the world have a strong agricultural leg to stand on. A large number of Namibians depend on agriculture and by keeping agriculture strong, Government ensures peace and stability prevails in the country. We all hope that politicians will recognise this importance in future by giving communal and commercial agriculture more attention."

MEATCO'S PRODUCER OF THE MONTH

Meatco is proud to acknowledge the following individuals and groups as our Producers of the Month for the respective months during the reporting period:

February 2015: S.J. Briedenhann
 March 2015: S. Coetzee
 April 2015: H. Brummund
 May 2015: E.R. Hansen
 June 2015: Richtberg Farming Partners
 July 2015: Pommersche Farmgesellschaft

August 2015: A. Olivier
 September 2015: D.M. Uys
 October 2015: Ghaub investments (Pty) Ltd
 November 2015: K. Beer
 December 2015: D.M. Uys
 January 2016: E. Jooste

National Braai Competition

The annual Meatco National Braai competition was held on Saturday 28th March this reporting year, hosted by the previous year's champions, the Hochfeld Farmers' Association.

The Okahandja Farmers' Association was awarded first place in the Overall Winners category. Meatco's Executive for Livestock Procurement, Heiner Böhme, handed over a cheque for N\$100,000, of which N\$80,000 will be set aside for them to host the event next year.

The 'Akker rakkers' social team of Annel Stadler, Moilise Meyer and Gerald Geldenhuys came in as Overall Winners in the Social Team competition, winning the N\$10,000 prize money cheque.

Meatco also announced that in future, the Meatco National Braai will be held under the auspices of National Agriculture Union (NAU) from 2016 onwards, following consultations between the two parties. A decision was

made to hand the popular event back to the NAU, with the union as main sponsor and organiser.

The competition initially began as the Inter Farmers' Association Braai Competition in the early 1990s. Therefore, this decision means the competition now returns to its initiator and original organiser.

As Meatco, it is our wish that the competition will allow for producers belonging to the crop, livestock, plant and animal health industry, to not be excluded. All producers who are part of organised agriculture should benefit from the competition and use the platform as a social networking opportunity to learn from one another.

Through the years the competition has grown in leaps and bounds, giving Farmers Associations the opportunity to network and keep abreast with what is happening in the industry. We are confident that the NAU will deliver the same quality of competition to its affiliates.



The Okahandja Farmers' Association, the 2015 Meatco Braai Competition winners.

Investing in our Communities





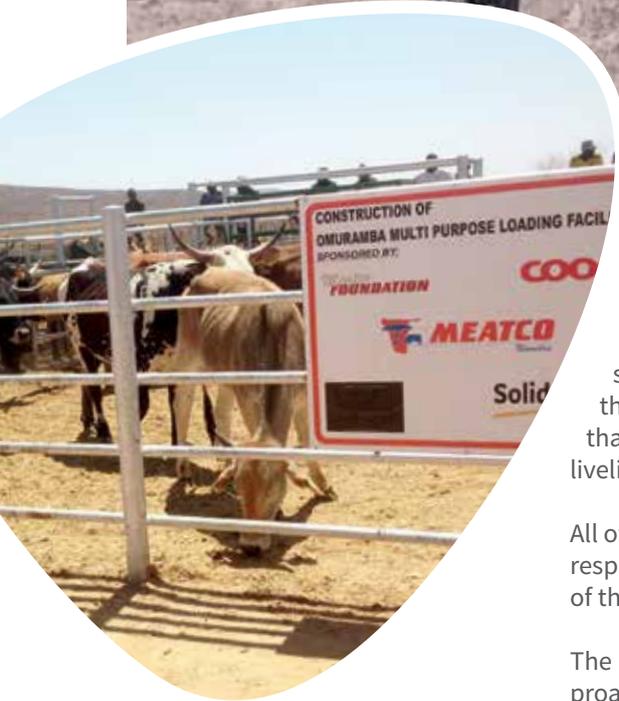
Since 2011, Meatco has invested N\$25 million in projects throughout the country through the Meatco Foundation.

N\$25 MILLION



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.

The Meatco Foundation



The Meatco Foundation is the corporation's corporate social investment initiative, established with the aim of promoting and supporting the socio-economic improvement of the Namibian rural communities that rely on livestock for their livelihoods.

All of Meatco's corporate social responsibilities fall under the ambit of the Foundation.

The Meatco Foundation has been proactively involved in projects that empower our members since it was set up in April 2011, with a special focus on the social and economic development of those living and working in communal areas.

"THE FOUNDATION FOCUSED ITS ATTENTION ON THE NORTHERN COMMUNAL AREAS, WITH THE INTENTION OF CREATING CAPACITY IN THESE FARMING COMMUNITIES, SO THEY CAN BECOME MORE COMMERCIALY COMPETITIVE."

KINGSLEY KWENANI, EXECUTIVE OFFICER: MEATCO FOUNDATION





N\$25m INVESTED THROUGH MEATCO FOUNDATION

Meatco invested N\$25 million in various projects throughout the country

The Foundation is a separate legal entity with a seven-member Board of Trustees and the Corporation is responsible for funding its administrative functions and co-funding its various outreach projects within the livestock sector.

In past years, the Foundation has focused its attention on the Northern Communal Areas (NCAs), with the intention of creating capacity in these farming communities so that they can become more commercially competitive.

In partnership with Meatco, the MAWF, the Ministry of Lands and Resettlement (MLR), agricultural unions, Conservation Agriculture Namibia (CAN) and other partners, the Foundation was able to ensure that beneficiaries received practical assistance (such as drilling boreholes on resettlement farms) as well as training on issues such as sustainable rangeland management.



It was able to set up the Sustainable Cattle Production Project in the NCAs in 2013 through generous co-funding by Solidaridad, GPS, Meatco UK and Danish Coop, with the remainder (26%) made up of in-kind donations. This project ended during the reporting year, in November 2015.

In the year under review, implementation continued with the existing project components: the Meatco-owned Cattle (MoC) initiative, Improved Genetics and Access to Bulls; Commercialised Training in the NCA; and Sustainable Rangeland Management.

The Rangeland and Marketing Development Support Project (RMDSP-NCA), funded with €1.6 million from the European Union, Meatco, Meatco Foundation and CAN with the objective of reducing the vulnerability of rural populations to the adverse impacts of climate change, will end in May 2017.

The Meatco Foundation also focused this year on up-scaling established initiatives for marketing aspects on livestock in the NCA. As part of Meatco's corporate social responsibility, we also improved the holding pens for the Otjiwarongo Show Society's livestock section and upgraded the infrastructure in the exhibition area. The show societies of Grootfontein, Gobabis and Rehoboth also received sponsorship to similarly renovate their infrastructure.

Other projects targeted primary healthcare in the supply chain and the occupational health of staff members (see Review: Human Resources).

Since 2011, we have invested N\$25 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, Meatco, Global Protein Solutions (GPS) and Danish Coop as donors, to implement and manage the Sustainable Cattle Production in Namibia Project for a three-year period, which ended November 2015.

The project was 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 for their livelihoods. Unfortunately the cattle population per square kilometre and the cattle/human ratio is indicative of overstocking and overpopulation with regard to the communities' herds.

During the course of the project, a total of 2,430 farmers were trained in rangeland and livestock management in a direct attempt to mitigate the adverse impact of climate change on the livelihoods of the small-scale livestock farmers in the NCAs.

The training provided a foundation of knowledge on which to fall back on and serves as a guideline for sustainable farming practices. An estimated total of 1,048 farmers in the project areas are practicing sustainable rangeland management as a result of

the training, indicating that the activities have triggered expected outcomes and positive uptake by the target group.

The cattle herders managing the livestock undoubtedly have a critical role to play in the process of planned grazing and strategic herding. The training equipped and empowered them with new skills, knowledge and enhanced the importance of their profession in the production cycle. A total of 574 herders/farm workers experienced improved working conditions and exposure to training.

A notable shift in the farmer's mind-set from 'traditional' to commercialisation practices became evident during the numerous scoping visits and discussions with the farmers.

The persistent awareness-raising by the project staff and Meatco procurement team about 'selling at the right time for the right reasons' seems to be bearing fruit, as this approach is now more frequently



“ **THE MEATCO SOLIDARIDAD FOUNDATION PROJECTS ARE SOME OF THE BETTER PERFORMING VENTURES SUPPORTED BY SOLIDARIDAD IN SOUTHERN AFRICA, AND WE SHOULD LOOK INTO DOCUMENTING LESSONS FOR IMPROVING THE SAME PROJECT AND APPLYING SIMILAR MODELS** ”

ELSEWHERE IN THE REGION.

WILSON MNGWAMBE, PROJECT MANAGER OF THE SOLIDARIDAD NETWORK, SOUTHERN AFRICA

echoed by the farmers during interactions with the project staff.

A total of 350 farmers were trained in livestock commercialisation, providing them with a better understanding of the demands of the markets and how to gauge the condition and readiness of their cattle for slaughter.

An estimated total of 14,500 hectares are now managed according to the Global Roundtable for Sustainable Beef (GRSB) principles, directly contributing to the improvement of the fragile resource base.

The financial benefits are noteworthy and include an estimated N\$6.1 million generated from cattle sales at the Omuramba community crush pen. A total number of 4,724 head of cattle were sold by the combined target group during the lifetime of the project, amounting to an aggregated N\$28.3 million.

A selected group of farmers in the Kavango West region participated in the Meatco-owned Cattle (MoC) scheme and benefitted from the advance payment of N\$3,500/animal for farm inputs and supplementary licks to purposely raise the cattle for slaughter with a secured off-take by Meatco.

This intervention raised the ‘appetite for commercialisation’ to an extent where the farmers included larger numbers of their herds into the supplementary feeding programme, clearly signalling a mind-shift away from the traditional farming practices.

The slaughter of the MoC cattle in the Kavango West is scheduled

to take place in June 2016, when the mobile slaughter unit will be deployed.

Based on the current trend for beef prices, whereby Meatco offers its producers a premium on top of the RSA parity price plus an additional N\$4.50/kg for hides and offal, it is conservatively estimated that these producers will enjoy a monetary benefit of N\$6,000 per animal net, amounting to a total of N\$4.5 million. This compared favourably to the initial capital outlay of N\$2.625 million and yielding an increase of 71% direct income for the farmers.

As part of the support programme, a ‘Better Bull Scheme’ was introduced to improve the herd structure and genetics of herds in the NCA. It is estimated that each of the 24 beneficiaries will have received an average of 14 calves during the gestation period 2014-2015, amounting to 336 calves. In consideration of a growth period of 6-8 months for the animals until they are ready for sale or slaughter, the farmers are expected to reap N\$28,000 income per farmer or N\$672,000 in total.

In March 2015, we were host to a delegation from Solidaridad, who were in country to carry out a monitoring visit and engage with beneficiaries. One outcome of the visit was the evaluation of the Namibian activities as some of the best in southern Africa in terms of performance.

RANGELAND AND MARKETING DEVELOPMENT SUPPORT PROJECT (RMDSP-NCA)

The Rangeland and Marketing Development Support Project in the NCA (RMDSP-NCA) is a one-year project co-funded by the European Union and implemented by the Meatco Foundation and CAN. It came to an end in August 2015.

The overall objective of the RMDSP-NCA was to reduce the vulnerability of NCA rural populations to the adverse impacts of climate change through developing, testing and disseminating appropriate solutions and practices for 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.



Meatco's employees during the construction of a playground for the Sanveld Kindergarten.

Despite the challenges presented by the drought and outbreak of FMD, the project team ensured the delivery of outstanding and robust results, more specifically as follows:

- Innovative business options have been pursued together with Regional Livestock Marketing Co-operatives, private and public sectors.
- At the outbreak of FMD, the business planning with RLMCs shifted from core livestock marketing businesses to investigating options for peripheral businesses development that supports marketing, such as:
 - *Trail-runs of green fodder production and investigation of 'bush to pellets'; as well as feedlot establishment in the NCAs, and*
 - *Trail-runs of conservation agriculture ripper furrowing and technical support services offered by Regional Co-operatives to farmers in their respective regions.*
- Sound rangeland management application has been adapted and applied within the context of severe fodder shortages resulting in 120,000 ha being under improved rangeland management.
- All the field staff, including the six Regional Livestock Marketing Co-operatives, as well as all target Grazing Areas, have been exposed to Namibia-specific conservation agriculture methods.
- Critical support to the pioneering of landscape rehydration approaches in the Kunene Region has been provided with great potential for up-scaling.
- Effective methods in controlling unwanted fire and animal diseases have been implemented.
- Our field teams have developed effective working relationships with regional stakeholders in the NCAs, including the Traditional Authorities, Regional Councils, Directorates of the line ministries and other NGOs.
- An aggregated number of 780 Grazing Areas community members joined the Regional Livestock Marketing Co-operatives to date and a total of N\$740,500 paid-up share capital was recorded.
- Three high quality documentary short films, relevant to climate change adaption have been produced or are nearly finalised.

EMPLOYEE VOLUNTEERISM PROGRAMME

Staff volunteerism has proven 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 Employee Volunteerism 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.

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 the year under review, the Livestock Procurement Department embarked on a project at Drimiopsis, about 45 km north of Gobabis. In conjunction with the Meatco Foundation, the department initiated a project to build a playground for the Sanveld Kindergarten, as well as providing stationery, toys and groceries to the 30 orphans and vulnerable children supported by the daycare centre.



The Onyose Trust received a donation through Meatco's Staff Social Project scheme.

In October, the Corporation's internal auditors donated cutlery worth N\$5,000 to the Onyose Trust welfare organisation through the Staff Social Project. Lunch was also provided for the children supported by the trust. In addition, the Human Resources Department embarked on developing a garden project for the Home-based Caregivers Centre in Okahandja.

The Onyose Trust was established in 2006 with the goal of providing nutritious food and healthcare support to HIV-infected people and the bedridden on a weekly basis. The centre currently provided food for 70 people three times a week and the garden project will allow

it to expand its provision with the fresh produce it grows.

The implementation costs of this programme are kept to a minimum so that the Meatco Foundation can support as many households as possible within the budget provided; a total of N\$25,000 was allocated for the programme in 2015/16.

MEATCO COMPREHENSIVE HEALTH MANAGEMENT SERVICE AND OUTREACH PROJECT

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, which came online in 2015, 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 Meatco's supply chain.
- 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 together contribute 50% of funding and the Meatco Foundation provides the rest of the costs of the project.

MEATCO'S DONATION SUPPORTS CARDIO-VASCULAR HEALTH

Glycar SA is a company that manufactures pericardial patches for human cardiovascular reconstruction and repair. Meatco provides pericardium harvested during the processing of its certified disease-free, range-fed cattle. The tissue must come from slaughter animals destined for the EU market since Glycar's pericardial patches must be certified as traceable from birth to the abattoir.

Once Glycar has accumulated several hundred suitable membranes, separated from A and AB cattle less than two years of age, that its technicians have cleaned and prepared, the tissue is sent on the South Africa for further processing

before it is distributed around the globe by Saint Jude Medical in the US.

Not only does Meatco provide the material for the pericardial patches free of charge to Glycar, but the arrangement with the Okahandja abattoir means that Glycar employs one local agent and two other staff members in Namibia.

Says Diana Wucher, Glycar's Namibian agent: "Glycar was looking for an EU-approved entity to source pericardium as their pericardial patches carry a CE mark (a mandatory conformity for products sold within the EU), and we found it in Meatco. We are grateful for Meatco, as myself and two ladies based in Okahandja are now employed because of this agreement. Although we offered to pay Meatco for the pericardiums, they declined the offer, which is very commendable."

Taking care of our Environment





20% LESS

Meatco use 20% less water and energy during the reporting year when compared with consumption in the previous year.

MEATCO IS COMMITTED TO PROTECTING AND CONSERVING THE ENVIRONMENT FOR ITS MEMBERS, THE BROADER COMMUNITY, AND FOR FUTURE GENERATIONS OF NAMIBIANS. WE CONSIDER THE PRESERVATION OF NAMIBIA'S NATURAL ENVIRONMENT AND BIODIVERSITY AS A PRINCIPLE ON WHICH THE SUSTAINABILITY OF OUR BUSINESS DEPENDS.

MEATCO'S ENVIRONMENTAL POLICY

Meatco is committed to promoting a sound environmental ethos 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 arising out of our operations and manage such impacts in a timely and effective way, while at the same time using our resources in a sustainable and efficient manner.

With this in mind, the Corporation utilises an Environmental Management System, through which it focuses on energy conservation; controlling the carbon footprint of operations; conservation of water and the optimisation of its use; waste management; and protecting biodiversity.

In addition, since the nature of our business involves the handling and transportation 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.

Inflow into Namibian reservoirs in 2015 was once again below average. Following on from four continuous years of poor inflow, this has resulted in a continuous decline in the country's dams' water storage volumes since 2010/11. At the same time, the demand for water, especially in Windhoek, has increased dramatically. Along with other businesses, as well as private citizens, Meatco already included measures in its water saving plans to address the water crisis in its operational plans for the coming year.

Drought conditions compel Meatco to operate one abattoir at all times (35% water saving) throughout the year for the group and restricted water supplies will naturally affect the Corporation's ability to fulfil this function effectively.

Meatco has been in discussions with NamWater and the two relevant municipalities (Okahandja and Windhoek) for the past two years



in an effort to identify strategies to mitigate the effect of limited water supplies at the abattoirs so that throughput can be maintained. With the current imposition of formal restrictions on water (NamWater 20% and City of Windhoek 30%) the Corporation will need to explore different options for maximising the use of its processing plants under different operating scenarios so that any limits on water use at the Okahandja and Windhoek plants can be managed effectively.

With the formal restrictions on water use likely to become a regular occurrence under drought conditions in the future, Meatco will need to explore different options to maximise the use of its processing plants under different operating scenarios, so that water restrictions can be managed effectively at the Okahandja and Windhoek plants.

As a business we also have to look at ways that we can reduce our water consumption more generally. This has meant fixing leaks and identifying ways to cut down on water use during the maintenance and upgrading of the Windhoek abattoir in 2015. It will also mean that we need to engage in an activity to ascertain where we might recycle and reuse water at our operations.

“MEATCO WILL NEED TO SERIOUSLY CONSIDER THE WATER CRISIS DURING THE OPERATIONAL PLANS FOR NEXT YEAR, AS THE WATER SITUATION IS CRITICAL. BUT IT IS IMPORTANT THAT EVERYBODY IN NAMIBIA, INDUSTRIES AND BUSINESSES, WORK TOWARDS SAVING WATER FOR US TO HAVE A SUSTAINABLE WATER SUPPLY IN THE FUTURE.”

JANNIE BREYTENBACH, EXECUTIVE: OPERATIONS

“The aim is to get residents of Windhoek to reduce consumption by about 25%, which would mean that the water supply could be sustained until April 2017. Failing to achieve this saving along with another season of low inflow for the dams will result in a severe water shortage as early as October 2016.”

Andre Mostert, NamWater’s Manager: Hydrology, who met with Meatco on October 2015, making clear the impact of the poor inflow to reservoirs over the past few years and the need to raise awareness about the current crisis in Namibia’s water supply.

Our operating costs during the current reporting year increased by only 8%, which is a remarkable achievement considering the significant increase in the costs of water and electricity in Namibia over the past years. 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 Operations 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.

One of the technical team’s focus areas during the period under review was to initiate water saving strategies. 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 Water Usage Team was established at all Operational Departments with the goal of implementing measures for saving and manages water at the plant, both in its production processes and more generally.

Another focus area is renewable energy. We have done several feasibility studies on biogas and bio-fuel. Our steam boilers can also run on bio-fuel, charcoal or wood chips. However, as the load is not constant at the abattoirs, it is not efficient yet to use bio-fuel. During 2016 we will continue our investigation into renewable energy, especially solar.

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 have developed

specific measures regarding beef sustainability in Namibia, while directing our operations to creating a cleaner production environment with reduced water and electricity use.

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 2015. The tables below show the benchmarks and the Windhoek plant’s performance the past few years.

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.

Overall, we achieved an outstanding saving in our water of 37.5% per L/U and electricity saving of 18.69 % per L/U usage during the reporting year. A reduction in electricity usage serves the double purpose of helping to combat climate change while also saving the Corporation money.

Water usage: 2015/16 (Litre per cattle unit of 250 kg weight: abbreviated as L/U)		
International benchmark		Windhoek plant
Traditional	5 m ³ per L/U	2012: 4.7 m ³ per L/U
Average	2.5 m ³ per L/U	2015: 3.2 m ³ per L/U
Best	1 m ³ per L/U	2016: 2.0 m ³ per L/U (Saving of 57.4% as from 2012)

Table 3: Water Usage: 2015/16

Electrical energy usage: 2015/16 (Kilowatt-hour per cattle unit of 250 kg weight: abbreviated as kWh/U)		
International benchmark		Windhoek plant
Traditional	300 kWh/U	2012: 107 kWh/U
Average	125 kWh/U	2015: 87 kWh/U
Best	70 kWh/U	(Saving of 18.7% as from 2012)

Table 4: Electrical energy Usage: 2015/16



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, DVS, BRC, and several of our discerning customers such as our EU and Norwegian suppliers.

All farmers registered with Meatco are also required to be members of the Farm Assurance Namibian Meat (FANMeat) scheme and to adhere to its standards. In August of this reporting year the DVS of the MAWF installed its new Animal Health Database system; the associated Animal Health Declaration Form has been merged with the FANMeat form and can be accessed and completed

or downloaded at a number of websites.

The form must be submitted twice a year (as previously) and the information gathered will facilitate the capturing, analysis and processing of relevant data relating to animal health in Namibia — especially in commercial operations SVCF.

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, one is required to treat all the animals on one's farm with dignity and respect.

During the reporting year a survey was undertaken through the Meat

Board of Namibia to ascertain perceptions towards animal welfare in the Namibian public; the survey also investigated the inclusion of animal welfare into school curricula.

At the same time, the topic was integrated into courses of the Agricultural Animal Science diploma and degree programmes at the University of Namibia (the Polytechnic of Namibia (now the Namibian University of Science and Technology) incorporated animal welfare into its Animal Health curriculum in 2014).

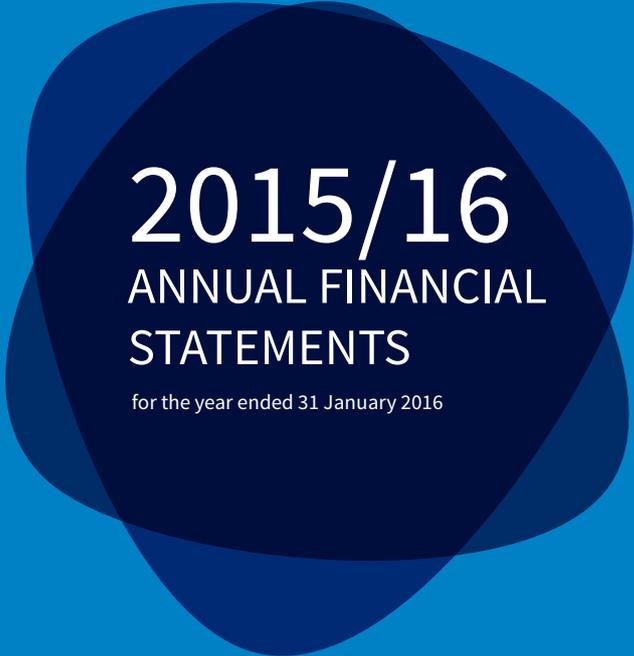
These developments — and the possibility of training Animal Welfare Officers with inputs from the Department of Veterinary Science, industry players and World Animal Protection — all serve to raise the profile of animal welfare in the Namibian agricultural sector, and reinforce the commitment of the meat industry to this important aspect of our operations.



Annual Financial Statements

Meat Corporation of Namibia

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



2015/16
ANNUAL FINANCIAL
STATEMENTS

for the year ended 31 January 2016

Consolidated Statement of Comprehensive Income For the year ended 31 January 2016

DIRECTORS' RESPONSIBILITY FOR THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 January 2016

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 2016, set out on pages 117 to 175, have been approved by the Board of Directors and authorised for issue on 28 April 2016. The annual financial statements were signed on 28 April 2016 on behalf of the Board by:



.....

Ms M. Namundjebo-Tilahun
Chairperson



.....

Mr RL Kubas
Director

Windhoek

Namibia

09 May 2016

Consolidated Statement of Comprehensive Income

For the year ended 31 January 2016

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

for the year ended 31 January 2016

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 2016, 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 117 to 175.

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 2016, 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
09 May 2016

Consolidated Statement of Comprehensive Income

For the year ended 31 January 2016

DIRECTORS' REPORT

for the year ended 31 January 2016

The directors have pleasure in presenting their report for the financial year which ended on 31 January 2016.

The objects of Meat Corporation

In accordance with the Meat Corporation of Namibia Act (Act 1 of 2001), the objects 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.

Consolidated Statement of Comprehensive Income

For the year ended 31 January 2016

Directors' Report (continued)

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 retail 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.

Consolidated Statement of Comprehensive Income

For the year ended 31 January 2016

Directors' Report (continued)

Operating results

During the financial year under review throughput of cattle supply in the areas south of the Trans Veterinary Cordon Fence increased to 116 948 (2015: 107 403). The average cold dress weight decreased to 229.83 kg (2015: 230.52 kg), resulting in actual throughput of 26 878 tonnes (2015: 24 758 tonnes).

Cattle supply in the areas north of the Trans Veterinary Cordon Fence decreased to nil (2015: 9 370). The average cold dressed weight decreased to nil kg (2015: 184.93 kg), resulting in actual throughput of nil tonnes (2015: 1 733 tonnes).

The revenue for the Group increased to N\$ 1 802.6 million (2015: N\$ 1 610.8 million). The net profit for the year after interest and taxation decreased to N\$ 13.3 million (2015: N\$ 14.3 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:

	2016	2015
	N\$	N\$
Additions for the year	76 413 033	65 182 832
Capital budget for the ensuing year	92 408 119	125 594 532

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

Consolidated Statement of Comprehensive Income For the year ended 31 January 2016

Directors' Report (continued)

Subsidiaries

Interest of Corporation at 31 January 2016 in:

		Issued share capital	Percentage holding direct/ indirect	Share investment N\$	Loans N\$
Investments in subsidiaries				200	120 086 826
Meat Corporation of Namibia (UK) Limited (United Kingdom)	GBP	1 250 000	100 %	--	--
Namibia Meat Importers & Exporters (Pty) Ltd (South Africa)	ZAR	100	100 %	100	50 094 183
Namibia Cattle Procurement (Pty) Ltd (Namibia) (Previously Namibia Allied Meat Company (Pty) Ltd (Namibia))	NAD	100	100 %	100	69 992 643
Amounts from/(due) to subsidiaries				--	(55 098 498)
Meat Corporation of Namibia (UK) Limited (United Kingdom)	GBP			--	(33 777 472)
Namibia Meat Importers & Exporters (Pty) Ltd (South Africa)	ZAR			--	(21 321 026)
				200	64 988 328

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.

Consolidated Statement of Comprehensive Income

For the year ended 31 January 2016

Directors' Report (continued)

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			--	(21 637 406)
Namibia Meat Importers & Exporters (Pty) Ltd (South Africa)	ZAR			--	(7 831 887)
				200	126 112 462

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:

	2016	2015
	N\$	N\$
Net profit after taxation	5 982 691	9 038 304

Consolidated Statement of Comprehensive Income For the year ended 31 January 2016

Directors' Report (continued)

Associates

Interest of Corporation at 31 January 2016 in:

		Issued share capital	Place of business/ Country of Incorporation	Percentage holding direct/ indirect	Share investment N\$	Loans N\$
Investments in associates					41 920 227	--
GPS Food Group (Holdings) Limited	EUR	244 443	Ireland	25 %	41 703 436	--
GPS Norway AS	NOK	300	Norway	33 %	216 791	--
					<u>41 920 227</u>	<u>--</u>

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					41 920 227	--
GPS Food Group (Holdings) Limited	EUR	244 443	Ireland	25 %	41 703 436	--
GPS Norway AS	NOK	300	Norway	33 %	216 791	--
					<u>41 920 227</u>	<u>--</u>

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.

Consolidated Statement of Comprehensive Income

For the year ended 31 January 2016

Board of Directors

The following Directors held office during the financial year:

Ms M Namundjebo-Tilahun: Chairperson
Mr D Metzger: Vice-Chairperson – resigned 17 August 2015
Mr RL Kubas
Mr C /Urib
Mr Il Ngangane
Ms S Kasheeta
Mr E Beukes: appointed 17 March 2016 (co-opted member)

Audit and Risk Committee

Mr D Metzger: Vice-Chairperson – resigned 17 August 2015
Mr RL Kubas: Chairperson
Mr E Beukes: appointed 17 March 2016 (co-opted member)

Remuneration and Human Resources Committee

Ms S Kasheeta: Chairperson
Mr C /Urib

Management Support Committee

Ms M Namundjebo-Tilahun: Chairperson
Mr D Metzger – resigned 17 August 2015

Secretary to the Corporation

Ms EM Tuneeko

Registered address

Business Address:

Meat Corporation Building
Sheffield Street
Northern Industrial Area
Windhoek
Namibia

Postal Address:

P.O. Box 3881
Windhoek
Namibia

Consolidated Statement of Comprehensive Income

For the year ended 31 January 2016

STATEMENT OF FINANCIAL POSITION

as at 31 January 2016

	Note	Group		Corporation	
		2016 N\$	2015 N\$	2016 N\$	2015 N\$
Assets					
Non-current assets		400 044 366	312 646 412	378 583 986	321 467 068
Property, plant and equipment	5	299 700 285	243 840 430	299 380 631	243 562 349
Investment in subsidiaries	6	--	--	11 938 771	11 938 719
Investment in associates	7	74 681 825	44 555 388	41 918 226	41 918 226
Deferred tax assets	8	25 662 256	24 250 594	25 346 358	24 047 774
Current assets		599 852 775	689 060 259	561 530 348	642 391 108
Inventories	9	158 235 028	233 840 719	152 163 303	226 794 526
Biological assets	10	142 415 904	197 526 853	41 091 357	59 592 743
Trade and other receivables	11	228 042 550	164 781 269	201 335 226	126 494 089
Amounts due by subsidiaries	6	--	--	108 152 752	143 643 236
Cash and cash equivalents	17.3	71 159 293	87 885 017	58 787 710	80 840 113
Financial instrument asset		--	5 026 400	--	5 026 401
Total assets		999 897 141	1 001 706 670	940 114 334	963 858 176
Equity and liabilities					
Capital and reserves		407 664 780	368 627 777	340 451 712	345 796 852
Foreign currency translation reserve	15.6	20 561 145	9 201 233	--	--
Retained earnings		387 103 635	359 426 544	340 451 712	345 796 852
Non-current liabilities		310 451 224	314 491 942	310 451 224	314 491 942
Interest bearing loans and borrowings	13	286 835 224	292 729 755	286 835 224	292 729 755
Post-employment benefits	12	23 616 000	21 762 187	23 616 000	21 762 187
Current liabilities		281 781 137	318 586 951	289 211 398	300 615 150
Bank overdraft	17.3	48 757 135	96 665 191	48 757 135	96 665 191
Interest bearing loans and borrowings	13	79 198 378	77 688 596	79 198 378	77 688 596
Trade and other payables		88 945 770	95 817 629	82 532 087	86 394 663
Provisions	14	52 645 382	47 821 477	12 005 239	10 397 407
Amounts due to subsidiaries	7	--	--	55 098 498	29 469 293
Income tax payable		614 411	594 058	--	--
Financial instrument liability		11 620 061	--	11 620 061	--
Total equity and liabilities		999 897 141	1 001 706 670	940 114 334	963 858 176

Consolidated Statement of Comprehensive Income

For the year ended 31 January 2016

INCOME STATEMENT

for the year ended 31 January 2016

	Note	Group		Corporation	
		2016 N\$	2015 N\$	2016 N\$	2015 N\$
Revenue	15.1	1 802 582 145	1 610 762 267	1 791 374 167	1 723 782 820
Cost of sales		(1 606 604 868)	(1 427 389 945)	(1 620 803 250)	(1 564 783 428)
Gross profit		195 977 277	183 372 322	170 570 917	158 999 392
Other income	15.2	16 519 567	11 469 532	16 503 966	11 619 627
Administrative expenses		(160 723 918)	(141 801 962)	(142 945 420)	(122 639 229)
Operating profit	15.3	51 772 926	53 039 892	44 129 463	47 979 790
Interest income		692 191	616 740	643 787	468 222
Interest expense		(51 416 974)	(41 090 676)	(51 416 974)	(41 090 676)
Share of the profit or loss of associates accounted for using the equity method		12 710 787	6 587 617	--	--
Profit before income tax		13 758 930	19 153 573	(6 643 724)	7 357 336
Income tax	16	(663 251)	(4 886 900)	1 298 584	(2 128 967)
Profit for the year		13 095 679	14 266 673	(5 345 140)	5 228 369

Consolidated Statement of Comprehensive Income

For the year ended 31 January 2016

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 January 2016

	Note	Group		Corporation	
		2016 N\$	2015 N\$	2016 N\$	2015 N\$
Profit for the year		13 095 679	14 266 673	(5 345 140)	5 228 369
Other comprehensive income for the year, net of income tax		25 941 324	(4 707 660)	--	--
Foreign currency translation differences for foreign operations	15.6	25 941 324	(4 707 660)	--	--
Income tax on other comprehensive income		--	--	--	--
Total comprehensive income for the year		39 037 003	9 559 013	(5 345 140)	5 228 369
Attributable to:					
Members of the Corporation		39 037 003	9 559 013	(5 345 140)	5 228 369
Non-controlling interest		--	--	--	--
Total comprehensive income for the year		39 037 003	9 559 013	(5 345 140)	5 228 369

Consolidated Statement of Comprehensive Income

For the year ended 31 January 2016

STATEMENT OF CASH FLOWS

for the year ended 31 January 2016

	Note	Group		Corporation	
		2016 N\$	2015 N\$	2016 N\$	2015 N\$
Cash flows from/ (used in) operating activities		108 946 821	(112 827 915)	79 661 103	(106 144 374)
Cash receipts from customers		1 739 320 864	1 635 622 355	1 716 533 030	1 766 530 795
Cash paid to suppliers and employees		(1 577 594 700)	(1 708 121 197)	(1 586 098 740)	(1 832 052 715)
Cash from/ (utilised by) operations	17.1	161 726 164	(72 498 842)	130 434 290	(65 521 920)
Interest income		692 191	616 740	643 787	468 222
Interest expense		(51 416 974)	(41 090 676)	(51 416 974)	(41 090 676)
Income taxes received/ (paid)	17.2	(2 054 560)	144 863	--	--
Cash flows used in investing activities		(75 117 529)	(105 851 149)	(75 049 906)	(106 084 506)
Acquisition of property, plant and equipment		(76 480 656)	(65 182 832)	(76 413 033)	(65 182 832)
Proceeds from disposal of property, plant and equipment		1 363 127	1 249 909	1 363 127	1 016 552
Associates acquired		--	(41 918 226)	--	(41 918 226)
Cash flows before financing activities		33 829 292	(218 679 064)	4 611 197	(212 228 880)
Cash flows from financing activities		(4 384 749)	168 146 844	21 244 456	166 916 080
Proceeds from interest-bearing loans and borrowings		30 052 209	242 950 683	30 052 209	242 950 683
Repayment of interest-bearing loans and borrowings		(34 436 958)	(74 803 839)	(34 436 958)	(74 803 839)
Funds from subsidiaries		--	--	25 629 205	(1 230 764)
Net change in cash and cash equivalents		29 444 543	50 532 220	25 855 653	(45 312 800)
Exchange gains/losses on cash and cash equivalents		1 737 789	(757 205)	--	--
Cash and cash equivalents at beginning of year		(8 780 174)	42 509 251	(15 825 078)	29 487 722
Cash and cash equivalents at end of year	17.3	22 402 158	(8 780 174)	10 030 575	(15 825 078)

Consolidated Statement of Comprehensive Income

For the year ended 31 January 2016

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 January 2016

		Retained earnings	Foreign currency translation reserve	Total
		N\$	N\$	N\$
Group				
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	--	14 266 673
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	368 627 777
Balance at 1 February 2015		359 426 544	9 201 233	368 627 777
Reclassification	15.6	14 581 412	(14 581 412)	--
Total comprehensive income for the year				
Profit for the year		13 095 679	--	13 095 679
Other comprehensive income				
(Loss) / Gain arising on translation of foreign operations		--	25 941 324	25 941 324
Balance at 31 January 2016		387 103 635	20 561 145	407 664 780
Corporation				
Balance at 1 February 2014		343 522 715	--	343 522 715
Correction of prior year error on commission paid	18	(2 954 232)	--	(2 954 232)
Total comprehensive income for the year				
Profit for the year		5 228 369	--	5 228 369
Balance at 31 January 2015		345 796 852	--	345 796 852
Balance at 1 February 2015		345 796 852	--	345 796 852
Total comprehensive income for the year				
Profit/(loss) for the year		(5 345 140)	--	(5 345 140)
Balance at 31 January 2016		340 451 712	--	340 451 712

Consolidated Statement of Comprehensive Income

For the year ended 31 January 2016

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 January 2016

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 2016 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.

International Financial Reporting Standards and amendments issued but not effective for 31 January 2016 year-end

Number	Effective date	Executive summary
Amendment to IAS 19 'Employee benefits', regarding defined benefit plans.	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.
Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28, 'Investments in associates and joint ventures' on sale or contribution of assets	1 January 2016	The IASB has issued this amendment to eliminate the inconsistency between IFRS 10 and IAS 28. If the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business', then the full gain or loss will be recognised by the investor. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.
Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28, 'Investments in associates and joint ventures' on applying the consolidation exemption	1 January 2016	The amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.
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.

Consolidated Statement of Comprehensive Income

For the year ended 31 January 2016

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

International Financial Reporting Standards and amendments issued but not effective for 31 January 2016 year-end		
Number	Effective date	Executive summary
IFRS 14 – Regulatory deferral accounts	1 January 2016	<p>The IASB has issued IFRS 14, 'Regulatory deferral accounts' specific to first time adopters ('IFRS 14'), an interim standard on the accounting for certain balances that arise from rate-regulated activities ('regulatory deferral accounts').</p> <p>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.</p>
Amendments to IAS 1, 'Presentation of financial statements' disclosure initiative	1 January 2016	In December 2014 the IASB issued amendments to clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.
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.
Amendments to IAS 16, 'Property, plant and equipment' and IAS 41, 'Agriculture' on bearer plants	1 January 2016	In this amendment to IAS 16 the IASB has scoped in bearer plants, but not the produce on bearer plants and explained that a bearer plant not yet in the location and condition necessary to bear produce is treated as a self-constructed asset. In this amendment to IAS 41, the IASB has adjusted the definition of a bearer plant include examples of non-bearer plants and remove current examples of bearer plants from IAS 41.
IFRS 15 – Revenue from contracts with customers.	1 January 2018	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.
IFRS 9 – Financial Instruments (2009 & 2010) Financial liabilities Derecognition of financial instruments Financial assets General hedge accounting	1 January 2018	<p>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.</p> <p>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.</p>

Consolidated Statement of Comprehensive Income

For the year ended 31 January 2016

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

International Financial Reporting Standards and amendments issued but not effective for 31 January 2016 year-end		
Number	Effective date	Executive summary
Amendment to IFRS 9 -‘Financial instruments’, on general hedge accounting	1 January 2018	<p>The IASB has amended IFRS 9 to align hedge accounting more closely with an entity’s risk management. The revised standard also establishes a more principles-based approach to hedge accounting and addresses inconsistencies and weaknesses in the current model in IAS 39.</p> <p>Early adoption of the above requirements has specific transitional rules that need to be followed. Entities can elect to apply IFRS 9 for any of the following:</p> <ul style="list-style-type: none"> The own credit risk requirements for financial liabilities. Classification and measurement (C&M) requirements for financial assets. C&M requirements for financial assets and financial liabilities. The full current version of IFRS 9 (that is, C&M requirements for financial assets and financial liabilities and hedge accounting). The transitional provisions described above are likely to change once the IASB completes all phases of IFRS 9.

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.

Consolidated Statement of Comprehensive Income

For the year ended 31 January 2016

2. Significant accounting policies (continued)

2.2 Consolidation (continued)

(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.

(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.

Consolidated Statement of Comprehensive Income

For the year ended 31 January 2016

2. Significant accounting policies (continued)

2.3 Foreign currency translation (continued)

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.

(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
Factory Equipment	5	Mobile Equipment	3
Computer Equipment	3	Tools	3
Office Equipment	5		

Consolidated Statement of Comprehensive Income

For the year ended 31 January 2016

2. Significant accounting policies (continued)

2.4 Property, plant and equipment (continued)

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.

2.6 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.

2. Significant accounting policies (continued)

Consolidated Statement of Comprehensive Income

For the year ended 31 January 2016

2. Significant accounting policies (continued)

2.6 Financial assets (continued)

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 through 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.

2.7 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.

Consolidated Statement of Comprehensive Income

For the year ended 31 January 2016

2. Significant accounting policies (continued)

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.

2.14 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.

Consolidated Statement of Comprehensive Income

For the year ended 31 January 2016

2. Significant accounting policies (continued)

2.16 Current and deferred income tax (continued)

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.

2.17 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.

Consolidated Statement of Comprehensive Income

For the year ended 31 January 2016

2. Significant accounting policies (continued)

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.

2. Significant accounting policies (continued)

(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.

2.20 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.

Consolidated Statement of Comprehensive Income

For the year ended 31 January 2016

2. Significant accounting policies (continued)

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.

3.3 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.

Consolidated Statement of Comprehensive Income

For the year ended 31 January 2016

3. Financial risk management (continued)

3.3 Foreign exchange risk (continued)

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 – 2016				
Current assets				
Trade and other receivables before impairment	GBP	929 480	22.91	21 294 387
	EUR	2 386 329	17.49	41 736 894
	USD	917 383	16.03	14 705 650
				77 736 931
Cash and cash equivalents	GBP	845 289	22.91	19 365 571
	EUR	827 441	17.49	14 471 943
	USD	364 086	16.03	5 836 299
				39 673 813
Current liabilities				
Trade and other payables	GBP	153 086	22.91	3 507 200
	EUR	289 276	17.49	5 059 437
	USD	1 508 633	16.03	24 183 387
				32 750 024

Consolidated Statement of Comprehensive Income For the year ended 31 January 2016

3. Financial risk management (continued)

3.3 Foreign exchange risk (continued)

		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

Consolidated Statement of Comprehensive Income For the year ended 31 January 2016

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 – 2016				
Current assets				
Trade and other receivables before impairment	GBP	929 446	22.91	21 293 608
	EUR	2 386 329	17.49	41 736 894
	USD	917 383	16.03	14 705 650
				77 736 152
Cash and cash equivalents	GBP	464 372	22.91	10 638 763
	EUR	827 441	17.49	14 471 943
	USD	364 086	16.03	5 836 299
				30 947 005
Current liabilities				
Trade and other payables	GBP	108 864	22.91	2 494 074
	EUR	289 276	17.49	5 059 437
	USD	1 508 633	16.03	24 183 387
Amount due to subsidiaries	GBP	1 474 355	22.91	33 777 472
				65 514 370

Consolidated Statement of Comprehensive Income For the year ended 31 January 2016

3. Financial risk management (continued)

3.3 Foreign exchange risk (continued)

		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
				63 983 350
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	21 637 106
Bank Overdraft	GBP	170 984	17.47	2 987 114
				31 742 257

Consolidated Statement of Comprehensive Income For the year ended 31 January 2016

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 2015.

	Group		Corporation	
	Equity	Profit or loss	Equity	Profit or loss
31 January 2016				
USD	(364 089)	(364 089)	(364 089)	(364 089)
GBP	(3 716 853)	(3 716 853)	(433 834)	(433 834)
EUR	5 114 882	5 114 882	5 114 882	5 114 882
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)

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 2016, the Corporation had unutilised forward exchange contracts amounting to N\$ 49 104 299 (2015: N\$ 27 528 750). These contracts consisted of EUR 3.15 million (2015: EUR nil) and GBP 250 000 (2015: GBP 1.5 million) at a rate of 14.05 (2015: nil) and 19.34 (2015: 18.35). The maturity date for the unutilised forward exchange contracts as at the end of January 2015 was 29 February 2016.

3.4 Price risk

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

Consolidated Statement of Comprehensive Income

For the year ended 31 January 2016

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 19 for details of local and foreign borrowings. At the reporting date the interest rate profile of the interest-bearing financial instruments was:

	Group		Corporation	
	Carrying amount		Carrying amount	
	2016	2015	2016	2015
	N\$	N\$	N\$	N\$
Fixed rate instruments				
Financial liabilities	--	--	--	--
Variable rate instruments				
Financial assets	71 159 293	87 885 017	58 787 710	80 840 113
Financial liabilities	(414 790 737)	(467 083 950)	(414 790 737)	(467 083 950)
	(343 631 444)	(379 198 933)	(356 003 027)	(386 243 837)

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\$ 4 147 907 (2015: N\$ 4 670 840) for the Group, and by N\$ 4 147 907 (2015: N\$ 4 670 840) 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 2015.

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.

Consolidated Statement of Comprehensive Income

For the year ended 31 January 2016

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	
	Carrying amount		Carrying amount	
	2016	2015	2016	2015
	N\$	N\$	N\$	N\$
Trade and other receivables	177 589 579	164 781 268	126 863 921	126 494 089
Cash and cash equivalents	71 159 293	87 885 017	58 787 710	80 840 113
	248 748 872	252 666 285	185 651 631	207 334 202

Consolidated Statement of Comprehensive Income For the year ended 31 January 2016

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	
	Carrying amount		Carrying amount	
	2016	2015	2016	2015
	N\$	N\$	N\$	N\$
Namibia, RSA and Botswana	34 888 413	56 357 337	20 241 116	25 813 191
European Union countries	14 351 054	12 323 476	14 351 054	11 656 244
	49 239 467	68 680 813	34 592 170	37 469 435

Included in the balance above is N\$ 82 820 191 (2015: N\$ 63 941 902) for Group and N\$ 73 807 072 (2015: N\$ 58 509 890) 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\$ 6 959 945 (2015: N\$ 2 783 296) for Group and N\$ 6 959 945 (2015: N\$ 6 708 693) for the Corporation.

3.12 Impairment losses

The aging of trade receivables at the reporting date was:

Group

	Gross	Impairment	Gross	Impairment
	2016	2016	2015	2015
	N\$	N\$	N\$	N\$
Not past due	89 246 855	--	89 132 818	--
Past due 31 – 180 days	43 531 691	718 888	45 590 372	2 100 475
Past due 6 – 12 months	--	--	--	--
More than one year	--	--	--	--
	132 778 546	718 888	134 723 190	2 100 475

Corporation

	Gross	Impairment	Gross	Impairment
	2016	2016	2015	2015
	N\$	N\$	N\$	N\$
Not past due	74 013 091	--	59 943 482	--
Past due 31 – 180 days	35 105 039	718 888	37 799 603	1 763 760
Past due 6 – 12 months	--	--	--	--
More than one year	--	--	--	--
	109 118 130	718 888	97 743 085	1 763 760

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For the year ended 31 January 2016

3. Financial risk management (continued)

3.12 Impairment losses (continued)

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

	Group		Corporation	
	2016 N\$	2015 N\$	2016 N\$	2015 N\$
Balance at 1 February	2 100 475	3 055 626	1 763 760	3 055 626
Provision raised	--	420 194	--	83 479
Impairment loss reversed	--	(512 845)	(29 967)	(512 845)
Impairment loss recognised	(1 381 587)	(862 500)	(1 014 905)	(862 500)
Balance at 31 January	718 888	2 100 475	718 888	1 763 760

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 2016 the Group does not have any collective impairment on its trade receivables (2015: Nil).

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\$ 580.1 million (2015: N\$ 546.6 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 (2015: prime to prime minus 1.5 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\$ 50 million with FNB Namibia Ltd, as well as a contingent facility of N\$ 2.7 million for guarantees issued by the bank and a pre-settlement facility of N\$ 40 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).

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3. Financial risk management (continued)

3.13 Liquidity risk (continued)

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.

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

Group – 2016	Carrying amount	Contractual cash flows	1 to 12 months	1 to 5 years	More than 5 years
Interest bearing loans and borrowings	366 033 602	581 797 605	79 198 378	115 127 928	171 707 296
Bank overdraft	48 757 135	48 757 135	48 757 135	--	--
Trade and other payables	157 137 945	157 137 945	157 137 945	--	--
	571 928 682	787 692 685	285 093 458	115 127 928	171 707 296

Corporation – 2016	Carrying amount	Contractual cash flows	1 to 12 months	1 to 5 years	More than 5 years
Interest bearing loans and borrowings	366 033 602	581 797 605	79 198 378	115 127 928	171 707 296
Bank overdraft	48 757 135	48 757 135	48 757 135	--	--
Trade and other payables	82 532 091	82 532 091	82 532 091	--	--
	571 928 682	787 692 685	285 093 458	115 127 928	171 707 296

Group – 2015	Carrying amount	Contractual cash flows	1 to 12 months	1 to 5 years	More than 5 years
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	Carrying amount	Contractual cash flows	1 to 12 months	1 to 5 years	More than 5 years
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

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For the year ended 31 January 2016

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.

Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Inputs for the asset or liability that are not based on observable market data.

Levels of fair value measurements

Level 3

	Note	Group		Corporation	
		2016 N\$	2015 N\$	2016 N\$	2015 N\$
Recurring fair value measurements					
Foreign exchange contracts		(11 620 061)	5 026 401	(11 620 061)	5 026 401
Biological assets	10	142 415 904	197 526 853	41 091 357	59 592 743

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.

Consolidated Statement of Comprehensive Income

For the year ended 31 January 2016

4. Critical accounting estimates and judgements (continued)

4.1 Critical accounting estimates and assumptions (continued)

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.

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.

Calculation of the provision for profit share of Meatco owned cattle contracts

The provision for profit share is determined as the difference between the calculated livestock selling value of cattle to be slaughtered and the fair value of the cattle.

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.

Consolidated Statement of Comprehensive Income For the year ended 31 January 2016

5. Property, plant and equipment

	Group		Corporation	
	2016	2015	2016	2015
	N\$	N\$	N\$	N\$
Owned assets				
Land and buildings	96 136 024	79 335 039	96 008 904	79 207 919
At cost	126 143 757	109 342 772	125 947 487	109 146 502
Less: Accumulated depreciation and impairment losses	(30 007 733)	(30 007 733)	(29 938 583)	(29 938 583)
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	141 933 165	105 814 002	141 740 631	105 663 041
At cost	278 931 705	220 101 414	278 173 451	219 407 845
Less: Accumulated depreciation and impairment losses	(136 998 540)	(114 287 413)	(136 432 820)	(113 744 805)
Buildings and plant under construction	41 940 565	32 625 033	41 940 565	32 625 033
At cost	41 940 565	32 625 033	41 940 565	32 625 033
Less: Accumulated depreciation and impairment losses	--	--	--	--
Total owned assets	280 009 754	217 774 074	279 690 100	217 495 993
Leased assets				
Vehicles and equipment	19 690 531	26 066 356	19 690 531	26 066 356
At cost	26 157 653	39 517 907	26 157 653	39 517 907
Less: Accumulated depreciation and impairment losses	(6 467 122)	(13 451 551)	(6 467 122)	(13 451 551)
Total assets	299 700 285	243 840 430	299 380 631	243 562 349

Consolidated Statement of Comprehensive Income For the year ended 31 January 2016

5. Property, plant and equipment (continued)

Group – 2016

	Land and buildings	Plant, vehicles, furniture and equipment	Uncompleted projects	Total
Net book value				
Owned assets				
	96 136 024	141 933 165	41 940 565	280 009 754
Opening balance	79 335 039	105 814 002	32 625 033	217 774 074
Additions	6 235 726	19 340 688	46 803 876	72 380 290
Projects capitalised	10 565 259	26 923 085	(37 488 344)	--
Reclassifications	--	7 532 196	--	7 532 196
Disposals	--	(936 108)	--	(936 108)
Depreciation	--	(16 740 698)	--	(16 740 698)
Leased assets	--	19 690 531	--	19 690 531
Opening balance	--	26 066 356	--	26 066 356
Additions	--	4 100 366	--	4 100 366
Projects capitalised	--	--	--	--
Reclassifications	--	(7 532 196)	--	(7 532 196)
Disposals	--	(228 874)	--	(228 874)
Depreciation	--	(2 715 121)	--	(2 715 121)
Total assets	96 136 024	161 623 696	41 940 565	299 700 285

Group – 2015

	Land and buildings	Plant, vehicles, furniture and equipment	Uncompleted projects	Total
Net book value				
Owned assets				
	79 335 039	105 814 002	32 625 033	217 774 074
Opening balance	71 406 163	84 072 021	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

Consolidated Statement of Comprehensive Income For the year ended 31 January 2016

5. Property, plant and equipment (continued)

Corporation – 2016

	Land and buildings	Plant, vehicles, furniture and equipment	Uncompleted projects	Total
Net book value				
Owned assets	96 008 904	141 740 631	41 940 565	279 690 100
Opening balance	79 207 919	105 663 040	32 625 033	217 495 992
Additions	6 235 726	19 273 065	46 803 876	72 312 667
Projects capitalised	10 565 259	26 923 085	(37 488 344)	--
Reclassifications	--	7 532 196	--	7 532 196
Disposals	--	(934 496)	--	(934 496)
Depreciation	--	(16 716 259)	--	(16 716 259)
Leased assets	--	19 690 531	--	19 690 531
Opening balance	--	26 066 356	--	26 066 356
Additions	--	4 100 366	--	4 100 366
Projects capitalised	--	--	--	--
Reclassifications	--	(7 532 196)	--	(7 532 196)
Disposals	--	(228 874)	--	(228 874)
Depreciation	--	(2 715 121)	--	(2 715 121)
Total assets	96 008 904	161 431 162	41 940 565	299 380 631

Corporation – 2015

	Land and buildings	Plant, vehicles, furniture and equipment	Uncompleted projects	Total
Net book value				
Owned assets	79 207 919	105 663 040	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

Consolidated Statement of Comprehensive Income

For the year ended 31 January 2016

5. Property, plant and equipment (continued)

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 on 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 on Erf 7130 Windhoek (extension 6).
- A 1st Covering Mortgage bond for N\$ 5.7 million over Farm Annasruh No 175 Gobabis.
- A 1st Covering Mortgage bond for N\$ 2.9 million over Portion 9, Farm Otavi Pforte 798 Grootfontein.

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 13.

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.

Consolidated Statement of Comprehensive Income For the year ended 31 January 2016

7. Investment in associates

Summarised statement of financial position

	GPS Group (Holdings) Limited		GPS Norway AS		Total	
	2016 N\$	2015 N\$	2016 N\$	2015 N\$	2016 N\$	2015 N\$
Non-Current Assets	2 051 698	1 165 844	82 013	--	2 133 711	1 165 844
Fixed assets	2 051 698	1 165 844	82 013	--	2 133 711	1 165 844
Current Assets	316 444 411	236 812 596	2 704 686	16 553 570	319 149 097	253 303 166
Inventory	45 892 919	37 407 976	(371)	1 073 223	45 892 548	38 418 199
Trade and other receivables	140 572 856	148 562 594	421 067	3 391 696	140 993 923	151 954 290
Cash and cash equivalents	126 985 549	50 842 026	2 283 990	9 225 732	129 269 539	60 067 758
Amounts due from subsidiaries	2 993 087	--	--	2 576 857	2 993 087	2 576 857
Tax receivable	--	--	--	286 062	--	286 062
Total Assets	318 496 109	237 978 440	2 786 699	16 553 570	321 282 808	254 532 010
Non-Current Liabilities	16 154 706	27 913 622	--	--	16 154 706	27 913 622
Long term loans	16 154 706	27 913 622	--	--	16 154 706	27 913 622
Current Liabilities	142 498 942	133 046 910	(313 457)	15 708 843	142 185 485	148 755 753
Trade and other payables	142 498 942	124 535 203	(313 457)	15 708 843	142 185 485	140 244 046
Tax payable	--	8 246 876	--	--	--	8 246 876
Amounts due to related parties	--	264 831	--	--	--	264 831
Total liabilities	158 653 648	160 960 532	(313 457)	15 708 843	158 340 191	176 669 375
Net Assets	159 842 461	77 017 908	3 100 156	844 727	162 942 617	77 862 637

Consolidated Statement of Comprehensive Income For the year ended 31 January 2016

7. Investment in associates (continued)

Summarised statement of comprehensive income

	GPS Group (Holdings) Limited		GPS Norway AS		Total	
	2016 N\$	2015 N\$	2016 N\$	2015 N\$	2016 N\$	2015 N\$
Sales	1 644 397 581	710 976 750	281 626 253	116 165 150	1 926 023 834	827 141 900
Cost of Sales	(1 480 173 524)	(646 084 928)	(269 917 341)	(110 122 910)	(1 750 090 865)	(756 207 838)
Gross profit	164 224 057	64 891 822	11 708 912	6 042 240	175 932 969	70 934 062
Administrative expenses	(103 058 122)	(41 503 981)	(8 614 407)	(3 062 337)	(111 672 529)	(44 566 318)
Operating profit	61 165 935	23 387 841	3 094 505	2 979 903	64 260 440	26 367 744
Interest expense	(764 781)	(433 144)	(153 275)	(5 195)	(918 056)	(438 339)
Other income	862 495	--	6 403	--	868 898	--
Profit before tax	61 263 649	22 954 697	2 974 633	2 974 708	64 211 282	32 136 500
Tax	(11 955 756)	--	(1 449 441)	--	(13 405 197)	--
Profit after tax	49 307 893	22 954 697	1 498 192	2 974 708	50 806 085	32 136 500

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	
	2016 N\$	2015 N\$	2016 N\$	2015 N\$	2016 N\$	2015 N\$
Group						
Carrying value as at 31 January 2015	44 080 105	--	475 283	--	44 555 388	--
Acquisition during the year	--	41 701 436	--	216 790	--	41 918 226
Profit/(loss) for the period	11 842 485	6 286 064	868 302	301 553	12 710 787	6 587 617
Foreign exchange differences	17 077 842	(3 907 395)	337 808	(43 060)	17 415 650	(3 950 455)
Carrying value as at 31 January 2016	73 000 432	44 080 105	1 681 393	475 283	74 681 825	44 555 388

Consolidated Statement of Comprehensive Income For the year ended 31 January 2016

7. Investment in associates (continued)

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	
	2016	2015	2016	2015	2016	2015
	N\$	N\$	N\$	N\$	N\$	N\$
Group						
Net assets of the associate	159 842 461	77 017 910	3 100 156	844 727	162 942 617	77 862 637
Proportion of the Group's ownership interest	39 960 615	19 254 477	1 023 051	278 760	40 983 666	19 533 237
Goodwill	33 039 812	24 825 628	658 342	196 523	33 698 154	25 022 151
Carrying value as at 31 January 2016	73 000 432	44 080 105	1 681 393	475 283	74 681 825	44 555 388

8. Deferred tax assets

	Group		Corporation	
	2016	2015	2016	2015
	N\$	N\$	N\$	N\$
Balance at the beginning of the year	24 250 594	28 754 300	24 047 774	26 176 741
Current charge	1 411 662	(4 503 706)	1 298 584	(2 128 967)
	25 662 256	24 250 594	25 346 358	24 047 774
Comprising of:				
- Capital allowances	(52 123 876)	(45 970 522)	(52 109 993)	(45 959 452)
- Prepayments	(2 330 058)	(1 069 998)	(2 330 058)	(1 069 998)
- Provisions	12 962 437	12 006 817	12 632 656	11 792 921
- Tax losses	73 194 252	64 414 664	73 194 252	64 414 664
- Other	(6 040 499)	(5 130 362)	(6 040 499)	(5 130 362)
	25 662 256	24 250 594	25 346 358	24 047 774

Consolidated Statement of Comprehensive Income For the year ended 31 January 2016

8. Deferred tax assets (continued)

Deferred tax split between Current and Non-Current:

	Current		Non-Current	
	2016	2015	2016	2015
	N\$	N\$	N\$	N\$
Group				
Assets	87 535 622	2 009 588	4 098 210	74 411 893
Liabilities	(13 537 123)	(6 211 436)	(52 434 453)	(45 959 452)
Total	<u>73 998 499</u>	<u>(4 201 848)</u>	<u>(48 336 243)</u>	<u>28 452 442</u>
Corporation				
Assets	87 205 841	4 722 387	4 098 210	74 411 893
Liabilities	(13 537 123)	(9 127 055)	(52 420 570)	(45 959 452)
Total	<u>73 668 718</u>	<u>(4 404 668)</u>	<u>(48 322 360)</u>	<u>28 452 442</u>

A deferred tax asset amounting to N\$ 2 410 809 (2015: N\$ 2 482 087) 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

	Current		Non-Current	
	2016	2015	2016	2015
	N\$	N\$	N\$	N\$
Meat and meat products	135 020 708	212 151 292	128 948 983	205 105 099
Cost	<u>135 020 708</u>	<u>208 862 292</u>	<u>128 948 983</u>	<u>201 816 099</u>
Inventories stated at fair value less costs to sell	<u>--</u>	<u>3 289 000</u>	<u>--</u>	<u>3 289 000</u>
Packing materials, consumable stores and spare parts	23 214 320	21 689 427	23 214 320	21 689 427
	<u>158 235 028</u>	<u>233 840 719</u>	<u>152 163 303</u>	<u>226 794 526</u>

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.

Consolidated Statement of Comprehensive Income For the year ended 31 January 2016

10. Biological assets

	Group		Corporation	
	2016	2015	2016	2015
	N\$	N\$	N\$	N\$
Livestock cattle	142 415 904	197 526 853	41 091 357	59 592 743
Reconciliation of changes in carrying amount of biological assets:				
Carrying amount at beginning of year	197 526 853	74 553 618	59 592 743	74 553 618
Increase due to acquisitions	224 270 402	539 156 094	183 558 257	401 243 530
Net profit arising from changes in fair value	79 446 665	61 454 871	78 430 065	61 433 326
Decrease due to sales	(358 828 016)	(477 637 731)	(280 489 708)	(477 637 731)
Carrying amount at end of year	142 415 904	197 526 853	41 091 357	59 592 743
Number of cattle	19 720	31 875	6 009	8 874
Reconciliation of the changes in the number of cattle:				
At the beginning of the year	31 875	13 492	8 874	13 492
Increase due to acquisitions	33 165	83 064	34 793	58 717
Decrease due to sales	(45 320)	(64 681)	(37 658)	(63 335)
Number of cattle at the end of the year	19 720	31 875	6 009	8 874

11. Trade and other receivables

	Group		Corporation	
	2016	2015	2016	2015
	N\$	N\$	N\$	N\$
Trade and other receivables				
Trade receivables in Namibia, South Africa and Botswana	59 716 721	78 458 682	35 907 145	42 482 523
Trade receivables Europe & Norway	72 342 937	54 164 033	72 492 097	53 496 802
Other receivables and prepayments	19 438 597	4 395 919	18 464 678	4 368 722
VAT receivable	76 544 295	27 762 635	74 471 306	26 146 042
	228 042 550	164 781 269	201 335 226	126 494 089

Consolidated Statement of Comprehensive Income For the year ended 31 January 2016

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 2016 of the company's liability in respect of the provision for severance pay.

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 2014	(18 586 000)	--	--	(18 586 000)
Income statement:				
Current Service Cost	(1 672 000)	--	--	(1 672 000)
Interest (expense) / income	(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)
Income statement:				
(Current Service Cost)	(1 706 000)	--	--	(1 706 000)
Interest (expense) / income	(2 044 000)	--	--	(2 044 000)
Cash movements:				
Benefit payments	778 068	--	--	778 068
Remeasurements:				
Return on plan assets	--	--	--	--
Gain / (loss) – change in financial assumptions	(1 027 000)	--	--	(1 027 000)
Gain / (loss) – change in demographic assumptions	1 986 000	--	--	1 986 000
Experience gains / (losses)	159 119	--	--	159 119
Change in asset ceiling	--	--	--	--
As at 31 January 2016	(23 616 000)	--	--	(23 616 000)

	2016	2015
Discount rate	10.10 % per annum	7.40 % per annum
Salary inflation rate	7.40 % per annum	6.00 % per annum
Long-term inflation rate	7.70 % per annum	6.40 % per annum
Pre-retirement mortality table – male	SA 85-90 (Ultimate)	SA 85-90 (Ultimate)
Pre-retirement mortality table – female	SA 85-90 (Ultimate)	SA 85-90 (Ultimate)

Consolidated Statement of Comprehensive Income For the year ended 31 January 2016

12. Post-employment benefits (continued)

Severance pay benefits (continued)

	Impact on defined benefit obligation		
	Change in assumption	Increase assumption	Decrease assumption
Salary inflation rate	1.00 %	Increase by 11.60 %	Decrease by 10.10 %

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	
	2016	2015	2016	2015
	N\$	N\$	N\$	N\$
Secured loans				
<i>Finance lease liabilities:</i>				
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% (2015: prime less 1.5 % to 2.5 %) per annum.	16 751 187	18 415 121	16 751 187	18 415 121
<i>Bank borrowings:</i>				
Development Bank of Namibia - Secured by the following properties: Erf 6564 Windhoek, Erf 7130 Windhoek, Farm Annasruh Gobabis and Portion 9, Farm Otavi Pforte Grootfontein as set out in note 5. Interest is payable at prime overdraft rate to prime overdraft rate +0.25% (9.75% - 10.5%) (2015: prime overdraft rate to prime overdraft rate +0.25% (9.75% - 10%)) monthly in arrears. Capital and interest are repayable in 70 (2015: 82) monthly instalments of N\$ 1 170 768, 138 (2015: 150) monthly instalments of N\$ 2 043 210 and 116 (2015: nil) monthly instalments of N\$ 404 756.	257 699 620	248 554 989	257 699 620	248 554 989

Consolidated Statement of Comprehensive Income For the year ended 31 January 2016

13. Interest bearing loans and borrowings (continued)

	Group		Corporation	
	2016	2015	2016	2015
	N\$	N\$	N\$	N\$
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% - 10.5%) (2015: prime overdraft rate to prime overdraft rate +0.25% (9.75% - 10%)) monthly in arrears. Capital and interest are repayable in 88 (2015: 100) monthly instalments of N\$ 1 190 387 and 44 (2015: 56) monthly instalments of N\$ 644 891.	91 582 795	103 448 241	91 582 795	103 448 241
Total secured loans	366 033 602	370 418 351	366 033 602	370 418 351
Less: Current portion of interest bearing loans and borrowings				
Finance lease liabilities	(5 559 481)	(5 195 283)	(5 559 481)	(5 195 283)
Development Bank of Namibia	(51 615 568)	(49 018 538)	(51 615 568)	(49 018 538)
Bank Windhoek	(22 023 329)	(23 474 775)	(22 023 329)	(23 474 775)
	286 835 224	292 729 755	286 835 224	292 729 755

Finance lease liabilities are payable as follows:

	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments
	2016	2016	2016	2015	2015	2015
Group						
Less than one year	6 904 979	1 345 498	5 559 481	6 546 813	1 351 292	5 195 520
Between one and five years	12 600 175	1 408 469	11 191 706	15 186 173	1 966 572	13 219 601
More than five years	--	--	--	--	--	--
	19 505 154	2 753 967	16 751 187	21 732 986	3 317 864	18 415 121
Corporation						
Less than one year	6 904 979	1 345 498	5 559 481	6 546 813	1 351 292	5 195 520
Between one and five years	12 600 175	1 408 469	11 191 706	15 186 173	1 966 572	13 219 601
More than five years	--	--	--	--	--	--
	19 505 154	2 753 967	16 751 187	21 732 986	3 317 864	18 415 121

Consolidated Statement of Comprehensive Income For the year ended 31 January 2016

14. Provisions

	Provision for profit share	Other provisions	Total
Group 2016			
Opening balance	42 727 025	5 094 452	47 821 477
Additional provisions	46 219 759	6 425 623	52 645 382
Utilised during the year	(42 727 025)	(5 094 452)	(47 821 477)
Balance as at 31 January 2016	46 219 759	6 425 623	52 645 382
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
Corporation 2016			
Opening balance	5 302 955	5 094 452	10 397 407
Additional provisions	5 579 616	6 425 623	12 005 239
Utilised during the year	(5 302 955)	(5 094 452)	(10 397 407)
Balance as at 31 January 2016	5 579 616	6 425 623	12 005 239
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

15. Additional disclosure

	Group		Corporation	
	2016	2015	2016	2015
	N\$	N\$	N\$	N\$
15.1 Revenue				
Sales of goods	1 802 554 795	1 610 762 267	1 791 374 167	1 723 782 820
Total revenue	1 802 554 795	1 610 762 267	1 791 374 167	1 723 782 820
15.2 Other income				
Other income	28 015 616	7 622 291	28 000 015	7 772 386
Net unrealised foreign exchange gain/(loss)	(11 388 272)	(2 028 879)	(11 388 272)	(2 028 879)
Net realised foreign exchange gain/(loss)	(107 777)	5 876 120	(107 777)	5 876 120
Total other income	16 519 567	11 469 532	16 503 966	11 619 627

Consolidated Statement of Comprehensive Income For the year ended 31 January 2016

15. Additional disclosure (continued)

	Group		Corporation	
	2016	2015	2016	2015
	N\$	N\$	N\$	N\$
15.3 Operating profit before financing costs is stated after taking into account:				
Depreciation of property, plant and equipment	19 455 819	15 385 226	19 431 380	15 302 693
- Machinery, vehicles, furniture equipment	19 455 819	15 385 226	19 431 380	15 302 693
- Buildings and plant under construction	--	--	--	--
Auditors' remuneration	2 946 076	3 228 622	2 805 376	3 097 222
Local – for services as auditors	2 805 376	3 097 222	2 805 376	3 097 222
- Current year audit fees	2 484 636	2 579 976	2 484 636	2 579 976
- Over-provision previous year	--	--	--	--
- Other services	320 740	517 246	320 740	517 246
Subsidiaries - for services as auditors	140 700	131 400	--	--
Subsidiaries - for other services	--	--	--	--
Net (profit)/loss on disposal and scrapping of property, plant and equipment	(199 072)	1 643 988	(199 757)	1 639 002
Rentals under operating leases for land and buildings	1 773 086	2 078 683	1 773 086	2 008 683
15.4 Northern Communal Areas				
Loss included in operating profit	(13 787 252)	(43 979 265)	(13 787 252)	(43 979 265)

Consolidated Statement of Comprehensive Income For the year ended 31 January 2016

15. Additional disclosure (continued)

	Group		Corporation	
	2016	2015	2016	2015
	N\$	N\$	N\$	N\$
15.5 Personnel expenses				
Salaries and wages	218 508 534	188 543 273	207 504 741	175 605 639
Contributions to defined contribution plans	23 009 038	20 905 640	23 072 868	20 559 711
	241 517 572	209 448 913	230 577 609	196 165 350

The group salaries and wages include a severance pay provision charge of N\$ 3 750 000 (2015: N\$ 3 507 000). 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 2015, 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.

15.7 Other disclosures

- Non executive directors of the corporation for services as directors			1 132 405	967 144
Profit arising from changes in fair value less estimated point of sale costs attributable to livestock	79 446 665	61 454 871	78 430 065	61 433 326
Impairment (loss)/reversal on trade and other receivables, including amounts written off during the year, net of recoveries	1 381 587	955 151	1 044 872	1 291 866

Consolidated Statement of Comprehensive Income For the year ended 31 January 2016

16. Income tax

	Group		Corporation	
	2016	2015	2016	2015
	N\$	N\$	N\$	N\$
Normal income taxation				
- Foreign tax	(2 074 913)	(383 194)	--	--
Deferred taxation				
- Current year	1 411 662	(4 503 706)	1 298 584	(2 128 967)
	(663 251)	(4 886 900)	1 298 584	(2 128 967)

	%	%	%	%
Reconciliation of tax rate				
Current year charge as a percentage of income before taxation	3	29.7	19.5	28.9
Effect of subsidiaries being taxed at rates different to the Corporation's standard rate	25	20.2	--	--
Prior period adjustment	0.7	2.4	1.5	6.3
Tax rate change for deferred tax	5.8	--	11	--
Capital profits and exempt income not subject to tax	--	--	--	--
Unrecognised tax asset on calculated tax losses	(2.4)	(12.9)	--	--
Non-deductible expenditure	(0.1)	(6.4)	--	(2.2)
Standard tax rate	32.00	33.00	32.00	33.00

Provision has not been made for the Corporation's normal income taxation as the Corporation has a calculated tax loss of N\$ 228 732 039 (2015: N\$ 195 195 953) which is available for set off against future taxable income.

Consolidated Statement of Comprehensive Income For the year ended 31 January 2016

17. Notes to the cash flow statement

	Group		Corporation	
	2016	2015	2016	2015
	N\$	N\$	N\$	N\$
17.1 Cash from/ (utilised by) operations				
Operating profit before financing costs	51 772 926	53 039 892	44 129 463	47 979 790
Adjustments for non-cash flow items:				
- Depreciation	19 455 819	15 385 226	19 431 380	15 302 693
- (Profit)/Loss on disposal and scrapping of property, plant & equipment	(198 146)	1 643 987	(199 757)	1 639 002
- Changes in fair value of livestock	(79 446 665)	(61 454 871)	(78 430 065)	(61 433 326)
- Provision for severance pay	1 853 813	3 176 187	1 853 813	3 176 187
- Financial instrument asset / liability	16 646 462	(7 779 003)	16 646 462	(7 779 003)
- Provisions	4 823 905	20 692 794	1 607 832	(16 731 276)
- Prior year adjustment	--	--	(2 954 231)	--
- Movement in FCTR - subsidiaries	6 787 886	--	--	--
	21 696 000	24 704 214	2 084 897	(17 845 933)
Decrease/(increase) in working capital	140 030 164	(97 203 056)	128 349 393	(47 675 987)
Inventories and biological assets	210 163 305	(101 010 531)	171 562 674	39 541 686
Trade and other receivables	(63 261 282)	24 860 088	(74 841 137)	42 747 975
Trade and other payables	(6 871 859)	(21 052 613)	(3 862 576)	(24 380 097)
Investment in subsidiaries	--	--	35 490 432	(105 585 551)
	161 726 164	(72 498 482)	130 434 290	(65 521 920)
17.2 Income taxes paid				
Amounts outstanding at beginning of year	(594 058)	(66 001)	--	--
Income statement charge	(2 074 913)	(383 194)	--	--
Amounts outstanding at end of year	614 411	594 058	--	--
	(2 054 560)	144 863	--	--

Consolidated Statement of Comprehensive Income

For the year ended 31 January 2016

17. Notes to the cash flow statement (continued)

	Group		Corporation	
	2016	2015	2016	2015
	N\$	N\$	N\$	N\$
17.3 Cash and cash equivalents				
Cash and cash equivalents	71 159 293	87 885 017	58 787 710	80 840 113
Bank overdrafts	(48 757 135)	(96 665 191)	(48 757 135)	(96 665 191)
	22 402 158	(8 780 174)	10 030 575	(15 825 078)

N\$ 2.5 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\$ 74.5 million (2015: N\$ 31.5 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.

Consolidated Statement of Comprehensive Income

For the year ended 31 January 2016

17. Notes to the cash flow statement (continued)

17.3 Cash and cash equivalents (continued)

Nedbank total facilities details and the date of review are as follows:

- Pre and Post Shipment Trade Finance Overdraft N\$ 180 million reviewed on 30 July 2016 currently at 9.5 per cent.
- Vat overdraft Facility N\$ 40 million reviewed date of 30 July 2016 currently at 9.5 per cent.
- Forward Exchange Contract (FEC) Limit of N\$ 20 million reviewed date 30 July 2016 currently at 9.5 per cent.
- Revolving Credit Line Asset Based Finance (RCL) facility of N\$ 20 million reviewed date 30 July 2016.
- Reducing Business Loan facility of N\$ 12.4 million, repayable over 60 months.

First National Bank total facilities details are as follows:

- Direct Overdraft Facility N\$ 50 million
- Contingent Facility N\$ 2.7 million (guarantees issued by the Bank)
- Pre-settlement Facility N\$ 40 million (N\$ 100 million forward exchange contracts margined at 10 per cent).

18. Prior year adjustment

In the prior year an adjustment was made to the commission paid to Meat Corporation UK of N\$ 2 954 232. The adjustment is not considered to be material. This has no impact on the loss for the current year.

19. 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.

19.1 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.

Consolidated Statement of Comprehensive Income For the year ended 31 January 2016

19. Financial instruments (continued)

19.2 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
Group – 2016					
Assets					
Property, plant and equipment	--	--	--	299 700 285	299 700 285
Deferred tax assets	--	--	--	25 662 256	25 662 256
Investment in associate	--	74 681 825	--	--	74 681 825
Inventories	--	--	--	158 235 028	158 235 028
Biological assets	--	--	--	142 415 904	142 415 904
Trade and other receivables	--	132 059 658	--	95 982 892	228 042 550
Taxation	--	--	--	--	--
Cash and cash equivalents	--	71 159 293	--	--	71 159 293
	--	277 900 776	--	721 996 365	999 897 141
Liabilities					
Non – current interest bearing loans and borrowings	--	--	286 835 224	--	286 835 224
Post-employment benefit	--	--	--	23 616 000	23 616 000
Bank overdraft	--	--	48 757 135	--	48 757 135
Current interest bearing loans and borrowings	--	--	79 198 378	--	79 198 378
Trade and other payables	--	--	88 945 770	--	88 945 770
Provisions	--	--	52 645 382	--	52 645 382
Income tax payable	--	--	614 411	--	614 411
Financial instrument liability	--	11 620 061	--	--	11 620 061
	--	11 620 061	556 996 300	23 616 000	592 232 361

Consolidated Statement of Comprehensive Income For the year ended 31 January 2016

19. Financial instruments (continued)

19.2 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
Corporation – 2016					
Assets					
Property, plant and equipment	--	--	--	299 380 631	299 380 631
Investment in subsidiaries	--	120 091 523	--	--	120 091 523
Investment in associate	--	41 918 226	--	--	41 918 226
Deferred tax assets	--	--	--	25 346 358	25 346 358
Inventories	--	--	--	152 163 303	152 163 303
Biological assets	--	--	--	41 091 357	41 091 357
Trade and other receivables	--	108 399 242	--	92 935 984	201 335 226
Cash and cash equivalents	--	58 787 710	--	--	58 787 710
	--	329 196 701	--	610 917 633	940 114 334
Liabilities					
Non – current interest bearing loans	--	--	286 835 224	--	286 835 224
Post-employment benefit	--	--	--	23 616 000	23 616 000
Current interest bearing loans and borrowings	--	--	79 198 378	--	79 198 378
Trade and other payables	--	--	82 532 087	--	82 532 087
Provisions	--	--	12 005 239	--	12 005 239
Amounts due to subsidiaries	--	--	55 098 498	--	55 098 498
Bank overdraft	--	--	48 757 135	--	48 757 135
Financial instrument liability	--	--	--	--	--
	--	--	564 426 561	23 616 000	588 042 561

Consolidated Statement of Comprehensive Income For the year ended 31 January 2016

19. Financial instruments (continued)

19.2 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
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

Consolidated Statement of Comprehensive Income

For the year ended 31 January 2016

19. Financial instruments (continued)

19.2 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
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 receivables	--	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

Consolidated Statement of Comprehensive Income

For the year ended 31 January 2016

20. Related parties

20.1 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.

20.2 Types of related party transactions

The Corporation paid commission of N\$ 14 198 326 (2015: N\$ 8 591 300) to Meat Corporation of Namibia (UK), a wholly owned subsidiary, incorporated in the United Kingdom.

Amounts owing to/by subsidiaries are reflected in the directors' report.

Sales to Namibia Meat Importers & Exporters (Pty) Ltd amounted to N\$ 331 410 719 (2015: N\$ 339 266 463).

The directors' remuneration is reflected in note 14.2.

Sales to GPS Norway AS amounted to N\$ 63 319 324 (2015: N\$ 41,443,901).

The Corporation paid commission of N\$ 32 819 513 (2015: N\$ 28 603 978) to GPS Food Group (UK) Ltd.

Sales to Namibia Cattle Procurement (Pty) Ltd amounted to N\$ Nil (2015: N\$ 128 780 637).

Purchases from Namibia Cattle Procurement (Pty) Ltd amounted to N\$ 77 224 951 (2015: N\$ 5 187 477).

21. Contingent liabilities

As at year-end the Corporation had the following guarantees in place:

- A guarantee of N\$ 1 000 000 (2015: N\$ 1 000 000) is supplied to Customs and Excise.
- A guarantee of N\$ 91 000 (2015: N\$ 91 000) is supplied to NamPower for the purchase of electricity for Okapuka Tannery and Feedlot.
- A guarantee of N\$ 67 566 (2015: 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 nil cattle (2015: 1 345).



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