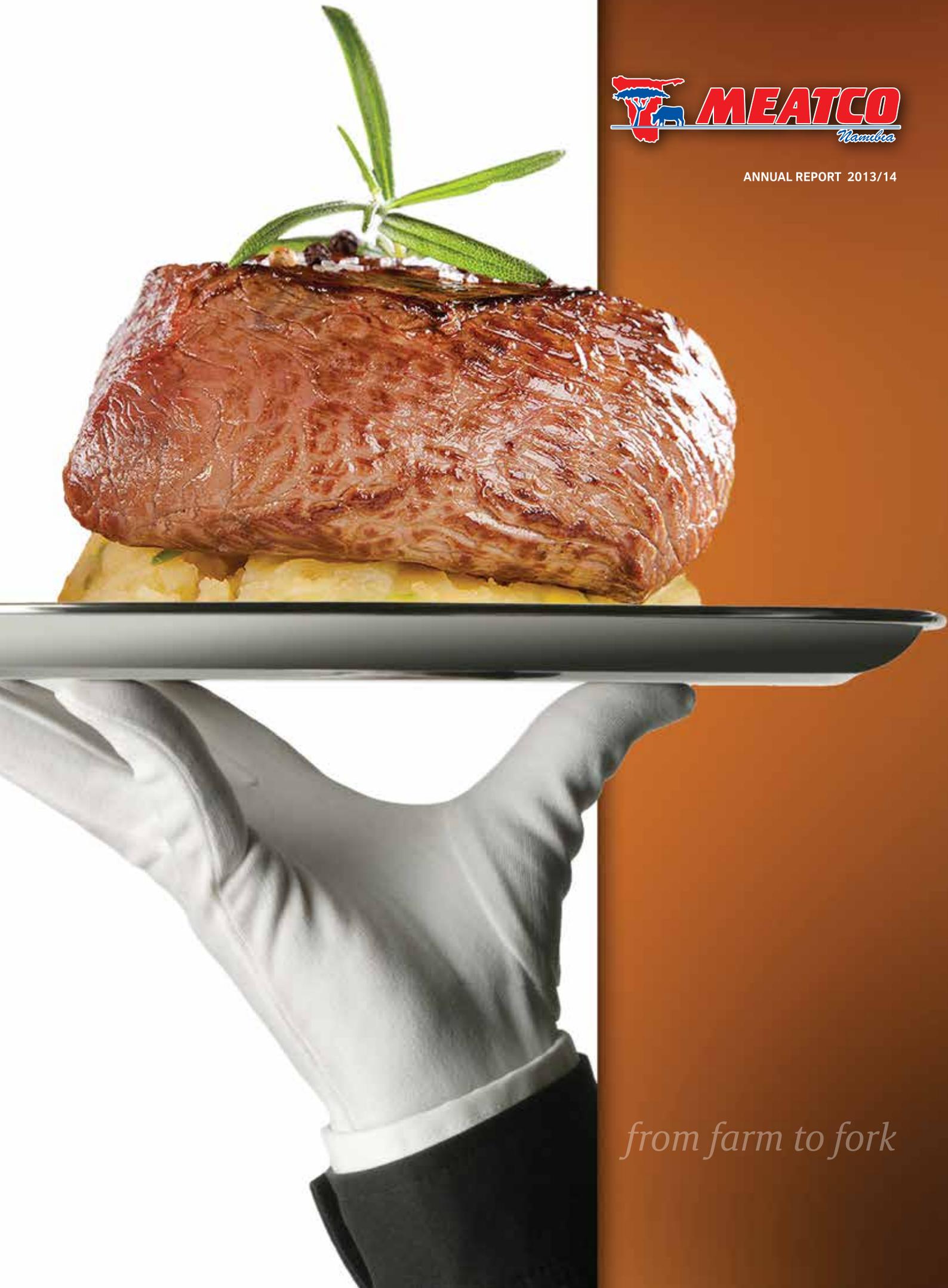




ANNUAL REPORT 2013/14



from farm to fork



TABLE OF CONTENTS

1 	BACKGROUND TO THE 2013/14 REPORT	4
	Why integrated reporting?	6
	More about this integrated report	6
	Reporting principles	7
	Assurance	7
2 	PERSPECTIVE ON OUR BUSINESS	8
	Summary of our performance in 2013/14	10
	Meatco at a glance	12
	How we're managed	19
	Ownership	20
	Who governs us	21
	Who leads us	33
	Our Code of Conduct	38
	Stakeholder engagement	39
3 	BUSINESS OVERVIEW: 2013/14	42
	Combined Chairpersons' Review	44
	CEO's Report	46
4 	BUSINESS REVIEWS: 2013/14	50
	Livestock procurement	52
	Processing	54
	Marketing	56
	Producer returns	62
	Northern Communal Areas	64
	Related operations	68
5 	SUSTAINABILITY OF CATTLE SUPPLY	70
	Historic trends in cattle supply	72
	Ensuring Meatco's sustainability	74
6 	MEETING OUR TRIPLE BOTTOM LINE	76
	Our people	78
	Our community and The Meatco Foundation	84
	Our environment	90
	Animal welfare	91
7 	ANNUAL FINANCIAL STATEMENTS	92

1

BACKGROUND TO THE 2013/14 REPORT

WHY INTEGRATED REPORTING?	6
MORE ABOUT THIS INTEGRATED REPORT	6
REPORTING PRINCIPLES	7
ASSURANCE	7



BACKGROUND TO THE 2013/14 REPORT

WHY INTEGRATED REPORTING?

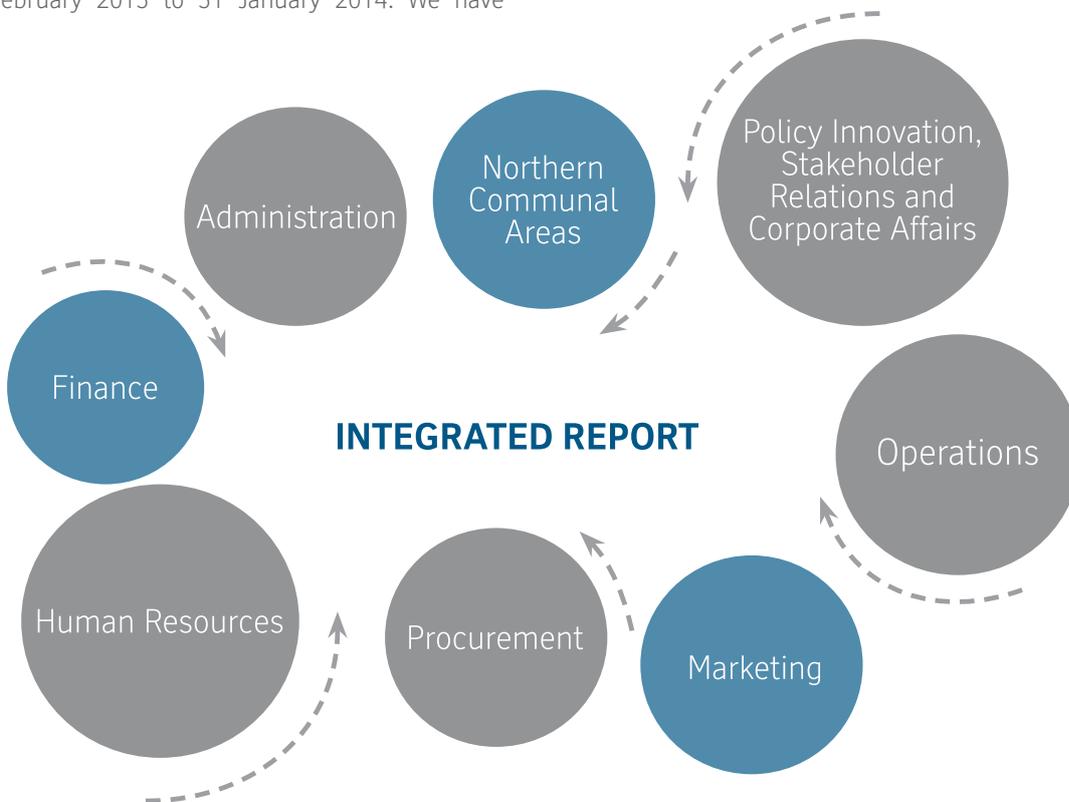
An *integrated report* is a concise communication about how an organisation creates value in the short, medium and long term. Sustainability is core to everything we do and a driving factor behind our strategy and long-term commercial success; integrated reporting is an ideal way of expressing this.

MORE ABOUT THIS INTEGRATED REPORT

This integrated report is the principal account to stakeholders on the Meat Corporation of Namibia (*Meatco* or *the Corporation*) and includes information on our governance, strategy, performance and prospects, seeking to provide a balanced view of key developments in the period 1 February 2013 to 31 January 2014. We have

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

To define the report content, we followed a structured approach which included input from a broad range of key Meatco representatives. This included members of the Board, the Executive Committee and the following Departments:



REPORTING PRINCIPLES

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

This report also includes the Corporation's annual financial statements (AFS). All figures are reported on a comparable basis, with no restatements. A copy of this report is available at www.meatco.com. We welcome feedback on it.

The Meatco Annual Report for 2013/14 was approved by its Board of Directors on 24 April 2014.

In compiling its AFS, the Corporation applies International Financial Reporting Standards and complies with the South African Institute of Chartered Accountants Financial Reporting Guides and the Meat Corporation of Namibia Act, 2001 (Act 1 of 2001). We use local and global sustainability standards, protocols and guidelines to report on our responsible business performance. The key standards of reference are the Meat Corporation of Namibia Act and the King III Code of Corporate Governance.

ASSURANCE

The Audit and Risk Committee oversees the drafting of the integrated report with recommendations from auditors PricewaterhouseCoopers, where considered necessary. The Audit and Risk Committee also approves the AFS, which were prepared under the supervision of the Group Chief Financial Officer, Mr Nico Weck.



2

PERSPECTIVE ON OUR BUSINESS

SUMMARY OF OUR PERFORMANCE IN 2013/14	10
MEATCO AT A GLANCE	12
HOW WE'RE MANAGED	19
WHO OWNS US	20
WHO GOVERNS US	21
WHO LEADS US	33
OUR CODE OF CONDUCT	38
STAKEHOLDER ENGAGEMENT	39



PERSPECTIVE ON OUR BUSINESS

N\$/KG

25.30

Producer pricing

Despite challenging operating and marketing conditions due to the drought, we could still pay our commercial producers N\$25.30/kg on average, which is N\$2.66/kg more than the South African parity price.

9.1%

INCREASE

Total carcass number

Cattle supply in all plants increased by 3.1 per cent, from 107 186 to 116 912.

SUMMARY OF OUR PERFORMANCE IN 2013/14

Revenue and profit

Our revenue increased by 2 per cent from N\$1.38 billion to N\$1.41 billion; we managed to show a small net profit of N\$3.4 million (2013: N\$0.6 million).

1.7%

INCREASE



Average carcass weight

However, the average cold dress weight of cattle south of the Veterinary Cordon Fence Area decreased by 6 per cent; and decreased by 8 per cent north of the Fence.



Back payments

During the year under review, Meatco was in the position to pay producers an additional N\$29.6 million in back payments.



Operating costs

Overall, our operating costs increased only by 11.1 per cent compared with the previous reporting year. This is despite significant increases in especially water and energy costs.



PERSPECTIVE ON OUR BUSINESS

MEATCO AT A GLANCE

Who we are

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

Meatco finds itself in the unique position of not having any owners or shareholders. The Corporation was established and is regulated under the Meat Corporation of Namibia Act to serve,

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

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

Our objectives

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

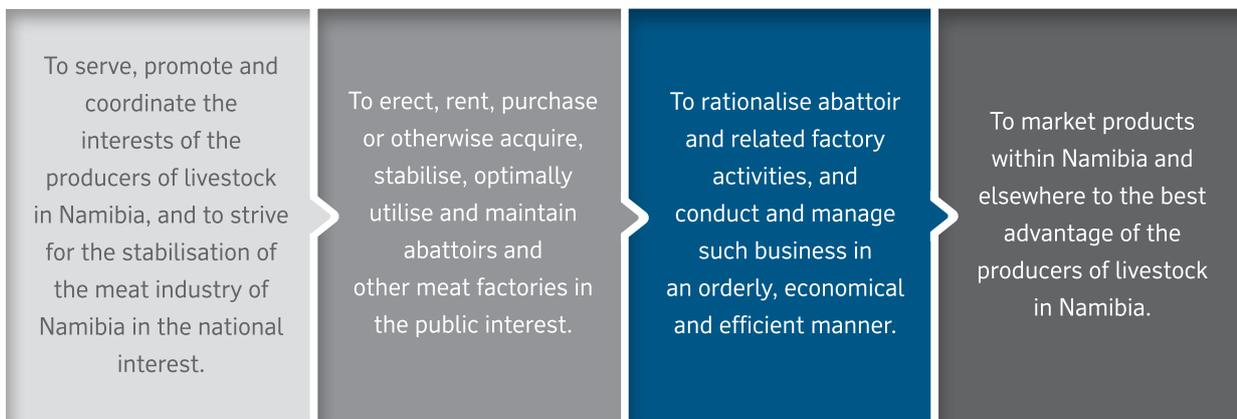


Figure 1: Our objectives

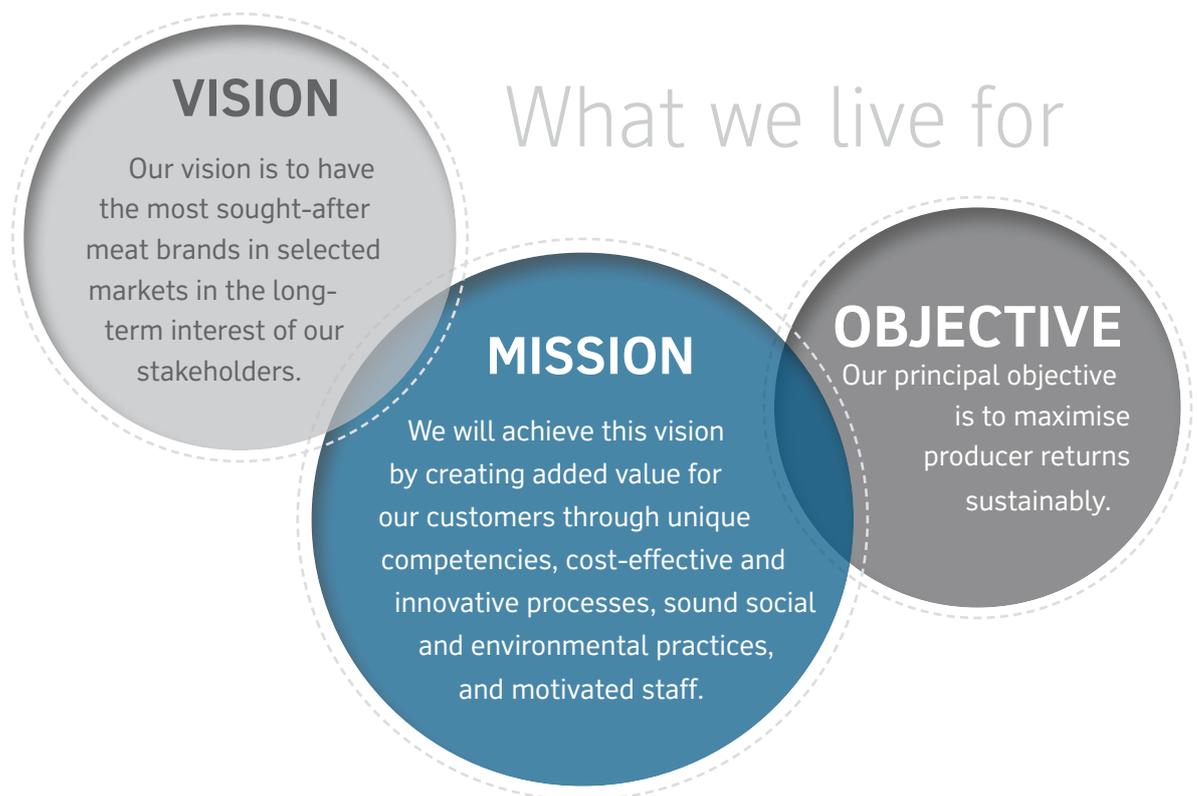


Figure 2: What we live for

What we do

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

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

PERSPECTIVE ON OUR BUSINESS



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

The core of Meatco's business lies with the producers of cattle. We act as a value adding and marketing operation on behalf of producers, and

pass the value gained from various markets back to producers through the producer price paid for cattle. Our objective is not to return profit to the Corporation. In the year under review, the share of our business earnings passed on to producers was 63.06 per cent, which was lower than in previous years due to the drought and tough marketing environment we faced. In the past, we passed on as much as 73 per cent of the business earnings to producers. These high earnings remain our aim.

Meatco operates various slaughter facilities across Namibia. We engage in related manufacturing and other production activities by means of the following organisational structure:

Our business model

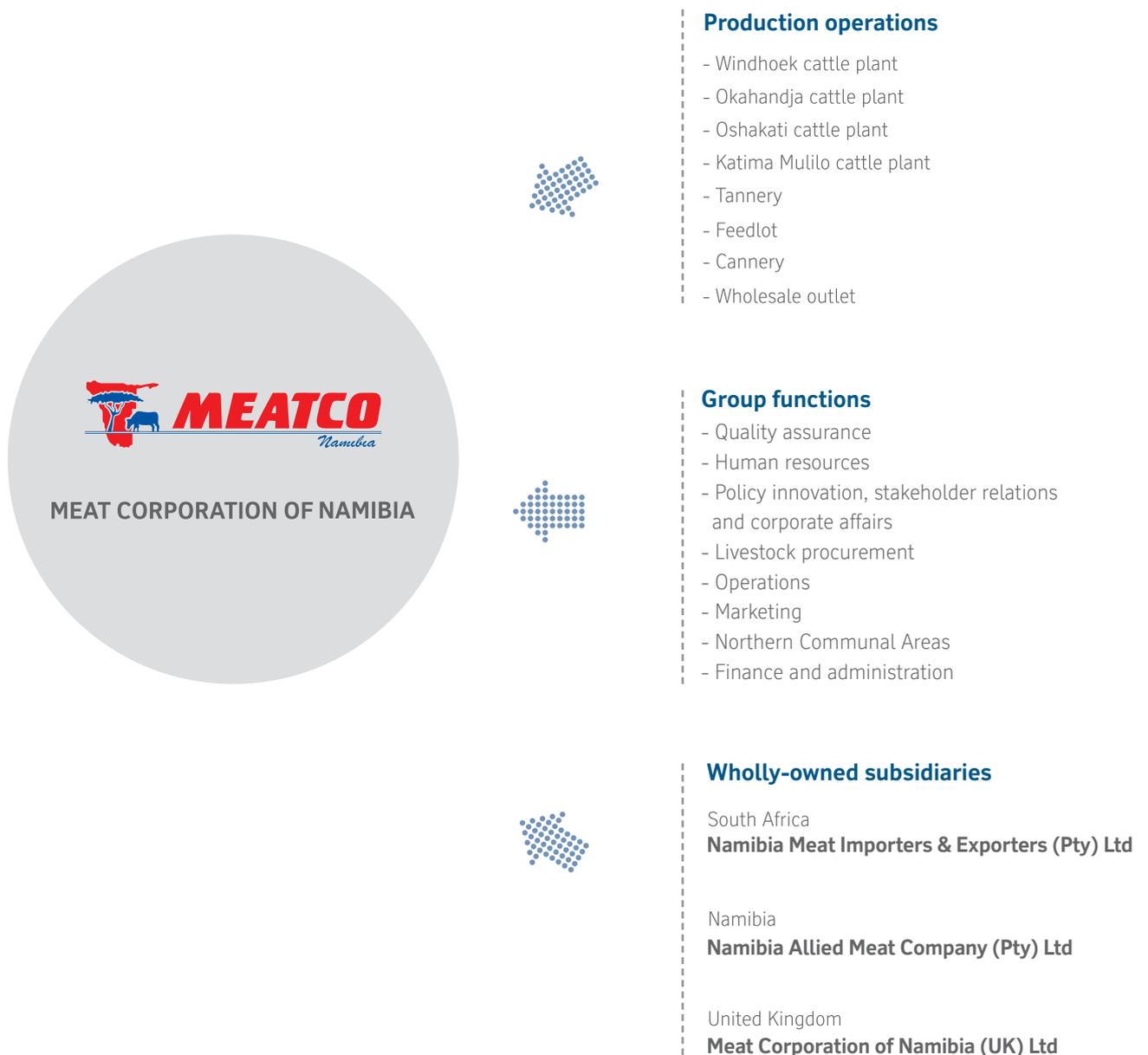


Figure 3: Our business model

PERSPECTIVE ON OUR BUSINESS

Our business focus

To achieve our main objective of maximising producer prices sustainably within our business context, Meatco has identified the following key value drivers:

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

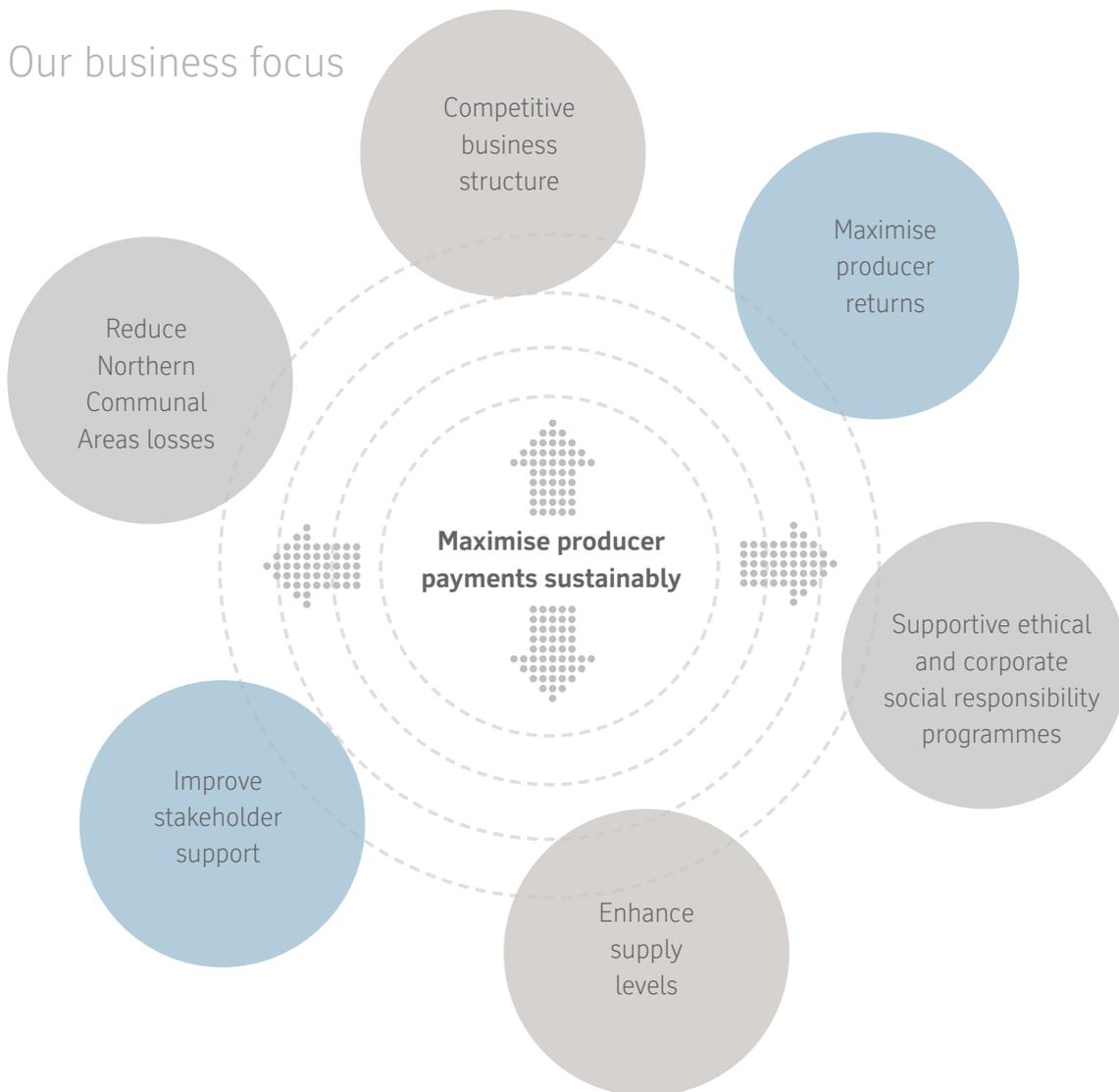


Figure 4: Our business focus

How we add value

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

Apart from using naturally reared cattle for production and making sure they are treated according to strict animal welfare principles, we further differentiate ourselves by, where possible, not engaging in commodity trading. In international markets, we do not sell carcasses, but instead focus on producing value added, deboned cuts of meat, produced to various client specifications for customers across the world. Our aim is to add as much value to carcasses as possible, and to move closer to the end consumer.

We therefore also constantly develop our value chain by placing greater emphasis on the quality and unique characteristics of our beef. Almost 100 per cent of the slaughtered animal is processed and sold. In this way, we can maximise value addition opportunities.

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

We believe that the key to the unique flavour of *Nature's Reserve* is our emphasis on healthy and content cattle, therefore animal welfare is a priority.

All farms registered with Meatco are required to be members of, and fully adhere to, the Farm Assured Namibian Meat Scheme (FANMeat), which sets high standards of livestock husbandry within the 'Five Freedoms', which are an internationally recognised means of assessing good animal welfare. (See page 91 for more details.)

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

We also have a strong range of canned meat brands in local and regional markets. These include the *Texan*, *Eloolo* and *Ranch* brands.

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

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

PERSPECTIVE ON OUR BUSINESS

Business environment

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

Markets

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

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

Meatco's biggest market by volume in Africa is in neighbouring South Africa, which receives approximately 40 per cent of the Corporation's exports. Due to South Africa's population size, income levels and proximity, it remains a lucrative market for some of our beef cuts.

Compared with international buyers, the local market is not a high-value earner for Meatco. Nonetheless, the Namibian market has high strategic value for us: we need the raw material—the cattle—provided by local producers to enable us to sell high-value cuts to our international clients. This means we act as a supplier in the local beef market to ensure we maintain our share of local raw materials. By supplying the local market with meat products, we are competing on two fronts: selling our product to the local market, and procuring cattle from the local producers.

Since 2011/12, Meatco has increased Norway returns by 41.5 per cent and EU returns by 7.48 per cent, while South African returns have decreased by 0.45 per cent.

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

HOW WE'RE MANAGED

Ethics

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

Governance

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

Key developments in 2013/14 to report are the following:

- A active Board was appointed on 4 October 2013. The Board will serve for the next three years.
- Prominent businesswoman, Ms Martha Namundjebo-Tilahun, was selected by the Board as its active Chairperson.
- We did a comprehensive review of our compliance with King III and have improved on our disclosure, where applicable.

Risk management

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

Executive remuneration

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



PERSPECTIVE ON OUR BUSINESS

OWNERSHIP

As per the relevant Acts governing the Corporation, Meatco has no shareholders. Instead, the Corporation has members who can exercise their rights in terms of the Meat Corporation of Namibia Act to call general meetings, nominate directors, and vote at annual general meetings. A *member* is any producer who has delivered at least one head of livestock to Meatco within a two-year period.

Currently, Meatco is an independent entity that receives no financial support from Government or the taxpayer. Moreover, the Corporation is a financially sound and healthy business.

The ownership status of Meatco is still unresolved. As widely reported in the local media, the Minister of Agriculture, Water and Forestry, Hon. John Mutorwa, announced a Cabinet decision that 70 per cent ownership of Meatco should be made up of a cooperative of commercial and communal farmers who sold livestock to Meatco, and that Government should own the remaining 30 per cent.

In response to Cabinet's decision, Meatco members held a Special General Meeting on 3 August 2012, attended by about 300 producers. Half of these were producers from the communal areas

north and south of the Veterinary Cordon Fence, with the rest representing the commercial areas. The members were unanimous in their rejection of the Government's proposal on Meatco's future ownership, operational structure and legal framework, specifically in terms of the following issues —

- The 30 per cent Government shareholding
- Representation of Namibia's Regions on the Board, and
- Profit-sharing by Government.

In principle, Meatco members were prepared to compromise and grant the 30 per cent stake for Government, provided it paid for that stake in cash or in kind. However, the members would not allow interference with Meatco's day-to-day management. These conditions were communicated to Government, but by the end of the year under review, this strategic issue had not yet been resolved. We acknowledge that this creates uncertainty, which is not good for business. However, we trust that the ownership issue will be resolved in 2014 to the agreement of all stakeholders, ensuring the long-term sustainability of the Corporation.



SAMUEL SEKETA,

a farmer in the Kavango Region, NCA

"I want to encourage my fellow farmers to sell their cattle to Meatco, especially the young cattle. They pay good money for young cattle. I've been marketing my cattle to Meatco for the past few years and have a good relationship with them."

WHO GOVERNS US

Composition of the Board of Directors

The current Board of Directors was appointed on 4 October 2013 for a period of three years. The outgoing Board of Directors served their term for eight months of the financial year under review, from 1 February 2013 to 3 October 2013.

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

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

- the Corporation's employees (one person, nominated by employees)
- Communal farmers (one person, nominated by the members of Meatco)

- Commercial farmers (one person, nominated by the members of Meatco), and
- producers of livestock (two persons, nominated by the members of Meatco).

The sixth Director is nominated by the Minister.

Section 15 of the Act also allows the Board to co-opt a maximum of three additional persons to serve on it, but such co-opted members have no voting rights. In terms of this section, Mr Matthew K Shikongo served from his appointment on 9 February 2012 until his term expired on 3 October 2013.



Outgoing Board of Directors *Back row from left:* Adv. Vekuii Rukoro (incumbent CEO), Mr Arne Gressmann, Mr Ripanda A Merero, Mr Matthew Shikongo and Mr Kobus du Plessis (outgoing CEO). *Seated front from left:* Ms Sophia Kasheeta, Ms Clara Bohitile, Mr Martin JP Hilbert and Ms Paulina Kujandeka.

PERSPECTIVE ON OUR BUSINESS

Active Board of Directors



MS MARTHA NAMUNDJEBO-TILAHUN

Chairperson

Appointment: Nominated by Meatco's members for her specialist business expertise to the Board

Formal education: MBA, University of California, Berkeley, US; MBA, University of Santa Clara, California, US; BSc Business Administration and Management, St Paul's College, Lawrenceville, Virginia, US

Ms Namundjebo-Tilahun is the Chairperson and co-owner of United Africa Group (Pty) Ltd (or UAG), the holding company of various property, services and hospitality business operations. She co-owns the ENP Hilton Hotel Namibia. Through her business interests, Ms Namundjebo-Tilahun has exhibited 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, Rennie's Travel (Namibia), Hope Villa and AREVA Resources Namibia. In addition, she is a Director on the Boards of the Diamond Company of Namibia and of Standard Bank Namibia, and is the President of the Namibia Chamber of Commerce and Industry as well as of Tullow Oil Namibia.



MR DIETHELM METZGER

Vice Chairperson

Appointment: Nominated by Meatco's members for his knowledge of commercial livestock production

Formal education: MAg, Texas A&M University, US; BSc (Agri), Pretoria University, Pretoria, South Africa

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



MS SOPHIA KASHEETA

Director

Appointment: Appointed by the Minister of Agriculture, Water and Forestry for her knowledge of Government practices and procedures

Formal education: Postgraduate Diploma in Extension and Development Studies, University of Reading, UK; Diploma in Animal Production, Egerton University, Nakuru, Kenya; Diploma in Public Administration, United Nations Institute for Namibia, Lusaka, Zambia

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

PERSPECTIVE ON OUR BUSINESS



MR RONALD LEONARD KUBAS, PR ENG

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 (Pty) Ltd with more than 20 years' experience in the consulting engineering design and project management, inclusive of relevant design experience in abattoirs. In 1999, he was involved with the design of a South African beef export abattoir; in 2013 with the design of a Tanzanian Export Abattoir; and in 2014 with the re-design of the Rundu Abattoir. 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.



MR ISRAEL ITAMUNUA NGANGANE

Director

Appointment: Nominated by Meatco's employees for his knowledge of Meatco's employment environment

Formal education: Diploma in Labour and Employment Studies (in progress), University of Namibia; Certificate in Norwegian Specifications and Abattoirs, Fatland, Norway

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



MR CHARLES /URIB

Director

Appointment: Nominated by Meatco's members for his knowledge of communal livestock production

Formal education: National Diploma S2 Electrical Eng

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 to participate collectively and meaningfully 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.



ADV. VEKUI RUKORO

Chief Executive Officer

Appointment: Ex officio

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

Advocate Rukoro commenced duty at Meatco in March 2013. His responsibilities are to ensure that the decisions of the Board and business strategies are implemented, to oversee that every business unit implements their focus areas, and to ensure that the Organisation's objectives are met.

PERSPECTIVE ON OUR BUSINESS

Independence, skills and knowledge

All Meatco Board Members are Non-executive Directors, but the Board considers three of its Members not to be independent as they are representatives nominated by respective member groups. On the outgoing Board of Directors, these individuals are —

- **Mr Martin JP Hilbert**
(representing commercial farmers)
- **Mr Ripanda A Meroro**
(representing communal farmers), and
- **Ms Paulina Kujandeka**
(representing the Corporation's employees).

On the active Board of Directors, these individuals are —

- **Mr Diethelm Metzger**
(representing commercial farmers)
- **Mr Charles /Urib**
(representing communal farmers), and
- **Mr Israel Itamunua Ngangane**
(representing the Corporation's employees).

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

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

Conflicts of interest

The Directors are required to avoid situations where 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 of any such potential conflicts, and for the appropriate authorisation to be sought if a conflict arises. These procedures continue to operate effectively.



King III

Meatco has accepted guidance, where applicable, from the King Code of Governance Principles and the King Report on Governance (King III). Deviations from the King III guidelines are presented in Table 1.

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

Table 1: Deviations from the King III guidelines



PERSPECTIVE ON OUR BUSINESS

Independence of external auditors

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

Company secretary

The Company Secretary, Mr Nico Weck, is suitably qualified and has access to the Corporation's resources to effectively execute his duties. He provides support and guidance to the Board in matters relating to governance and compliance practices across the Corporation. All Directors have unrestricted access to the Company Secretary.

Financial statements

The Directors are responsible for monitoring and approving the Corporation's financial statements to ensure that they fairly present its affairs and profits or losses at the end of each financial year. Independent auditors are responsible for expressing an opinion on the fairness with which these financial statements represent the Corporation's financial position.

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

Operation of the Board

Areas of responsibility

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

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

Board structure

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

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



Figure 5: Board Committees and external parties

Members of the Audit and Risk Committee

Outgoing: MJP Hilbert (Chairperson) and A Gressmann

Active: D Metzger (Chairperson) and RL Kubas

Members of the Management Support Committee

Outgoing: CG Bohitile (Chairperson) and MJP Hilbert

Active: M Namundjebo-Tilahun (Chairperson) and D Metzger

Members of the Remuneration and Human Resource Committee

Outgoing: CG Bohitile (Chairperson) and RA Meroro

Active: S Kasheeta (Chairperson) and C /Urib

The Company Secretary is responsible for advising the Board, through the Chairperson, on matters of corporate governance. The Board and its Committees are supplied with full and timely information, including detailed financial information, to enable 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, and independent professional advice is also available to Directors with the approval of the Chairperson.

PERSPECTIVE ON OUR BUSINESS

Board meetings

During the year under review, the Board met seven times. Board Members also attended an Annual General Meeting. Attendance at Board meetings, Committee meetings and the Annual General Meeting is set out in Table 2.

BOARD MEMBER	BOARD MEETING	AUDIT & RISK COMMITTEE MEETING	REMUNERATION & HR COMMITTEE MEETING	ANNUAL GENERAL MEETING
OUTGOING BOARD				
CG Bohitile, <i>Chairperson</i>	6	-	2	1
MJP Hilbert, <i>Vice Chairperson</i>	6	4	1	1
RA Meroro	5	-	3	1
A Gressmann	6	4	-	1
P Kujandeka	6	-	-	1
S Kasheeta	3	-	-	-
K du Plessis, <i>CEO (outgoing)</i>	3	1	1	-
V Rukoro, <i>CEO</i>	5	2	2	1
N Weck, <i>Chief Financial Officer</i>	6	4	1	1
N Weck, <i>Company Secretary</i>	6	4	1	1
ACTIVE BOARD				
M Namundjebo-Tilahun, <i>Chairperson</i>	1	-	-	-
D Metzger, <i>Vice Chairperson</i>	1	-	-	-
C/Urib	1	-	-	-
Il Ngangane	1	-	-	-
R Kubas	1	-	-	-
S Kasheeta	1	-	-	-
V Rukoro, <i>CEO</i>	1	-	-	-
N Weck, <i>Chief Financial Officer</i>	1	-	-	-
N Weck, <i>Company Secretary</i>	1	-	-	-

Table 2: Attendance of Board meetings

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

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

Audit and Risk Committee

During the year under review, the Audit and Risk Committee was chaired by outgoing Board Member Mr Martin JP Hilbert; Mr D Metzger of the active Board will continue in his stead. The Committee met four times during the year under review. The meetings were attended by the Chief Executive Officer, the Chief Financial Officer and the Internal Auditor. Other members of Management attended on request as required, while the external auditors attended only those meetings that were relevant to them.

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 as they related to Corporation activities.

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

- the annual consolidated financial statements and the preliminary results before their submission to the Board for approval, including consideration of the Corporation and the Group as a going concern, with particular reference to balance sheets, income statements and cash flow statements
- areas of significance in the preparation of the financial statements, including any exceptional items, impairment reviews and tax provisions

- the effectiveness of governance within and control of the Corporation's activities
- reports from the external auditors on the AFS and the approval of the audit plan and fee proposal for the audit
- the progress of the year's internal audit programme and matters arising from it
- the effectiveness of the internal audit function
- the internal control environment and risk management systems, and the Corporation's statement on internal control systems, and
- the effectiveness of the external auditors.

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

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

PERSPECTIVE ON OUR BUSINESS



The Committee satisfied itself that adequate and objective internal audit assurance standards and procedures existed in the Corporation during the year under review, and that continuous improvement in the quality and objectivity of the internal audit function remained a primary objective of the Finance and Administration Department.

Remuneration and Human Resource Committee

During the year under review, this Committee was chaired by outgoing Board Member Ms Clara Bohitile; active Board member Ms S Kasheeta will continue in her place. The Committee met formally three times during the reporting year. The meetings were attended by the Chief Executive Officer, the Chief Financial Officer, the Senior Manager: Industrial Relations, and the Senior Manager: Human Resources. Other members of the Management team attended on request.

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

WHO LEADS US

In light of the changing business environment, Meatco realigned its management and operational structure to increase the focus and efficiency of the business. The former Management team was therefore reduced into a more focused Executive Committee, with a Chief Executive Officer and seven other executives responsible for the portfolios that constitute the heart of the business.

Executive Committee

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

During the year under review, the Executive Committee consisted of the following:



ADV. VEKUI RUKORO

Chief Executive Officer

Formal education: Formal education: LL.M in International law with specialisation in the international protection of human rights: Washington College of Law – The American University, Utter Barrister Degree (Bar Finals): The Council of Legal Education and Grey's Inn of Court, LLB (Hons): University of Warwick

Advocate Rukoro commenced duties at Meatco in 2013.

Focus areas: Ensure that the decisions of the Board, the AGM and business strategies as a whole are implemented. Oversee that every business unit implements their focus areas. Co-ordinate all factors to unite and ensure that the Organisation's objectives are met. Deal with the ownership status, the declining production trend, develop strategies to grow the local market and enhancing value addition opportunities, penetrate high value markets, improve relations and build mutual confidence with stakeholders.

PERSPECTIVE ON OUR BUSINESS



MR NICO WECK

Chief Financial Officer

Formal education: B Compt (Hons) (University of Stellenbosch)/Chartered Accountant (Namibia & RSA)

Mr Weck joined the Corporation as Chief Financial Officer on July 2010. He also serves as the Company Secretary.

Focus Areas: Marketing of Meatco Brand locally and internationally. The strategic drive of Meatco finances as well as compliance and regulatory framework.

Departments responsible for: Finance and Administration, IT, Marketing and Wholesale



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 Plant and became responsible for the plant's overall cattle, sheep, game and canning operations.

Focus areas: Capabilities and efficiency of plants. Plant flexibility, including labour infrastructure and support services, as well as plant efficiency which includes maximising production yield, reducing down time and waste.

Departments responsible for: Windhoek Abattoir, Okahandja abattoir, Cannery, Tannery, Group Engineering and Safety.



MS ROSA KATJIVENA

Executive: Quality Assurance

Formal education: B.Sc (Applied Environmental Health) from Flinders University, Australia

Ms Katjivena joined Meatco in 2000 as Group Quality Assurance Manager at plant level. This position was promoted to senior management level in 2006.

Focus Areas: Ensuring that Meatco products meet the highest possible quality standards, as well as ensuring compliance with other standards locally and internationally.

Department responsible for: Quality Assurance



MR VEHAKA TJIMUNE

Executive: Policy Innovation, Stakeholder Relations and Corporate Affairs

Formal education: Master's in Rural Development/ Post Grad. Diploma Rural Development (University of Reading, UK) / Diploma in Agriculture (Tsumis Agricultural College), Executive Development Programme including Project Management (University of Stellenbosch: Business School)

Mr Tjimune joined the Corporation in 2008 as Senior Manager responsible for Livestock Procurement.

Focus Areas: Proactively identify environmental issues affecting Meatco and engage strategies to positively influence the outcome thereof. Manage critical stakeholder relations on a continuous basis. Ensure effective communication between Meatco and its stakeholders. Promote and grow the Meatco brand.

Department responsible for: Policy Innovation, Stakeholder Relations and Corporate Affairs

PERSPECTIVE ON OUR BUSINESS



MR HEINER BÖHME

Executive: Livestock Procurement

Formal education: B.Sc Agric, B.Sc Agric* (Hons): University of Stellenbosch; M.Sc Agric, Business Management and Administration (Hons), MBA*: University of Stellenbosch Business School.*

Mr Heiner Bohme joined Meatco in 2007 to implement the Ekwatho Financing Scheme and later implemented many of Meatco's other backwards integration initiatives.

Focus Areas: Develop and drive strategies for livestock procurement from commercial, emerging and communal producers.

Departments responsible for: Livestock Procurement, Feedlot, Ekwatho Financing Scheme, Veldlotting, Private Feedlot and Meatco Okapuka Feedlot



MR CYPRIANUS KHAISEB

Executive: Northern Communal Areas

Formal education: B. Tech Agricultural Management; National Diploma in Agriculture (Tech. SA) Management and Senior Management Development (USB-ED), LEP (University of Cape Town)

Mr Khaiseb joined Meatco during 1996 and started at the Okapuka feedlot. In 2007 he was transferred to the Head Office to assume full responsibility for operations in the Northern Communal Areas (NCA). Focus Areas: To drive the NCA section of the Meatco business to a profitable position, through promoting a commercial approach towards cattle rearing in the NCA, aiding in the efforts to get the NCA declared disease free and to expand markets for products from the NCA into the SADC area. To drive operational efficiency at the NCA plants.

Departments responsible for: Oshakati, Katima Mulilo, Bonanza Butchery, Engineering and Safety

**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.

Focus Areas: Responsible for the strategic direction of the Human Resources (HR) department to support the overall Meatco objectives. Improve the service delivery of the HR department and empower line managers to better manage their employees by providing solutions on HR related challenges.

Department responsible for: Human Resources

PERSPECTIVE ON OUR BUSINESS

OUR CODE OF CONDUCT

The Corporation operates within a Code of Conduct that was developed in terms of an all-inclusive, transparent and participative process involving the majority of the Corporation’s staff and Management.

The Code relates to five key behavioural attributes that include the following (see Figure 6):

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



Figure 6: Code of Conduct



STAKEHOLDER ENGAGEMENT

Meatco does not operate within a void: a number of key stakeholders have an impact, and depend, on its activities. These include —

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

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

The operational focus area of the Corporation's relationship with producers mainly relates to its ability to offer a competitive and sustainable producer price. However, beyond that, Meatco believes that a positive relationship with its producers is critical for the long-term sustainability of the business and the Namibian livestock industry overall.

Meatco therefore engages its producers directly on a regular basis and follows a policy of inclusive decision-making and transparency.



PERSPECTIVE ON OUR BUSINESS

This is done through various communication platforms which include printed and electronic media as well as quarterly Farmer Liaison Committee meetings at various major producer locations across the country.

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

In August 2013, at the Ongongoro kraals, Meatco hosted its first-ever Permit Day for communal

and emerging commercial producers south of the Veterinary Cordon Fence. In the past, purchasing cattle from communal and emerging commercial farmers has been hampered by distance, a lack of transport and infrastructure, and a lack of understanding of the processes of selling cattle to Meatco.

The aim of Permit Day was to bring Meatco's business closer to these producers, reduce the barriers to entry, and make it easier to sell cattle to the Corporation. The long-term objective is to build and maintain mutually beneficial business relations with all cattle farmers.



Meatco has been hosting similar events of this nature in the NCA for the past four years to procure cattle for its abattoirs, in particular the Oshakati abattoir.

The Namibian Government also plays an important role in the beef production industry through its Directorate of Veterinary Services in the Ministry of Agriculture, Water and Forestry. The Directorate ensures that the animal health status of Namibia's export regions remains intact.

The Ministry of Trade and Industry 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 with the former – on a regular basis on issues affecting the business and the industry in order to find solutions to such challenges.



3

BUSINESS OVERVIEW: 2013/14

COMBINED CHAIRPERSONS' REVIEW	44
CEO'S REPORT	46



BUSINESS OVERVIEW: 2013/14

COMBINED CHAIRPERSONS' REVIEW

This is the combined review of the current reporting year by the outgoing Chairperson, Ms Clara Bohitile, and incumbent Chairperson, Ms Martha Namundjebo-Tilahun.



In our annual report for the previous financial year, we pointed out that, together with Namibia's red meat industry in general, Meatco was at a crossroads. If we were to look a few decades from now, 2013 will undoubtedly stand out as the year that we and our members embarked on a new road that we passionately believe will lead us to a better tomorrow.

We had to take several tough decisions in 2013. However, these decisions were vital for our medium-term survival and long-term sustainability. The food industry worldwide has changed and the landscape of the meat industry today looks very different from what it did in the 1980s, when Meatco was established. We have no option but to change as well: the maxim *adapt or die* has become a stark reality.

Therefore, at the start of the year under review, we had to scrutinise our cost structure for any inefficiencies and had to streamline all facets of our operations. By the end of the reporting period, we had become a leaner, smarter and more focused Corporation.

We heeded the warning signals early enough to be able to steer our business in a new direction. We took note not only of the signals in the local market – a continual decrease in cattle numbers, the severe drought, and record numbers of exported cattle to South Africa and Angola – but also of the fact that many of our important markets are still trying to cope with the international debt crisis. The so-called horse-gate scandal — when, in January 2013, imported foods to the UK and EU advertised as containing beef were found to contain undeclared or improperly declared horse meat – negatively impacted on imports to these markets. South Africa, another primary importer of our beef, has also come under severe pressure in respect of its citizens' disposable incomes. In addition, parts of South Africa experienced the same drought effects we endured, with the resultant oversupply of meat in their market, leading to lower prices realised for our meat products there.

Expecting to slaughter only 78,000 cattle in 2014 – the lowest number ever in Meatco's history – we had to realign the management and operational structure to increase the focus and efficiency of our business. We began by running our Windhoek

and Okahandja processing plants on a four-month rotational basis. Due to running only one abattoir at a time, we had to make a difficult decision not to renew the fixed-term contracts of 326 employees in August 2013; however, the move was necessary in order to protect the jobs of our 1,000 permanent employees in the long term, to ensure that Meatco can continue to play its vital role as the backbone of the Namibian red meat industry, and to guarantee its sustainability.

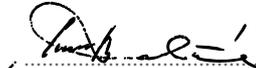
Debate over Meatco's ownership continued during the year under review. Nonetheless, we are confident that consensus will be reached in the coming year on the way forward. As mentioned on page 20, our members are prepared to compromise and accept the 30 per cent stake the Government wants in Meatco, provided it pays for that stake in cash or in kind, and provided further that there is no interference in the Corporation's day-to-day management. Our Chief Executive Officer, Adv. Vekuii Rukoro, has already communicated these proposed conditions to Government and awaits feedback.

If Government obtains the desired 30 per cent ownership, it will be a minority shareholder. As such, it will have no right to veto on the Board of Directors. Moreover, for the sake of all our members — communal and commercial farmers alike — the Meatco Management will always ensure its decisions for the Corporation are based on sound commercial principles and will enable the organisation to continue as a financially sound venture.

We also eagerly look forward to the finalisation by 1 October 2014 of the Economic Partnership Agreement between Namibia and the EU concerning preferential and duty-free access into this high-value market. Such access is vital for Namibia's red meat industry and a loss of this market would be disastrous for our members – to put it mildly.

In conclusion, we wish to thank our producers for their loyalty and continuous support. The resilience of Namibia's red meat producers has always amazed us. We look forward to continuing our involvement in such a courageous and important industry.

Finally, we would like to express our deepest gratitude towards the Chief Executive Officer, his Management team and the rest of Meatco's staff for bravely forging ahead amidst uncertainty. Without a doubt, there is light at the end of the tunnel, and with the many strategies in place to grow our business sustainably, Meatco has a bright future.


MS CLARA BOHITILE
 Outgoing Chairperson, Windhoek, Namibia


MS MARTHA NAMUNDJEHO-TILAHUN
 Incumbent Chairperson, Windhoek, Namibia

BUSINESS OVERVIEW: 2013/14

CEO'S REPORT

The year under review was certainly a challenging one – not only from an operational point of view, but also from a procurement and marketing perspective. Without a doubt, the single biggest factor that influenced our business in the reporting year was the drought we experienced in most parts of the country throughout 2013.

As a result, we slid backwards in terms of our ability to serve our export markets. While it was not difficult to procure cattle, it was challenging to procure good quality cattle, especially towards the last quarter of the year. Thus, while we slaughtered higher numbers than in the previous reporting year – 116,912 head during 2013/14 compared with 96,296 in 2012/13 – the total volume of product by weight was about the same as the previous year. In addition, the quality was worse compared with the previous year. The mix of different grades for the various markets we serve was completely different from before, which was to our detriment.

Nonetheless, we could still pay our commercial producers N\$25.30 per kilogram on average, which is N\$2.66 per kilogram more than the South African parity price. Benchmarked against international industry indices such as the Big Mac Index, the average Namibian producer price compares well. We were also able to provide an additional back payment to producers of N\$29.6 million during the year under review. We also made a small profit and maintained a strong balance sheet and cash flow position.

The value that producers received as a share of Meatco's total turnover remained similar to that delivered in the previous reporting year, namely 63.1 per cent in 2013/14, compared with 63.2 per cent in 2012/13.

The Big Mac Index is an informal way of measuring the purchasing power parity between two currencies. It provides a test of the extent to which market exchange rates affect the cost of the same goods in different countries.

The drought had a significantly negative effect on the number of on-the-hoof cattle exported to South Africa, because farmers had to send cattle to the markets sooner due to bad veld conditions. This deprived local abattoirs of operating at higher capacities. In 2013/14, a total of 271,000 cattle were exported on the hoof – a dramatic increase of 280 per cent compared with the 132,500 exported in 2012/13.

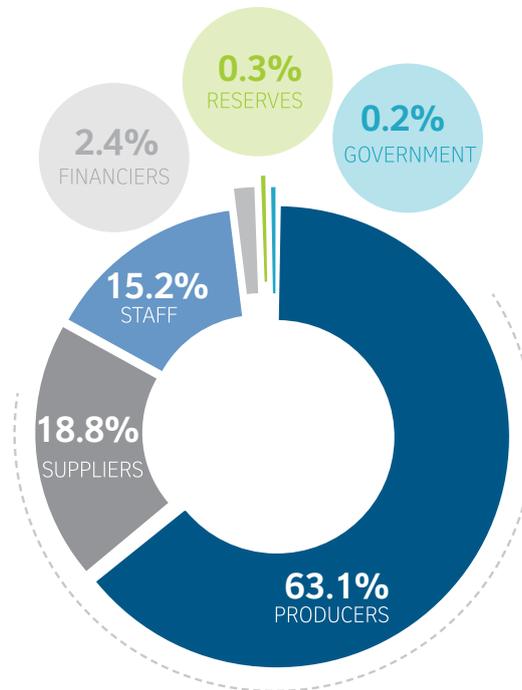


Figure 7: Value added statement

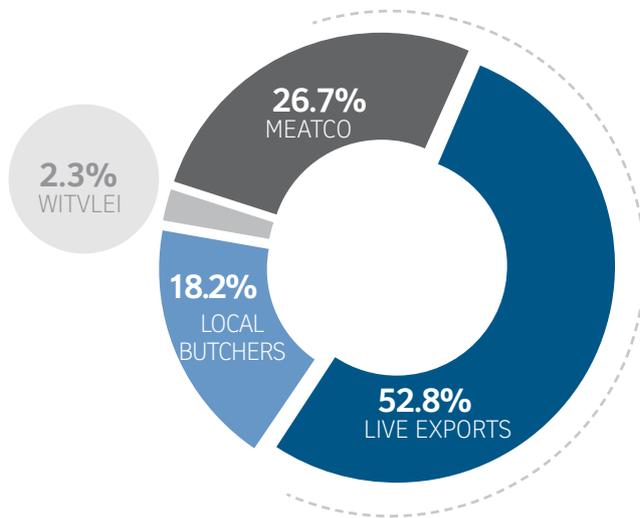


Figure 8: Namibian cattle marketing distribution

Of the total number of cattle sent to all markets, 52.8 per cent were exported on the hoof to South Africa, while Meatco slaughtered only 26.7 per cent.

Therefore, it is to be expected that our marketing efforts during 2013/14 were challenging as well. Our ability to serve our high-value markets was tested to the hilt. Nevertheless, our European customers contributed 60.3 per cent to our sales value, even though these sales comprised only 30.6 per cent of our total volume – confirming the importance of high-value markets to our bottom line.

Norway continues to be our highest-value market. Even though only 2.4 per cent of our total volume went to this market, it contributed 13.3 per cent of our total value. We are looking forward to expanding our delivery to Norway significantly in 2014/15, having been allocated 75 per cent of the Norwegian quota of 1,600 tonnes of processed meat quota.

South Africa is also an important market for us: 25.4 per cent of our total value (39.5 per cent of our volume) was realised in this market. Traditionally the biggest market for our meat products, we are aware that over-dependence on it will endanger our long-term sustainability. For this reason, we have now intentionally put strategies in place to diversify into other markets – especially high-value ones.

A total of 14.3 per cent of value (29.9 per cent in volume) was marketed locally.

Meatco views maintenance of the highest international quality and compliance standards as a competitive prerequisite and priority. Thus, numerous quality assurance and other customer audits were conducted during the review period. Meatco again passed the EU, BRC and other major audits, but this will always be an area of ongoing development and improvement.

Looking ahead

In 2013/14, we spent time addressing the cost side of our operations and, as a result, we closed down our sheep processing abattoirs and realigned our operations. Going forward into 2014/15, Meatco needs to address the 'revenue' side of our business, and all our efforts will be geared towards making Meatco a high-performance company, equipped with highly motivated, appropriately empowered and well-remunerated employees. Our business focus will continue to be geared towards ensuring that Meatco remains a world-class meat processing entity. We will focus on increasing our productivity and competitiveness in all areas, specifically in terms of value addition.

BUSINESS OVERVIEW: 2013/14

The allocation of 75 per cent of the Norway quota to Meatco will enable us to increase our revenue significantly, which means we will be in a position to pay even better prices to our producers. At the same time, we will be looking at additional markets for our products.

Some of the markets we investigated during 2013/14 include China, Iran and Russia. The Zimbabwean market also opened for Namibian processed meat, while we are set to expand our local market as well.

Cattle numbers available for slaughter have been reducing drastically since 2000. This problem was expected to be compounded by the impact of the drought and many animals being exported during the year under review. For this reason, we expect to slaughter a maximum of 78,000 cattle in 2014/15, which will only keep one abattoir occupied. This expedited the decision to realign our processing plants in Windhoek and Okahandja and commence slaughtering on a four-month rotational basis between the two abattoirs. The decision impacted on seasonal workers' contracts, which were not renewed.

Rotational slaughtering between the two abattoirs will continue throughout 2014, unless changed circumstances require a review. On a positive note, this realignment of production enables us to carry out much-needed maintenance on both abattoirs.

Plans are also in the pipeline to align the operational capacity of the Procurement Department. A recently adopted Procurement Policy was designed to facilitate the process. Accordingly, more focus will be placed on producers who are seriously committed to Meatco. Partnering with our



producers – one of the strategies to ensure Meatco remains the backbone of the red meat industry's sustainability – is to integrate backwards, ensuring more consistent throughput at our processing plants.

Another key area will be focusing on improving relationships with, and building mutual confidence among, all relevant stakeholders.



Overall, Meatco performed well during 2013/14, despite the challenges we faced and the difficult decisions we had to make. The positive effect of our decisions will already be visible in the 2014/15 financial year, backed by the increased Norwegian quota. Thus, we are set for positive growth and look forward to a much less challenging year.

Lastly, I want to thank our members and the members of the Board of Directors (both previous and active) for their valued guidance and confidence in me and my team. Also a special word of thanks to

the Meatco staff for the positive way in which they accepted me as the incumbent Chief Executive Officer. I look forward to serving our producers and our industry to the best of my abilities.

ADV. VEKUI RUKORO

Chief Executive Officer
Windhoek, Namibia

4

BUSINESS REVIEWS: 2013/14

LIVESTOCK PROCUREMENT	52
PROCESSING	54
MARKETING	56
PRODUCER RETURNS	62
NORTHERN COMMUNAL AREAS	64
RELATED OPERATIONS	68



BUSINESS REVIEWS: 2013/14

LIVESTOCK PROCUREMENT

As mentioned previously, the drought was a big factor influencing our procurement during the year under review. Meatco slaughtered more animals than in the previous financial year, but the condition and quality of the animals slaughtered were poorer.

In total, we slaughtered 116,912 cattle in the 2013/14 reporting year. Of these, 65,575 were procured from producers; 23,864 were procured from Meatco's Okapuka feedlot; 13,221 were slaughtered at the two NCA abattoirs in Katima Mulilo and Oshakati, respectively; 5,762 were procured through our 'veldlotting' initiative; and 8,490 were procured through the Meatco-owned Cattle (MOC) initiative.

Veldlotting is a term used at Meatco to describe cattle that mainly graze in the field (veld), but also receive additional feed when required.

South of the Veterinary Cordon Fence, we slaughtered 103,691 cattle in the 2013/14 reporting year, compared with 96,296 in the previous review period. This represents a 7.68 per cent increase. In the NCA, 13,221 cattle were slaughtered in 2013/14, while 10,890 were slaughtered in the previous financial year – a 21.4 per cent increase. The increase in NCA slaughtering was mainly due to the Katima Mulilo abattoir being in operation for a longer time during the current review period, whereas it was closed for most of 2012/13 owing to reports of foot-and-mouth disease in the Zambezi Region.

The seasonality of our business means that many producers prefer to market their cattle at a very specific stage in the year – usually in the second quarter.

However, Namibia has capacity limitations in terms of the number of cattle we can slaughter. For this reason, about 50 per cent of cattle production in Namibia is exported on an annual basis. The year under review saw an increase in these export numbers because producers were forced to sell their cattle during the drought that gripped the country. In total, 256,773 cattle were exported last year, which included weaners and mature cattle.

The review period also witnessed the establishment of so-called Permit Days in the Otjozondjupa Region despite the drought. We plan similar days in other communal areas in a bid to increase the supply of slaughter cattle from there as well. In conjunction with the Meatco Foundation, we also plan to develop crush pens in communal areas to improve marketing channels.

We succeeded in securing 350 cattle per week for our wholesale outlet at the planned quality and price, enabling us to increase supply to the local market substantially. We foresee that this part of our business will continue to grow strongly.

The review period highlights the importance of Meatco's feedlot in ensuring consistent delivery and quality. Plans are therefore under way to increase capacity at the feedlot by an additional ten pens, increasing standing capacity to more than 8,000 cattle at any one time. This could contribute as much as N\$30 million per annum to our bottom line.

Exports by producers to Angola continue to be a challenge: during 2013/14, we estimate that a minimum of 5,000 slaughter cattle were sold to Angolan buyers rather than supplied to Meatco.

Looking ahead, we will focus more on backward integration and develop products with producers

for possible new markets. We will also deepen our involvement in all aspects of the cattle value chain. Furthermore, our realigned Procurement Department will enable us to procure cattle for different marketing channels, thus maximising throughput in our abattoirs.

Meatco's 2013 Producer of the Year

"Our recipe for success is simple. We farm commercially and for a profit, so our aim will always be to produce good quality beef, enabling us to benefit from value addition. I don't think that we can afford to produce beef here in Namibia as a commodity. Our aim is to get the cattle market-ready as quickly as possible. That is where Meatco comes in: they provide us with a platform to use for sending our cattle for slaughter; from there, they market them to world markets and we get the benefit of value addition. We all know value addition in this country is very limited. But getting to the EU markets means that you, as a producer, have to select good breeding stock in your herd and you have to weigh your cattle to see what their growth performance is. You can't just say

you have some cattle on the farm, you let them run on the farm, and then you expect them to be ready in two years, if you don't put in any effort. As a business strategy, we constantly monitor the growth performance of our cattle, not only in terms of slaughter animals, but also cows and their calf production.

We've always marketed our cattle through Meatco. I believe Meatco is very important for value addition; in the meat-production environment, it is without a doubt the most important role player. Meatco has to maintain high standards to be the ambassador for our industry to the world – and they are accessible to all Namibian farmers. Compared with many other role players, I think Meatco leads the pack in terms of showing how value addition and marketing are to be done. We can't afford to run our businesses without value addition in mind and without that support. I think Meatco has a clear strategy on how to do this value addition. I believe Meatco is doing what they can to improve the situation. So for future farming, I think that's the way to go."



RUDI SCHEIDT

BUSINESS REVIEWS: 2013/14

PROCESSING

The processing strategy for 2013 was to realign Meatco’s abattoirs and processing plants to increase the focus and efficiency in light of the changing and demanding business environment. The emphasis was to ensure continuous compliance with international quality standards and export requirements, and to enhance the plants’ capacity and efficiency.

Even though we procured and slaughtered more animals than in the previous financial year, the combined total weight of the cattle remained constant. Thus, we did not produce more kilograms. While we marketed 24.2 million tonnes south of the Veterinary Cordon Fence in the previous reporting period, the current review period saw 24.4 million tonnes being sent to markets – only a 200-tonne difference year on year.

This is because the average weight of the cattle had decreased by 15 kg per unit owing to the drought. The majority of the cattle were driven by “C” grades, and the average mass of the “C” grades decreased by 29.8 kg – a significant drop in weight. The total

number of “C” grade animals slaughtered during the previous reporting year was 16.5 per cent, but in 2013/14, animals graded “C” increased by 19 per cent – also totalling 19 per cent of the total mix.

“B” grades comprised 36.0 per cent of all cattle in 2012/13, compared with 28.1 per cent in the current reporting year. This means, effectively, in terms of total numbers, our cattle mix went from “B” to “C” grades. Unfortunately, the markets that can absorb “C” grade animals are limited and small, especially in the volumes that we processed during the year under review.

The fat grading of the animals shows the impact of the drought. Previously the “0” and “1” fat grades comprised 23.1 per cent of the mix; for the current review period, this mix increased to 34.2 per cent. Thus, although cattle numbers delivered to Meatco were higher than in the previous reporting period, the quality of the animals declined: overall, Meatco slaughtered more cattle, but they were older and leaner animals. This implies that what we won in volume, we lost in condition.

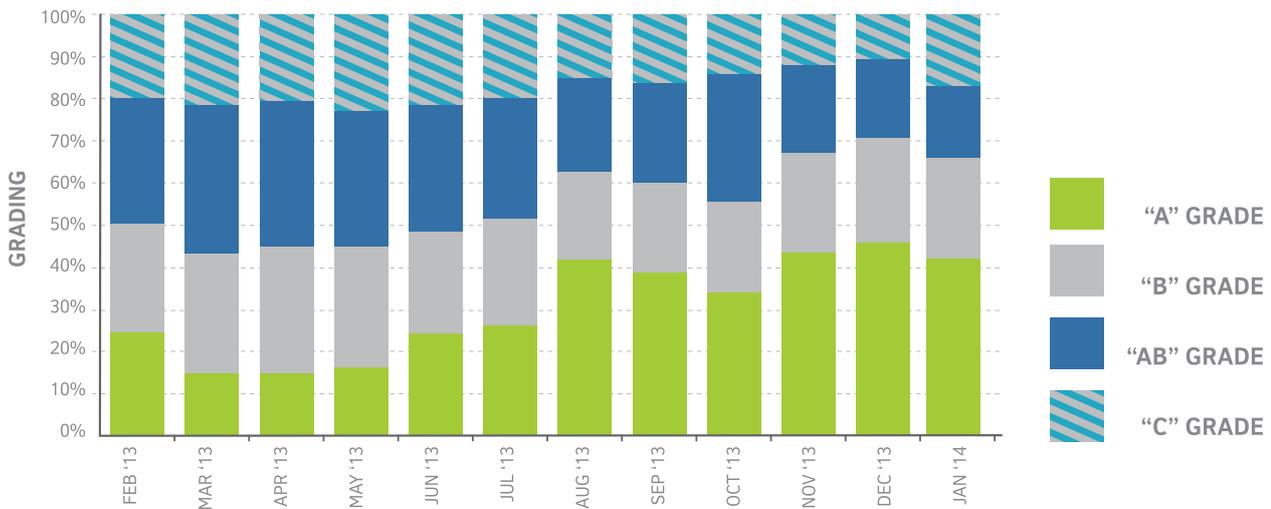


Figure 9: Grading distribution, 2013/14 (South of the Veterinary Cordon Fence)

Moreover, even though there are markets for the type of cattle we slaughtered in the reporting 2013/14 year, the markets are limited and cannot absorb the volumes on offer.

Figure 3 indicates the grading distribution of slaughtered cattle from south of the Veterinary Cordon Fence. The increase in “A” grade animals reflected in the graph towards the end of the financial year is due to Meatco-owned cattle provided to the abattoirs and from the Okapuka feedlot.

From 1 August 2013, we commenced slaughtering on a four-month rotation basis at the Windhoek and Okahandja plants in anticipation of low cattle numbers during the 2014/15 financial year. This meant realigning our workforce at the two plants. We had 55 voluntary separations, while the fixed contracts of 326 temporary workers were not renewed. The permanent workers at the two plants are transported between Windhoek and Okahandja, to reduce the overall staff cost.

Lack of consensus and subsequent delays to finalise wage negotiations led to a ‘go-slow’ by workers in April 2013. The action led to Meatco not being able to slaughter 10,000 head of cattle, resulting in a potential income loss of N\$104 million. The Oshakati and Katima Mulilo abattoirs were not affected by the action and continued to operate as usual.

The rotational slaughter plan between the Windhoek and Okahandja plants created an opportunity to do essential maintenance and upgrades. Okahandja underwent a major upgrade in the year under review. The resulting improvement in refrigeration facilities increased our capacity for the slaughtering of 500 carcasses a week. The deboning system was

also changed to improve plant flexibility, while the change room was upgraded. Similar renovations and upgrades have begun for the Windhoek plant from January to March 2014.

Early in 2013, as part of our effort to reduce costs, the Meatco and Namibia Allied Meat Company (NAMCO) Boards of Directors decided to discontinue the sheep business, which entailed slaughtering, marketing and value addition activities. The decision was occasioned by an excess of abattoirs geared for sheep slaughtering in the country and a consistent decrease in sheep numbers. For Meatco alone, the ongoing decline in sheep numbers had led to accumulated losses over the past five financial years, which Meatco could no longer sustain. Meatco’s value addition plant, operated by NAMCO to generate deboned mutton, lamb and game products, was also at the mercy of a volatile exchange rate environment, which made the plant’s viability unpredictable. After Meatco’s exit, three operators remain in the market, all located closer to the sheep farming areas in southern Namibia. The discontinuance commenced on 31 May 2013.

The year under review laid the foundation for optimising our meat processing facilities. For 2014/15, therefore, our operations will focus on the affordability, flexibility, effectiveness and scalability of our operations. Increasing the range and number of our value added and canning products offers exciting opportunities for future growth. At the same time, the entering of new markets that have opened up in countries such as Russia and the US promises to take Meatco to new heights. However, increased utility costs – specifically energy and water – will challenge us to operate our facilities more smartly, while skills shortages and absenteeism will remain issues that require constant attention.

BUSINESS REVIEWS: 2013/14

MARKETING

Due to the condition of our slaughter products in 2013/14, our marketing efforts were challenged substantially in respect of meeting the specific requirements of our international customer base. Overall, our international markets – the EU, Norway, Reunion and the UK – accounted for 60.3 per cent of our revenue during the review period, compared with the South African (25.4 per cent) and Namibian (14.3 per cent) markets. These figures attest to the importance and success of the diversification strategies we put in place several years ago.

International markets

During the reporting year, we found it difficult to supply sufficient volumes of fillet and steak cuts to our various markets because of the condition of our slaughtered cattle. Globally, Namibian beef receives the highest returns from Norway, followed by Europe. Another limiting factor during the year under review was that we only had 50 per cent of the Norwegian quota allocation. However, this has changed to 75 per cent in the new financial year.

The Norwegian market yielded good returns during 2013/14 – as much as three times more than what Meatco realised through selling our meat products in Namibia. If the quota was divided according to production capabilities, Meatco would have been able to generate about N\$100 million more income, which would have impacted positively on our producers' returns. The higher quota now allocated to Meatco means the benefits will be felt by the vast majority of Namibian cattle producers.

The EU and UK markets yielded fair results in terms of revenue generation, but many of the effects of the recession that has prevailed since 2008 are still in evidence. Prices in Europe were stable, but slightly down on the previous year. Although the exchange rate was in our favour towards the end of the reporting period, volumes had decreased by then. Thus, we could not sell as much product to this market as we would have liked. The horse meat contamination issue – the so-called horse-gate scandal experienced at the beginning of 2013 – negatively impacted demand in the UK market. In Norway, our *Nature's Reserve* brand continued to grow its reputation in the marketplace and is considered the highest and most consistent quality of all beef imported to Norway, which is a feather in the caps of Meatco and Namibian cattle producers.



The South African market

The 2013/14 reporting period showed that the South African market was struggling with severely diminished spending power. Prices of hindquarters, in particular, were much lower than those in the Namibian market, while the forequarter market was also under severe pressure.

The Rand exchange rate against other currencies impacted negatively on consumer spending in South Africa. Moreover, since alternatives to red meat such as chicken are extremely expensive in that country, consumers are moving towards offal and non-animal sources of protein such as soya.

Meatco, therefore, experienced a significant decrease in the market value of our product during the review period due to South African buyers' lower disposable incomes. In addition, due to the drought in Namibia, many of our cattle went to feedlots in South Africa, pushing prices downwards. We expect that this will improve in 2014/15 as the South African supply chain becomes less congested. Thus, our net returns from the South African market decreased year on year from 2012/13 to 2013/14. Overall, the South African market absorbed 25.4 per cent of our total value sales, comprising 39.5 per cent of our total volume.

It also confirms that, if Namibia were to depend solely on the South African market for its sales of red meat, we would not survive unpredictable events such as the recent drought.

The Namibian market

In the past, serving the domestic market was a challenge to Meatco because of the higher profitability that we could realise from regional and international markets. Although this consideration is still valid, if our beef products are not available locally, the Namibian market will source them from our competitors, who in turn source cattle from the same pool as Meatco.

The Namibian market is a good one for Meatco; however, it is small in size and limited in its ability to absorb large volumes, especially higher-value meat cuts. Effectively, the consumer in Namibia currently pays almost an export price for meat, specifically for hindquarters, even though we are a net exporter of meat. Locally, quality meat is expensive, which is partly because red meat imports were not allowed for the last couple of years, including the year under review.

In value terms, we marketed 14.3 per cent of our total sales in Namibia; however, in volume or weight terms (kg), Namibian sales comprised 29.9 per cent of our total volume.

This confirms that the local market can only absorb big volumes of medium- and lower-value meat. One of our strategies to diversify our markets and be less reliant on South Africa was to provide meat cuts to the local market through our wholesale outlet. This was hugely successful, allowing us to capture 25 per cent of the market.



BUSINESS REVIEWS: 2013/14

Our products

Although we have different products aimed at different segments of the market, one thing remains consistent throughout: we ensure that the highest-quality product is delivered, by following world-class processes and adhering to strict food safety and hygiene practices.

Independent, internationally recognised auditing firms such as SAI Global conduct various audits

on a regular basis in both our Okahandja and Windhoek abattoirs and manufacturing facilities. These audits and independent assessments assist the Corporation in reducing risk and in enhancing our products and services.



British Retail Consortium certification

In May 2013, our Okahandja abattoir and meat processing facility was awarded an “A” grading certificate for the first time against the British Retail Consortium (BRC) standard. Our Windhoek abattoir is also BRC-certified and achieved a “B” grade for the audit earlier in 2013. The certification means that Meatco has proper 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.

The BRC is a leading food safety and quality body which produces global standards for manufacturers. The BRC facilitates standardisation of quality, safety, operational criteria and manufacturers’ fulfilment of legal obligations.

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

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

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

European Union certification

EU legislation calls for many health and supervisory requirements that are meant to guarantee that imports meet the standards of production in its member states. The main objective of the EU food safety policy is to ensure a high level of protection of human health and consumers’ interests in relation to food, taking into account diversity and traditional products, among others, whilst ensuring the effective functioning of the internal market. Their guiding principle is to apply an integrated approach from farm to table, covering all sectors of the food chain, including feed production, primary production, food processing, storage, transport and retail sales.

The Okahandja and Windhoek abattoirs and manufacturing facilities are EU-certified and are regularly subjected to EU audits, which allow us to market our products in the EU.

ISO 9001 certification

All Meatco’s abattoirs and manufacturing facilities are ISO 9001 certified. ISO 9000 is a series of standards developed and published by the International Organization for Standardization (ISO) that define, establish, and maintain an effective quality assurance system for manufacturing and service industries. The standards deal with the fundamentals of quality management systems, including the eight management principles on which the family of standards is based.

BUSINESS REVIEWS: 2013/14

The objective of ISO 9001 is to provide a set of requirements that, if effectively implemented, provides customers with the confidence that their suppliers can consistently provide goods and services that meet consumer needs and expectations, and comply with applicable regulations. The requirements cover a wide range of topics, including a supplier's top management's commitment to quality, customer focus, adequacy of resources, employee competence, process management (for production, service delivery and relevant administrative and support processes), quality planning, product design, review of incoming orders, purchasing, monitoring and measurement of processes and products, calibration of measuring equipment, processes to resolve customer complaints, corrective/preventive actions, and a requirement to drive continual improvement of the quality management system.

HACCP certification

All Meatco's abattoirs and manufacturing facilities are also HACCP-certified.

HACCP (Hazard Analysis Critical Control Point) is a systematic preventative approach to food safety. It addresses physical, chemical and biological hazards as a means of prevention, rather than finished product inspection. This approach has significant benefits to companies operating within the food supply chain as it enables them to determine key controls over processes and concentrate resources on activities that are critical to ensuring safe food. Retailers, the food industry and governments are concerned about ensuring that food is produced safely and that consumers have confidence in the product.

MCDONALD'S AUDIT

In addition to the standards and audits mentioned elsewhere in this report, many of our clients, including McDonald's, also conduct several other audits throughout the year. In 2013, both the Windhoek and Okahandja abattoir and processing facilities again successfully retained its certification to supply our red meat products to the well-known McDonald's fast food chain in South Africa. The McDonald's audit covers, among others, hygiene, quality of the product and the health of the cattle. The fast food chain – with about 1.8 million employees working in more than 5,000 franchise operations worldwide – requires their suppliers to adhere to specific high standards, since the actions of their business partners can be attributed to McDonald's, affecting the reputation and level of trust they have earned from customers. McDonald's conducts audits regularly to ensure suppliers comply with their standards and requirements. Meatco is one of very few McDonald's red meat suppliers in southern Africa.



NAMIBIAN STANDARDS INSTITUTE EXPORTER OF THE YEAR

In recognition of our strict adherence to quality standards and the strict implementation of our Integrated Food Safety Management system, Meatco was the proud recipient of the Exporter of the Year Award in the National Quality Awards of the Namibian Standards Institute (NSI). The first-ever issuing of these quality awards culminated in a glamorous prize-giving ceremony held in October 2013.

The award was given to Meatco for making significant progress in commencing with and expanding exports to wider markets by introducing quality standards.

The National Quality Awards embrace quality and standards as necessary tools for value addition to products and services.

There are also Southern Africa Development Community (SADC) awards. The aim of these awards is to recognise and appreciate companies and individuals who are contributing to quality advancement in all sectors of SADC, by having measurement and quality systems, procedures and processes that are in line with local, regional and international practices and who use quality advancement to support national and regional economic development and growth.

BUSINESS REVIEWS: 2013/14

PRODUCER RETURNS

Maximising producer prices remains one of the key drivers for Meatco. In the year under review, we continued with our integrated planning and logistical strategy to add value for the producer throughout the entire value chain, addressing carcass and market returns as well as operational and cost efficiencies. These strategies aim to maximise the producer price per kilogram by ensuring that the optimal yield is obtained per carcass, that meat products are produced according to market demand, and that maximum value is derived from the geographical and segmental spread of customers.

In the year under review, Meatco paid an average N\$25.30/kg, despite the drought and the poorer condition of slaughtered cattle overall.

However, even though slightly more cattle were slaughtered in the current review period in comparison with 2012/13, the trend towards consistently declining throughput severely

strained the capacity utilisation of our abattoirs and processing plants due to under-utilisation. Thus, the consequent increase in the unit cost of production means that it is a significant achievement for Meatco to realise this amount of value for producers – in addition to being able to show a small profit at the end of the financial year.

Figure 10 illustrates the effect of the drought on production during the 2013/14 financial year, in comparison with figures for the past two decades. Cattle numbers improved slightly, but due to the animals' condition, the producer prices realised were slightly lower than those in the previous reporting year.

To evaluate the relative value or strength of the Namibian producer price per kilogram as paid historically by Meatco against suitable alternatives, a comparison is made against the equivalent South African producer price – also known as the *RSA parity price*.

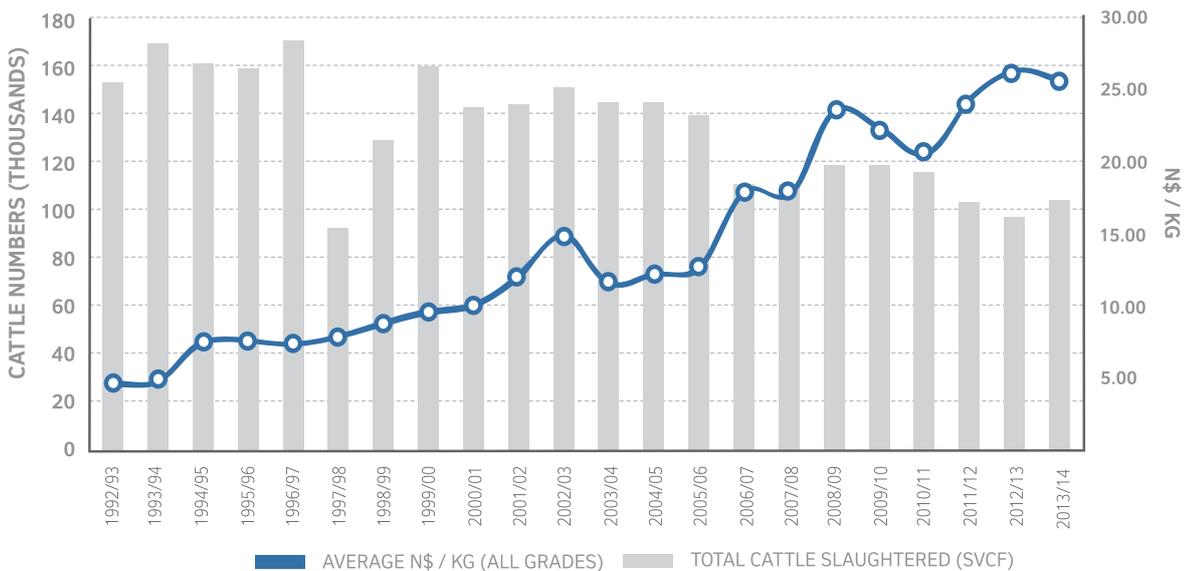


Figure 10: Average producer price per kilogram versus throughput (SVCF)*

* SVCF = South of the Veterinary Cordon Fence



AMOS DAVID,
a farmer in northern Namibia

"Farming is a business: cattle need to be sold and not just kept. My aim is to make money as a farmer, and that's why I sell my cattle to Meatco. All the money I use to upgrade my farm comes from selling cattle to Meatco. Meatco helps us by buying our cattle and by giving us advice on the best way to get our cattle ready for the market."

The RSA parity price is determined by adjusting the publicised South African producer prices to allow for or remove additional transportation costs and irrelevant South African levies.

Should the same comparison be made for the year under review, calculations show that Meatco was able to pay a total of N\$70.3 million in additional premiums to Namibian producers above the RSA parity price, thereby continuing to keep our long-standing commitment towards livestock producers to consistently outperform the South African market.

The grey bars in Figure 11 show the amount that Meatco was able to pay above the South African Red Meat Abattoir Association's (RMAA) prices in a given year. The blue and green sections show the profit or loss Meatco made in a specific year.

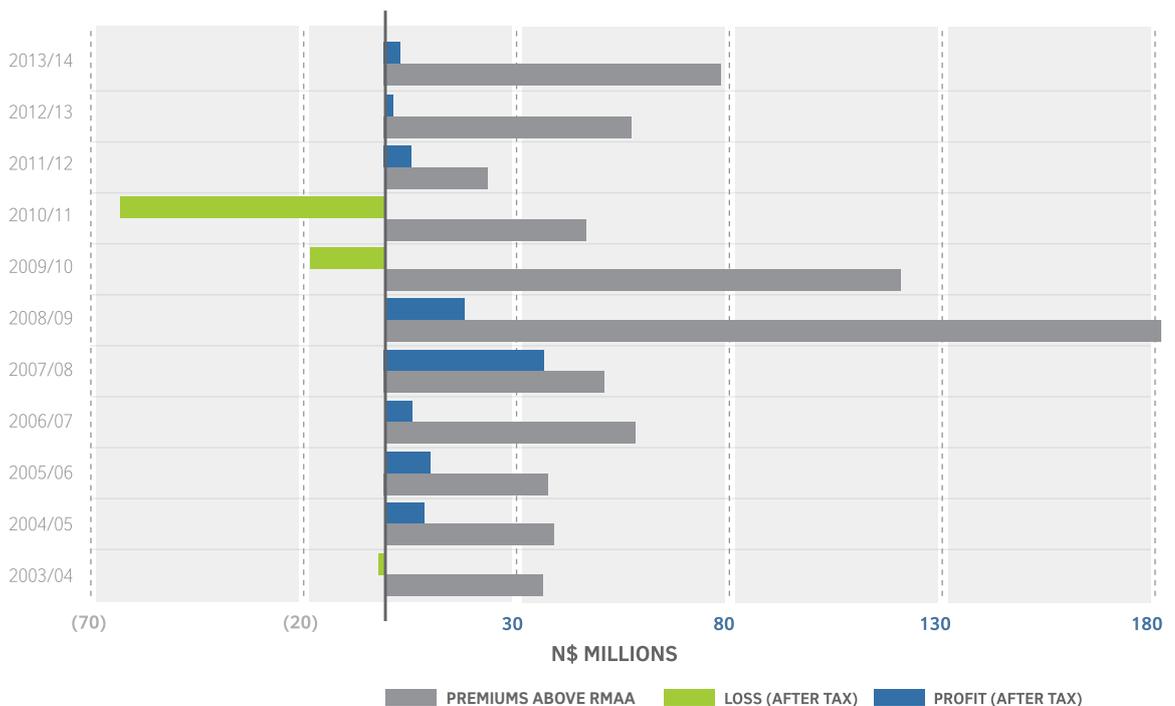


Figure 11: Historical payments above South Africa's RMAA combined with respective profits/losses

BUSINESS REVIEWS: 2013/14

NORTHERN COMMUNAL AREAS

It is estimated that more than 60 per cent of Namibia’s cattle live north of the Veterinary Cordon Fence, in the Northern Communal Areas (NCA). The area referred to by Meatco as the *NCA* comprise of Zambezi, Kavango, Oshikoto North, Ohangwena, Oshana, part of Otjozondjupa’s Tsumkwe Constituency, Omusati and Kunene North. The annual off-take rate from these areas is just 4 per cent, in comparison with 25 per cent in the commercial farming areas south of the Veterinary Cordon Fence.

Meatco has been running the Oshakati and Katima Mulilo abattoirs on behalf of Government at a massive loss to the Corporation. Operational losses at these abattoirs during the year under review amounted to N\$26.1 million; in 2012/13 they registered at N\$28.3 million. Since 1987, Meatco has invested N\$311 million in total into operational losses in the NCA. We believe realising the commercial potential of the NCA requires

an industry-wide intervention and future efforts should focus on this.

For the year under review, the main objectives of our NCA Division were to —

- increase cattle numbers
- improve the quality of cattle procured
- realise markets, and
- add value, e.g. by processing meat.

The very low number of cattle procured from NCA suppliers and the poor quality of these animals at the Oshakati and Katima Mulilo plants continue to affect the financial performance of our northern operations. Of the planned 13,000 cattle to be slaughtered in the Oshakati abattoir, for example, only 8,289 (4,711 less, representing a 36.2 per cent shortfall) were processed. While Katima Mulilo had budgeted for 8,525 head to be slaughtered, only 4,932 (3,593 less, representing a 42.1 per cent shortfall) were processed.

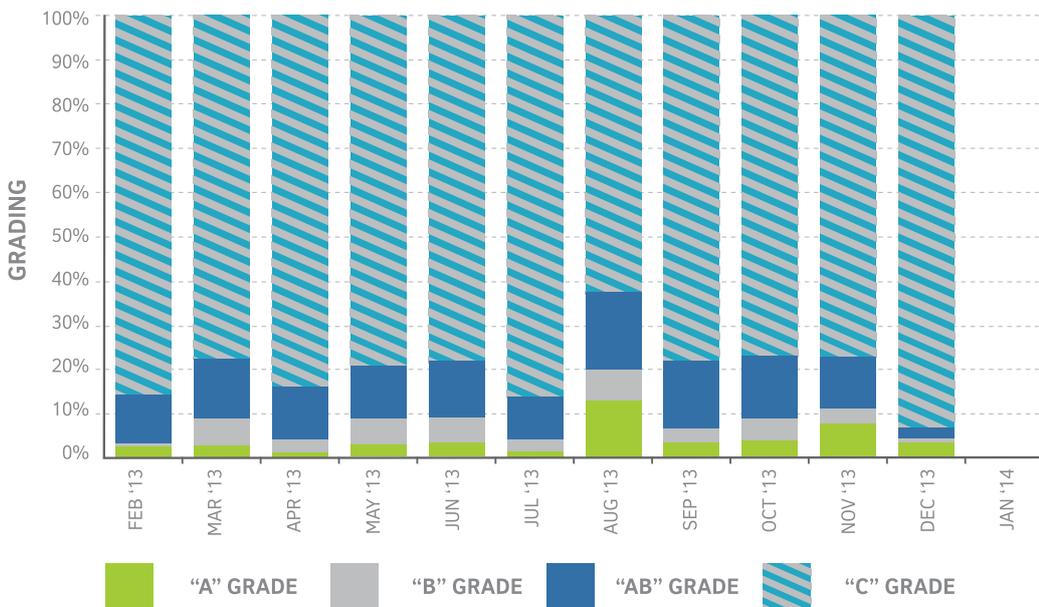


Figure 12: 2013/14 Grading distribution (NCA)

As indicated in Figure 12 on page 64 and Figure 13 on page 66, the quality of cattle at both abattoirs also fell. Almost 80 per cent were grade “C” carcasses, and just over 72 per cent were classified as “0” or “1” fat grade. This deterioration in quality was due to the drought experienced during the period under review.

Although an attempt was made to solicit the budgeted cattle numbers for slaughter at the Oshakati plant in particular, e.g. by addressing traditional authorities, regional councils and the farming communities at large, our efforts were largely fruitless: most farmers opted not to sell. It appeared that they preferred taking the risk of their animals dying rather than accept the market price available to them. In the case of the Katima Mulilo plant, the outbreak of foot-and-mouth disease in the Zambezi Region in August 2013 forced the facility to close, which exacerbated the reduction in slaughter cattle numbers.

The main challenge within the NCA remains the potential outbreak of foot-and-mouth disease in the Zambezi Region. Other challenges are the conflicting perceptions of quality and price, and Angolan buyers that distort market prices. The cattle ownership structure posed a further challenge: individual farmers in the NCA own small numbers of cattle. Many families continued to practise subsistence farming, with about 30 head of cattle per household. As a result, most individual farmers in the NCA only market their cattle over the longer term, e.g. twice in every five years.

The health status of the NCA ultimately limits access to the high-value export markets. This, in turn, affects returns from product sales. To improve the situation, Government is working towards uplifting the animal health status of the NCA; Meatco continues to support the Government’s efforts in this regard.



BUSINESS REVIEWS: 2013/14

Many projects and initiatives have been implemented by various stakeholders over the past 20 years to assist farmers in valuing their livestock as commercial property. Meatco’s contribution towards these efforts is a mentorship programme which teaches farmers how to take proper care of their animals and how to start farming commercially. The project is now being managed by the Meat Board. Thus, in addition to our cattle procurement function, we are deeply involved in educating, informing and training the farming community at large.

Looking ahead

From the above it is clear that our NCA operations are not sustainable in their current format – a system that has been in place in 1992.

Going forward, wider stakeholder intervention is required to help ensure that developmental and other socio-economic goals in the NCA are

met and long-term, sustainable interventions are sought. We have suggested a levy to ensure that developmental and other socio-economic activities are taken care of financially by the wider industry in the short to medium term, whilst longer-term, sustainable interventions are being sought.

We will also have to secure consistent cattle numbers through the abattoirs. Securing sufficient cattle numbers of the desirable quality can be achieved by way of quarantining, intensive feedlotting, and growing fodder at existing and future green scheme projects. This, however, requires the commitment and cooperation from other industry stakeholders. Adding value to lower-quality products by further processing is another strategy for turning around business in the NCA.

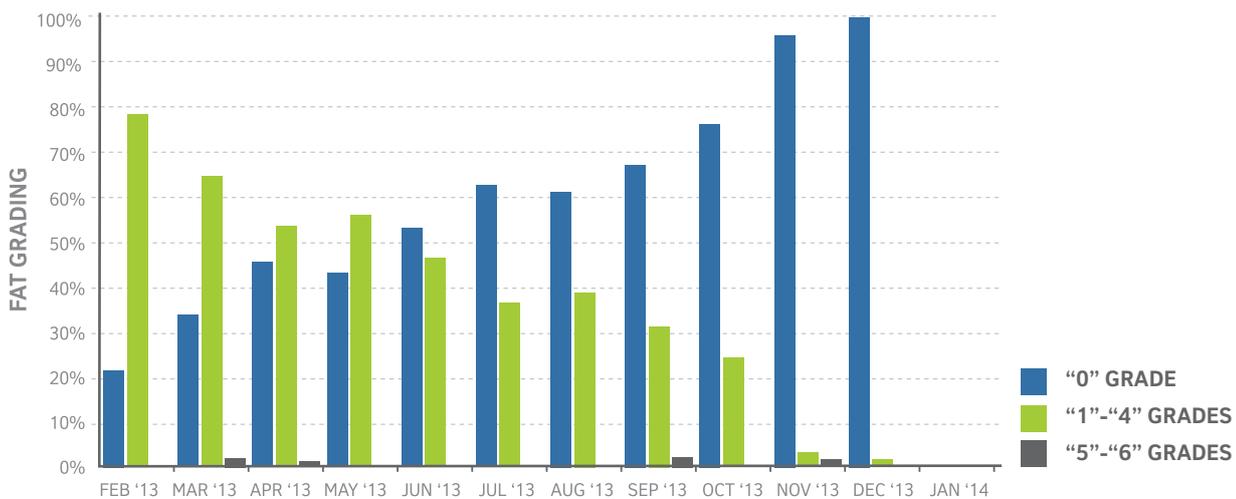


Figure 13: 2013/14 Fat distribution (NCA)



MUTAKALILIMO ALFRED,
a farmer in the Zambezi Region

"I used to be a teacher with the Ministry of Education, but I couldn't rely on my salary alone to see me and my family through the month. So I turned to farming. I sell my cattle to Meatco because I get a good profit, especially when I sell my best oxen. I found Meatco to be a company that helps farmers."



BUSINESS REVIEWS: 2013/14

RELATED OPERATIONS

Tannery

Meatco's Okapuka Tannery, which is located 25 km north of Windhoek, processes fresh and salted hides to wet-blue stage.

The tannery has been operational since 1992. It employs 14 people and uses sophisticated electronic equipment to process hides for export markets, principally Italy.

Okapuka has the capacity to process 850 hides per day. Hides are sourced from all over Namibia, including Meatco abattoirs and other local abattoirs. However, due to the drought and reduced cattle numbers, the number of hides processed decreased to about 500 per day during the reporting year.

The construction of a new evaporation pond that started in 2012 was completed in May 2013. The new pond has increased the capacity for effluent storage and, therefore, could increase throughput as well.

About 98 per cent of the processed hides are transported by rail to Walvis Bay. From there, they are shipped to Italy. The remaining percentage is sold to smaller markets and a few select local buyers.

Canning Plant

Meatco's canned beef range is part of its legacy since the early 1980s. *Texan*, *Eloolo* and *Ranch*, which are household names in Namibia and southern Africa, are part of a long and proud tradition for Meatco. Our canning operation annually produces almost 16 million corned beef cans of various sizes and according to specific recipes that many have grown to love. Our canned products are ISO-, HACCP- and Halaal-certified.

The plant produced 13,147,438 cans of product during the year under review, compared with 11,804,390 the previous reporting year, representing an increase of 11.4 per cent.



The plant started the review period with a 98 per cent product release, compared with 65 per cent the previous reporting year.

Meatco also negotiated a better procurement price with one of our major providers of meat for the canning plant. However, this saving was curtailed by the exchange rate. We therefore started to import raw materials from Australia and New Zealand to replenish low stock levels brought about by the low number of cattle slaughtered during 2013.

Looking forward, we will focus on product development and ways to reduce the production cost in order to become more competitive in the market. Expanding on our value addition drive, we are investigating the possibility of producing additional products in round cans. We are also looking at opening new markets in Africa; currently we supply to Botswana and Zimbabwe and aim to expand to Angola, Cameroon, Ghana, Kenya, Nigeria and Zambia.

Wholesale outlet

Our Wholesale outlet is located next to the Meatco Head Office in Windhoek's Northern Industria. In operation since 1996, the Wholesale outlet offers fresh red meat cuts and offal to the domestic market.

The Wholesale outlet is supplied by Meatco's abattoirs in Katima Mulilo, Okahandja, Oshakati and Windhoek. In the reporting year, sales from the outlet totalled N\$116 million. The outlet currently has 30 employees, and all profits generated through sales are ploughed back into Meatco's overall business operations.

The continuing decline in cattle numbers south of the Veterinary Cordon Fence has been an area of concern for Meatco and the industry alike for several years because these animals are of higher quality than those from north of the Fence.



5

SUSTAINABILITY OF CATTLE SUPPLY

HISTORIC TRENDS IN CATTLE SUPPLY	72
ENSURING MEATCO'S SUSTAINABILITY	74

MEATIGGO MAMIBBIA

SUSTAINABILITY OF CATTLE SUPPLY

HISTORIC TRENDS IN CATTLE SUPPLY

Cattle in the NCA are on the increase, but the numbers and quality of animals marketed from the region are much lower. These trends are evident from the latest available census data, namely 1990 to 2006, provided by the Directorate of Veterinary Services of the Ministry of Agriculture, Water and Forestry.

The continual decline in cattle numbers south of the Fence and the increase in cattle numbers of lower quality north of the Fence touch the core of the red meat industry's sustainability in general, and Meatco's in particular. However, Meatco alone cannot address this issue: it requires a combined effort by all stakeholders, including Government, industry bodies such as the Meat Board, and commercial and communal producers.

After the 2013 drought, herd restocking began to take priority. Nonetheless, although grazing recovered after the rains in early 2014, many producers will not have enough animals to produce optimally because they sold much of their livestock to avoid business losses.

Thus, the availability of slaughter cattle in Namibia is at an all-time low. Meatco expects to slaughter about 30,000 fewer head in 2014/15 than in the current reporting year. The high volumes exported mainly to South Africa, but also to Angola, consisted

of weaners, cows and slaughter cattle, which will worsen Namibia's ability to restock sufficiently.

The next three years will be difficult for the industry: there will be very few slaughter cattle because those that would have been slaughter-ready in 2014 were exported en masse in 2013 to allow farmers to survive the challenges of the drought. Also, the weaners exported would have been the reserve animals for 2014, which would have supplied the slaughter stock of 2015. This means that the low number of slaughter stock will continue until at least 2015.

The following year, 2016, will also be a challenge since the many cows that should have calved in 2014 were exported on the hoof. Thus, fewer calves will be born in Namibia in 2014. This has a knock-on effect on the rest of the cattle industry, impacting on reduced availability of slaughter stock in 2016 as well.

The 2013 drought reminded producers once again that Namibia is a semi-arid country and, as such, they should realistically consider how many and what breed of cattle best fit their production resources and environment.

NOTE

As pointed out in our 2012/13 Annual Report, factors impacting on the decline in cattle numbers in the country cannot be easily quantified. Moreover, the critical lack of credible data and statistics, both at production and marketing levels, severely hampers planning in these two areas in particular. The shift in production systems towards diversified farming products and services and the lack of critical data are of national interest and, therefore, require not only a concerted effort at industry level to incentivise farmers to offer higher slaughter numbers, but also at national level by way of a national task team to address data deficiencies.

As also noted in the 2012/13 Annual Report, declining production south of the Veterinary Cordon Fence is compounded by the rapid changes in herd composition and significant shifts in production systems. Diversification away from livestock into game and tourism ventures has compromised livestock farming in general and cattle production in particular. There has also been a substantial shift from slaughter cattle production to weaner production and stoors (young calves between 12 and 18 months old). This situation is more prevalent amongst emerging commercial and resettled farmers: due to a lack of investment capital and cash flow constraints, many prefer to stay in the weaner production cycle.

Thus, Namibian producers receive substantial premiums that are above the RMAA price. However, the high premiums do not appear to translate into an expansion of the slaughter industry and/or more cattle being delivered to our abattoirs. Notably, Meatco sustained these high price levels

despite continuing to slaughter fewer cattle than five years ago (see page 62). Thus, of the total number of cattle slaughtered in the year under review, only 63.24 per cent came from the veld: the balance was contributed through our backwards integration initiative to secure a consistent supply to our abattoirs.



NEELS DODDS,

a farmer in the Windhoek area

"I chose Meatco as my distribution agent because they serve international and local markets. If it wasn't for Meatco, we wouldn't survive in the cattle industry. It's not possible to market your cattle on your own – we have to stand together with a corporation like Meatco."

SUSTAINABILITY OF CATTLE SUPPLY

ENSURING MEATCO'S SUSTAINABILITY



To ensure Meatco's sustainability and mitigate the expected decline in slaughter cattle over the next three years, the Corporation proactively put several strategies in place. Our aim is to produce 50 per cent of our envisaged 78,000 cattle for 2014 through our own efforts, rather than relying on an unpredictable supply of raw material.

This is a major task for our procurement team, and it entails devising a new approach to the way Meatco procures cattle, as the majority of the animals will be raised through our own initiatives in the future.

Meatco-owned Cattle (MOC) initiative

One new strategy is the MOC initiative that will assist producers with their herd restocking process. Restocking comes with many economic considerations for producers, since they can either restock with their own cattle or they can buy weaners; both are costly processes, however.

The MOC scheme focuses on securing cattle through a binding contract with producers. These contracts aim to assist producers with managing their farming operations more successfully, while reaping the benefits of their hard work through surplus payouts.



Feedlot expansion

The MOC initiative will enable Meatco to be more involved in the production chain. This backward integration strategy will ensure consistent throughput to our abattoirs and processing plants in the exact mix and condition that our markets require. It will also allow us to utilise our assets optimally and reduce the unit costs of production.

During part of the year under review, the experience gained from the Ekwatho scheme was fine-tuned for specific implementation in the NCA. South of the Veterinary Cordon Fence the Ekwatho scheme in its previous format will be replaced by the MOC initiative since it suits the needs of the commercial farmers better.

In the past, between 18,000 and 20,000 cattle from the Okapuka feedlot were slaughtered annually. The financial year ahead will see the standing capacity at the feedlots increase substantially to accommodate another 8,000 cattle at any one time, in turn increasing the number of cattle that can be slaughtered from the feedlot to 28,000 in total. Increased capacity at the feedlot will also enable Meatco to comply with the 40-day minimum residential qualification required by the high-value EU market.

6

MEETING OUR TRIPLE BOTTOM LINE

OUR PEOPLE	78
OUR COMMUNITY	84
MEATCO FOUNDATION	85
OUR ENVIRONMENT	90
ANIMAL WELFARE	91



MEETING OUR TRIPLE BOTTOM LINE

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

OUR PEOPLE

Meatco recognises that human resources are an appreciating asset bringing continuing returns, and that they are the catalyst required to generate a world-class performance.

Human resources philosophy

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

Meatco upholds the Namibian Constitution and recognises the rights of our employees. For this reason, we provide forums, support groups and policies to hear and address their concerns and to resolve issues and conflicts in a fair and transparent manner. Equally, we encourage employees to speak out or ask questions if they are uncertain about any aspect of the business or their employment.

Various communication channels and platforms are available to any employee, including those listed below —

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



Remuneration policy

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

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

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

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

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

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

Additional bonuses that act as incentives are also payable to certain employees. Employees in certain production departments, i.e. slaughter floors, deboning, canning, etc., qualify for production bonuses if they meet minimum standards that apply at the time. All formulas for calculating bonuses (except the Service Bonus) are determined by the Chief Executive Officer and may be amended from time to time.

OUR TRIPLE BOTTOM LINE

The Corporation constantly revisits the foundations on which its human resources promise is built to revalidate, consolidate and build on those key elements that will make us continue to stand out as one of the most preferred employers in Namibia.

Workforce composition

We continuously track not only the composition of our workforce, but also the trends in global human resource best practice. In this way, we remain at the top of our game in respect of our responsibilities towards our employees.

At the close of the review period, Meatco's workforce stood at 1,032 permanent employees, consisting of 861 men and 171 women.

Our Affirmative Action Report was approved by the Labour Commissioner of the Ministry of Labour.

With the decline in cattle numbers and the realignment of our abattoir operations in Windhoek and Okahandja, a business decision was taken to reduce staff costs. Consequently, after a thorough analysis of the potential implications and negotiations with the Namibia Food and Allied Workers' Union, the fixed-term contracts of 327 temporary employees were not renewed. This followed a consultative process with the Union and with the employees affected, with various efforts to mitigate the impact on them, including the option to retire, apply for permanent positions and enrol for an entrepreneurial development programme.

Additionally, the affected employees will be the first to be contracted if suitable employment opportunities arise in the future.

Skills development and training

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

Training and development in general are driven by our Human Resources Department, while the responsibility for training and development in specific functional areas rests with the various business units themselves. Effective performance planning and assessments form the basis of these programmes. A key element of training and development is the requirement to translate departmental plans into team and individual goals and competencies, to ensure employees are able to contribute to the workplace in a meaningful manner.

Furthermore, to address our skills shortage, we have invested more than N\$1.5 million in training and developing staff. We follow needs-based training, i.e. in line with 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.





The foundation of our human resources philosophy is to be an Equal Opportunity Employer: we do not discriminate on the basis of gender, race, nationality, age, social origin, disability, religion or any other differentiation. We hire employees based on our Recruitment Policy and our Policy on Equal Opportunity. Our operating structure is designed in a manner that ensures all human-resource-related decisions are made by committees and not by individuals. Thus, all decisions relating to hiring, performance, promotion, learning and development, career development, compensation management and talent management are made in this manner.

Through the Meatco Angel Fund Assistance Programme, developed and run by SME Compete, staff members have the opportunity to upgrade their entrepreneurial skills.



Through our Staff Study Assistance Programme, employees are encouraged to further their education and skills. The Programme provides financial assistance to employees who wish to study part-time for courses relevant to Meatco's operations.



Employee wellness

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

The Corporation's employee wellness portfolio is manifested in a set of organisational and business drivers that dictate all strategies, interventions and programmes that not only pursue the achievement and sustenance of our statutory compliance, but also endeavour to establish world-class employee wellness best practices.

The tactical interventions that Meatco has in place aim to drive performance through an environment that is conducive to optimising employee wellness in the workplace and employee management.

The Meatco Foundation has also presented a proposal to the Namibia Employment Federation, through the NEF's Public-Private Partnership Scheme, for the upgrading of the clinic at the Windhoek factory. Improved facilities will enhance primary health care services to our employees as well as cater for pre- and post-employment health screening.

The proposed project includes measures to strengthen the existing staff wellness programme and to establish such programmes where they are lacking.

OUR TRIPLE BOTTOM LINE

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

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 measure they may deem necessary to ensure that we are a “Safe Place to Work”, as one of our maxims states.

Meatco recorded a total number of 109 injuries for the reporting year. A total of eight Lost Work Day cases/Lost Time injuries were reported, with a Disabling Incident Frequency Rate (DIFR) of

1.61; 50 minor injuries and 46 first aid injuries. No occupational diseases or illness were reported for the period under review. The total of 14 employees were booked off due to injuries sustained within the workplace.

We also report on programmes carried out on education, training, counselling, prevention and risk control to assist workers, their families and the community regarding serious diseases and other health hazards.

HEALTH AND SAFETY POLICY

At Meatco we are committed to —

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

Looking ahead

The Human Resources Department will be focusing on the following for the foreseeable future —

- **Cost-effective employment:** Proper work-force planning will be done to ensure that the Corporation has the right number of staff with the right skills sets at the right time.
- **Revising the Performance Management System:** This will be reviewed to ensure that a performance culture is entrenched across the Corporation. The underlying principle will be to align the individual objectives of employees and Departments with the overall corporate strategy.
- **Leadership development:** Meatco is committed to developing leadership throughout the Corporation to drive its strategic aims and objectives. Our central objective in respect of human resources is to create a sustainable pool of leadership competency in terms of succession planning, and to have a highly competitive managerial team in place at all times. Key aspects of leadership development intervention aim at —
 - preparing middle management and the supervisory level leadership team with the right sets of skills to meet the challenges of service delivery
 - identifying and grooming future leaders, and
 - developing an adequate strategic resource plan to maintain the Corporation's managerial continuity and reduce succession risks.
- **Rewards and recognition:** As we depend on motivated employees to deliver on our mandate, recognising and rewarding performance excellence remains a key focus area for the Corporation. Our Remuneration Policy will be reviewed and approved by the Executive Management Team. This is geared towards ensuring that employee remuneration initiatives are on par with current market trends.
- **Staff Talent Retention Strategy:** We acknowledge that, in order to secure lasting commitment from employees, we need to create and foster a culture of open and transparent communication, have clear career development strategies, and appreciate our employees. Our concerted efforts will, therefore, aim at retaining high performers through various innovative interventions. Another aspect of our Staff Talent Retention Strategy is participating in the Deloitte Best Company to Work For survey. In addition, action plans will be devised to address issues that employees highlight.



OUR TRIPLE BOTTOM LINE

OUR COMMUNITY AND THE MEATCO FOUNDATION

At Meatco, we see corporate social responsibility as the way in which our values, corporate culture and operations come together with our social, economic and environment concerns.

We are very aware of the impact our business has on society and the environment. Accordingly, we have created a platform for the communities in which we operate to bring forward their concerns and to benefit from our operations, while improving impacts we have on the environment. With these efforts, we aim to be good neighbours, proactively contribute to causes affecting the social development of the nation, and work toward maximising the positive aspects of our business on society and the environment.



DOROTHEA NAWASES,

a farmer in the Kunene Region, NCA

“The benefits I get from selling my cattle to Meatco are a good payment and good service. I followed Meatco’s advice and sorted out my cattle to improve my herd. When I sell to Meatco, it’s not just me who makes a living from it, but my children and my neighbours as well. Together with Meatco, we can improve our cattle farming.”

During the current reporting period, a case in point was the dire economic situation in the Kunene Region as a result of the drought: Meatco sponsored 1,000 cans of beef to the International Volunteer Day (IVD) initiative organised by the National Planning Commission on 5 December 2013.

According to the Commission, the initiative strives to promote volunteerism and to reduce poverty within the framework of national development. Our canned product was packed in plastic bags together with other consumer basics such as maize meal, sugar, coffee, tea, cooking oil, pasta, rice and soup. The donations were given to orphans and vulnerable children, the elderly, and other people facing hardships.

Most of our corporate social responsibility initiatives are channelled through the Meatco Foundation.

Established in 2011, the Meatco Foundation is our corporate social investment vehicle. Its main function is to promote and support the improvement of socio-economic conditions among Namibia’s rural agriculture sector. The Foundation fulfils its objective by sourcing donor funds and applying them to development interventions.

A number of potential partners were engaged with the aim of strengthening and broadening the partnership with the Foundation, and to obtain core funding for proposed projects. The aim is to strategically position the Meatco Foundation and Meatco as implementing partners in the donor community.

Meatco Foundation Board of Trustees



Helmut Angula
Chairperson of Board of Trustees



Kingsley Mabuku Kwenani
Executive Officer



Patricia Skyer
*Member and Chairperson
of the Trustee Management
Committee*



Clara Bohitile
Member



Tonata Itenge-Emvula
Member



Vehaka Tjimune
Member



Adv. Vekuii Rukoro
Member

Sustainable Cattle Production in Namibia Project

On an ongoing basis, we partner with the Ministry of Agriculture, Water and Forestry as well as the Ministry of Lands and Resettlement, agricultural unions and others to implement a coordinated programme of support to the livestock production sector in the rural areas of the country.

In the Foundation's latest project, entitled "Sustainable Cattle Production in Namibia", we joined forces with donors Solidaridad (a networking organisation) and Danish Coop FDB (Fællesforeningen For Danmarks Brugsforeninger). Implementing and managing the project was handled by the non-governmental organisation

Integrated Rural Development and Nature Conservation (IRDNC).

Solidaridad is an international organisation dedicated to responsible food production in respect of feeding the growing world population. The organisation focuses on production chains that have global repercussions, and where changes can have the most impact. These include —

- cattle breeding
- coffee, tea, cacao, fruit, cotton, soy, palm oil and sugar cane farming, and
- textile production.

OUR TRIPLE BOTTOM LINE



In this Foundation project, Solidaridad provides 50 per cent of the funding, with the remaining funds coming from Danish Coop FDB, Global Protein Solutions (GPS) and Meatco.

Intended for farmers in the Kavango, Kunene, Omusati and Oshikoto Regions, the project was launched in May 2013, was implemented in August, and will run until October 2015. The project is aimed specifically at farmers in the NCA, where there is a great deal of poverty. Most of the local population are dependent on natural resources, including livestock. Unfortunately, the cattle numbers per square kilometre and the cattle:human ratio in the NCA indicate overstocking and overpopulation.

Around 61 per cent of the NCA is communal land. Communal land falls under the jurisdiction

of traditional authorities, and is occupied by subsistence farmers. As rangelands degrade, the already impoverished residents are becoming increasingly vulnerable to drought and climate change. Active interventions are needed to shift towards more resilient land and natural resource use. However, commercialising cattle for slaughter and treating the pasture as a managed resource requires a change in mindset and a shift in traditional customs and practices.

The project seeks to enable 2,400 smallholder communal farmers to manage their livestock sustainably, while making them commercially viable. Unfortunately, the herds are generally in poor condition, under-commercialised and used as status symbols, as financial insurance and as a source of food.

Since farmers face difficulties in gaining access to markets, this hinders market-oriented production. However, market participation has shown that it can change the asset and insurance function of the animals.

Through the project, the Foundation has the opportunity to improve cattle genetics, their overall condition and their reproductive health. This is important since the potential is there to commercialise bigger volumes of improved animals for slaughter.

At the same time, communal pasture can be repaired, sustained and reclaimed through movable corrals, herding techniques and selective grazing. The betterment of cattle genetics will also lead to improve volumes and quality of beef, generating higher prices for the farmer. The Meatco Foundation anticipates that this will, in turn, lead to an improved livelihood for NCA farmers – besides repairing some of the land degradation.

The project intends to reach out to around 800 NCA farmers each year, encouraging each of them to produce four or five extra head cattle for slaughter. The total amount of additional cattle procured in this way will be about 4,000 a year, which amounts to roughly N\$12 million in cattle sales. Three years down the line, the total benefit will mean around N\$36 million in additional income will have flowed into the NCA.

The Foundation expects the increased income will allow farmers to reduce their food insecurity and address school-related and other expenses. In this way, Meatco not only contributes to reducing poverty in the country, but also to improving the management of rangeland. When the project comes to an end, Meatco will continue with activities to promote sustainability of farming in the NCA.

There are three major objectives for the Sustainable Cattle Production in Namibia Project, as detailed below.

Objective 1: Enable rural communities to access improved livestock services, increase incomes and build pliability in a changing environment

Ekwatho Financing Scheme

Activities within Objective 1 will be addressed through the Sustainable Cattle Production in Namibia Project via the Ekwatho Financing Scheme. The planned actions are aimed at replicating the scheme in the NCA to strengthen livestock production services and, hence, increase incomes and create an environment for communal farmers that is conducive to improving livestock production methods. In the commercial farming areas, the scheme will be actualised through self-funding as opposed to funding obtained from commercial banks.

Improved access to bulls to enhance genetic characteristics

Meatco's Livestock Procurement Department will be involved in implementing the provision of improved bull stocks to all traditional communities in Namibia. Some 15 bulls are intended to be provided in total. This will be coupled with a mentorship programme whereby selected commercial farmers will guide communal farmers on aspects of livestock management.

During the review period, two of the intended 15 bulls were procured and handed over to beneficiaries at the Omuramba community in the Kunene Region. The bulls were tested for fertility before handover.

OUR TRIPLE BOTTOM LINE

Objective 2: Enable rural communities to manage profitable and sustainable livestock production systems

Activities planned within this objective include training in agricultural commercialisation among NCA communities and improving their marketing infrastructure.

Multi-purpose crush pens have been constructed in the Kunene Region at Omuramba. Two scale-loading trailers and scales have been procured, while the acquisition of a mobile loading kraal and loading crate is in progress. The services of Meat Board mentors will also be engaged to provide training to livestock farmers who utilise the established multi-purpose crush pens.

The crush pen will be used by the Directorate of Veterinary Services as a venue for vaccinations, for training, for cattle from the communities to be loaded and offloaded, and for marketing livestock. Thus, the crush pen will serve as a 'catchment area' for an estimated 11,000 head of cattle within the Omuramba District. The crush pen was constructed at a total cost of N\$239,200, and is expected to function as the hub of the livestock business in the area.

Mobile crush pens and mobile loading facilities are currently under construction at Oshakati. These will enable the NCA procurement team to increase the amount of livestock purchased from farmers in these area.

Objective 3: Ensure enabling institutional and policy environments exist to support livestock production and rangeland management

Sustainable rangeland management is worked into Meatco's field activities. Training initiatives in such management are being implemented in collaboration with the IRDNC, utilising techniques developed in Namibia's conservancies.

Mobilisation and initial activities have commenced in the identified communities of Okongo and Otjitjekua. Follow-up activities will include —

- using a Training of Trainers model for staff to extend training to farmers
- assessing the carrying capacity of the land in targeted rural communities, namely Okongo (Ohangwena Region), Otjitjewa (Omusati Region) and Ohaingepuire and Erora (Kunene Region) to develop stocking plans and adaptation strategies for farmers, and
- sharing best practice and experience – the IRNDC will register as a participant in the Global Roundtable for Sustainable Beef, enabling them to share their best practice and experience.

Coordination and partnership

The drought experienced in the reporting year proved to be a major challenge to the Foundation's activities as well. However, it also presented an opportunity for communities to understand the need for sustainable rangeland management modelling.



Coordination and partnership are crucial for the successful implementation of the Foundation's strategic objectives. In this respect, the reporting year saw several collaborative meetings come to fruition. A case in point were the meetings held with the US Government's Millennium Challenge Account – Namibia (MCA-N) with regard to possible collaboration on the use of materials produced and on surveys and assessments conducted in the communal areas. Further discussions are under way for the potential joint implementation of projects on livestock production in the NCA.

The Foundation also met with Germany's Gesellschaft für Internationale Zusammenarbeit (GIZ) to introduce the Foundation's strategic framework. Discussions are ongoing in respect of possible funding for Foundation projects on rangeland management and water development in the communal areas.

A strategic partnership was established between the Foundation and the Ministry of Lands and Resettlement – specifically the Basket Fund within the Ministry that aims to develop the communal areas to achieve improved land productivity – targeting water development projects in areas involved with the Foundation's Sustainable Cattle Production in Namibia Project. A memorandum of understanding was signed between a consortium consisting of this Ministry, the Meatco Foundation, the IRDNC and the GIZ through its Farmers' Support Project.

Through the Public–Private Partnership Scheme offered by the Namibia Employment Federation, a proposal has been presented to upgrade the clinic at the Windhoek factory. The improvements will entail enhancing the primary health care facilities offered there, as well as pre- and post-employment

screening. The proposal project will also include the establishment and strengthening of the staff wellness programme.

Further partnership has been established with the Finnish Embassy through the Fund for Local Cooperation. Discussions are under way for possible assistance from this Fund by way of a joint proposal between the Foundation and the Meat Board to improve marketing facilities in the communal areas south of the Veterinary Cordon Fence.

Outlook for 2014

The Foundation identified the following projects and activities for the 2014/15 financial year —

- Implementation of the Sustainable Cattle Production in Namibia Project
 - Launching the Project
 - Organising a Coordination Project meeting
 - Organising a Steering Committee meeting
- Implementation of the Meatco Comprehensive Health Management, Services and Outreach Project
- Sourcing of further funding for the Foundation to expand the collaborative partnership, and
- Establishment of a fund for future socio-economic development projects.

OUR TRIPLE BOTTOM LINE

OUR ENVIRONMENT



Meatco is committed to protecting and conserving the environment for itself, the community and future generations. Our Environmental Policy, therefore, centres on this principle. Furthermore, we consider the natural environment and biodiversity in our country as a unique selling point – and, indeed, as one on which the sustainability of our business depends.

ENVIRONMENTAL POLICY

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

With this policy in mind, the Corporation has applied a comprehensive environmental management system through which it focuses on energy conservation, controlling its carbon footprint, conservation and optimisation of the usage of water, waste management, and protecting biodiversity.

To assess the efficiency of our environmental management processes and initiatives, we plan to commence tracking our investments and expenses with regard to environmental protection, management of environmental impact, and knowledge enhancement of key resource personnel.

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.

ANIMAL WELFARE

Animal welfare remains a top priority at 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 by regular independent audits conducted by bodies such as SAI Global, the BRC, and some of our discerning customers.

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

The internationally identified animal welfare needs that Meatco subscribes to are as follows —

- 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, to the actual slaughter process.

For example, animals being delivered to Meatco are only allowed to be transported if their handling conditions and experience corresponds with the list above. Animals are also kept in natural groups to increase comfort. At the abattoirs, animals are offloaded without delay, making use of acceptable handling practices only.

Only trained Meatco personnel are allowed to offload cattle at the abattoirs in order to ensure that these practices are employed. After long journeys, animals are given food and water and are properly rested.

They 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 certified free-range cattle to Meatco, s/he is required to treat all the animals on his/her farm with dignity and respect.





ANNUAL FINANCIAL STATEMENTS

DIRECTORS' RESPONSIBILITY FOR THE ANNUAL FINANCIAL STATEMENTS	96
INDEPENDENT AUDITOR'S REPORT	97
DIRECTORS' REPORT	98
STATEMENTS OF FINANCIAL POSITION	104
INCOME STATEMENTS	105
STATEMENTS OF COMPREHENSIVE INCOME	106
STATEMENTS OF CASH FLOWS	107
STATEMENTS OF CHANGES IN EQUITY	108
NOTES TO THE ANNUAL FINANCIAL STATEMENTS	109







Meat Corporation of Namibia

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

Annual Financial Statements

for the year ended 31 January 2014

DIRECTORS' RESPONSIBILITY FOR THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 January 2014

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 2014, set out on pages 104 to 158, have been approved by the Board of Directors and authorised for issue on 24 April 2014. The annual financial statements were signed on 24 April on behalf of the Board by:



.....
Ms M. Namundjebo-Tilahun
Chairperson



.....
Mr D. Metzger
Director

Windhoek
Namibia

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

for the year ended 31 January 2014

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 2014, 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 98 to 103.

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 2014, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Meat Corporation of Namibia Act.



PricewaterhouseCoopers

Chartered Accountants (Namibia)

Registered Accountants and Auditors

Per: Louis van der Riet

Partner

Windhoek

24 April 2014

The directors have pleasure in presenting their report for the financial year which ended on 31 January 2014.

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 quarantine of cattle north of the Trans Veterinary Cordon Fence under supervision of the Directorate of Veterinary Services to support Government to maintain a disease free status in Namibia;
- 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.

DIRECTORS' REPORT

for the year ended 31 January 2014 (continued)

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

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

- Maximising markets returns through a focused drive towards:
 - o Value addition;
 - o Development and exploitation of niche, high value markets;
 - o Movement within the value chain towards focused sales to retail and end-customers;
 - o Expanding the overall customer base and composition of the Corporation;
 - o Effective management of market segmentation; and
 - o 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.

DIRECTORS' REPORT

for the year ended 31 January 2014 (continued)

Operating results

During the financial year under review throughput of cattle supply in the areas south of the Trans Veterinary Cordon Fence Area increased to 103 691 (2013: 96 296). The average cold dress weight decreased to 235.54 kg (2013: 250.99 kg), resulting in actual throughput of 24 424 tonnes (2013: 24 170 tonnes).

Cattle supply in the areas north of the Trans Veterinary Cordon Fence Area increased to 13 221 (2013: 10 890). The average cold dressed weight decreased to 154.47 kg (2013: 168.42 kg), resulting in actual throughput of 2 042 tonnes (2013: 1 834 tonnes).

The revenue for the Group increased to N\$ 1 405.5 million (2013: N\$ 1 382.1 million). The net profit for the year after interest and taxation increased to N\$ 3.4 million (2013: N\$ 0.6 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:

	2014	2013
	N\$	N\$
Additions for the year	35 673 564	22 323 334
Capital budget for the ensuing year	77 678 850	22 669 700

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

DIRECTORS' REPORT

for the year ended 31 January 2014 (continued)

Subsidiaries

Interest of Corporation at 31 January 2014 in:

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

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.

DIRECTORS' REPORT

for the year ended 31 January 2014 (continued)

Subsidiaries

Interest of Corporation at 31 January 2013 in:

		Issued share capital	Percentage holding direct/ indirect	Share investment N\$	Loans N\$
Investments in subsidiaries				200	109 441 334
Meat Corporation of Namibia (UK) Limited (United Kingdom)	GBP	1 250 000	100 %	--	--
Meat Corporation of Namibia (Deutschland) GMBH (Germany)	EUR	50 000	100 %	--	3 432 477
Namibia Meat Importers & Exporters (Pty) Ltd (South Africa)	ZAR	100	100 %	100	94 070 338
Namibia Allied Meat Company (Pty) Ltd (Namibia)	NAD	100	100 %	100	11 938 519
Amounts due to subsidiaries				--	(20 147 873)
Meat Corporation of Namibia (UK) Limited (United Kingdom)	GBP			--	(17 274 296)
Namibia Allied Meat Company (Pty) Ltd (Namibia)	NAD			--	(2 873 577)
				<u>200</u>	<u>89 293 461</u>

The above debit loans are unsecured, have no fixed terms of repayment and bear interest at market related rates. The credit loans are unsecured, have no fixed terms of repayment and are interest free.

The loan to Namibia Allied Meat Company (Pty) Ltd 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:

	2014 N\$	2013 N\$
Net profit after taxation	2 984 726	2 394 275

DIRECTORS' REPORT

for the year ended 31 January 2014 (continued)

Board of directors

The following directors held office during the financial year:

Until 3 October 2013:

Ms CG Bohitile: Chairperson
Mr MJP Hilbert: Vice-chairperson
Ms P Kujandeka (previously Gomusab)
Mr A Gressmann
Mr RA Merero
Ms S Kasheeta

Co-opted members

Mr MK Shikongo (until 3 October 2013)

As from 4 October 2013:

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

Audit and Risk Committee

Until 3 October 2013:

Mr MJP Hilbert: Chairperson
Mr A Gressmann

As from 4 October 2013:

Mr A Metzger: Chairperson
Mr RL Kubas

Remuneration and Human Resources Committee

Until 3 October 2013:

Ms CG Bohitile: Chairperson
Mr RA Merero

As from 4 October 2013:

Ms S Kasheeta: Chairperson
Mr C /Urib

Management Support Committee

Until 3 October 2013:

Ms CG Bohitile: Chairperson
Mr MJP Hilbert

As from 4 October 2013:

Ms M Namundjebo-Tilahun: Chairperson
Mr D Metzger

Secretary to the Corporation

Mr N Weck

Registered address

Business Address:

Meat Corporation Building
Sheffield Street
Northern Industrial Area
Windhoek

Postal Address:

P.O. Box 3881
Windhoek
Namibia

STATEMENTS OF FINANCIAL POSITION

as at 31 January 2014

	Note	Group		Corporation	
		2014 N\$	2013 N\$	2014 N\$	2013 N\$
Assets					
Non-current assets		225 691 020	207 598 271	234 453 223	215 782 418
Property, plant and equipment	5	196 936 720	177 212 319	196 337 763	176 499 346
Investment in subsidiaries	6	--	--	11 938 719	11 938 719
Deferred tax assets	7	28 754 300	30 385 952	26 176 741	27 344 353
Current assets		540 077 060	531 180 078	540 293 896	529 182 391
Inventories	8	194 348 552	139 881 850	189 942 011	131 795 618
Biological assets	9	74 553 618	35 172 918	74 553 618	35 172 918
Trade and other receivables	10	189 641 357	259 257 088	169 242 064	180 902 042
Investment in subsidiaries	6	--	--	38 057 685	97 502 815
Taxation		--	--	--	--
Cash and cash equivalents	16.3	81 533 533	96 868 222	68 498 518	83 808 998
Total assets		<u>765 768 080</u>	<u>738 778 349</u>	<u>774 747 119</u>	<u>744 964 809</u>
Equity and liabilities					
Capital and reserves		359 068 764	348 869 368	343 522 715	343 118 959
Foreign currency translation reserve	14.5	13 908 893	7 097 979	--	--
Retained earnings		345 159 871	341 771 389	343 522 715	343 118 959
Non-current liabilities		199 795 424	138 080 877	199 795 424	137 939 882
Interest bearing loans and borrowings	12	181 209 424	118 878 882	181 209 424	118 878 882
Provisions	11	18 586 000	19 201 995	18 586 000	19 061 000
Current liabilities		206 903 892	251 828 104	231 428 980	263 905 968
Bank overdraft	16.3	39 024 282	122 696 607	39 010 796	122 696 503
Interest bearing loans and borrowings	12	21 062 439	12 041 350	21 062 439	12 041 350
Trade and other payables		143 998 568	100 901 147	137 903 086	93 542 988
Amounts due to subsidiaries	6	--	--	30 700 057	20 147 873
Income tax payable		66 001	338 619	--	--
Financial instrument liability		2 752 602	15 850 349	2 752 602	15 477 254
Total equity and liabilities		<u>765 768 080</u>	<u>738 778 349</u>	<u>774 747 119</u>	<u>744 964 809</u>

INCOME STATEMENT

for the year ended 31 January 2014

	Note	Group		Corporation	
		2014 N\$	2013 N\$	2014 N\$	2013 N\$
Revenue	14.1	1 405 445 603	1 382 122 235	1 335 055 652	1 347 848 250
Cost of sales		(1 258 852 106)	(1 261 341 820)	(1 212 220 056)	(1 246 082 137)
Gross profit		146 593 497	120 780 415	122 835 596	101 766 113
Other income	14.2	8 466 465	15 795 249	9 080 417	14 275 453
Administrative expenses		(124 949 878)	(112 421 187)	(105 145 696)	(94 620 477)
Operating profit	14.2	30 110 084	24 154 477	26 770 317	21 421 089
Interest income		804 600	1 098 854	629 433	890 174
Interest expense		(25 828 549)	(24 214 396)	(25 828 382)	(24 214 271)
Profit / (loss) before income tax		5 086 135	1 038 935	1 571 368	(1 903 008)
Income tax	15	(1 697 653)	(432 975)	(1 167 612)	114 694
Profit / (loss) for the year		3 388 482	605 960	403 756	(1 788 314)

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 January 2014

	Note	Group		Corporation	
		2014 N\$	2013 N\$	2014 N\$	2013 N\$
Profit / (loss) for the year		3 388 482	605 960	403 756	(1 788 314)
Other comprehensive income for the year, net of income tax		6 810 914	2 850 123	--	--
Foreign currency translation differences for foreign operations	14.5	6 810 914	2 850 123	--	--
Income tax on other comprehensive income		--	--	--	--
Total comprehensive income for the year		<u>10 199 396</u>	<u>3 456 083</u>	<u>403 756</u>	<u>(1 788 314)</u>
Attributable to:					
Members of the Corporation		10 199 396	3 456 083	403 756	(1 788 314)
Non-controlling interest		--	--	--	--
Total comprehensive income for the year		<u>10 199 396</u>	<u>3 456 083</u>	<u>403 756</u>	<u>(1 788 314)</u>

STATEMENT OF CASH FLOWS

for the year ended 31 January 2014

	Note	Group		Corporation	
		2014 N\$	2013 N\$	2014 N\$	2013 N\$
Cash flows from/ (used in) operating activities		30 918 053	(69 460 046)	30 926 486	(144 615 212)
Cash receipts from customers		1 475 053 334	1 286 856 835	1 346 715 630	1 272 438 636
Cash paid to suppliers and employees		(1 418 772 713)	(1 331 828 174)	(1 290 590 195)	(1 393 729 751)
Cash from/ (utilised by) operations	16.1	56 280 621	(44 971 339)	56 125 435	(121 291 115)
Interest income		804 600	1 098 854	629 433	890 174
Interest expense		(25 828 549)	(24 214 396)	(25 828 382)	(24 214 271)
Income taxes paid	16.2	(338 619)	(1 373 165)	--	--
Cash flows used in investing activities		(31 099 315)	(22 335 137)	(31 070 157)	(22 323 334)
Acquisition of property, plant and equipment		(32 633 868)	(22 335 137)	(32 162 030)	(22 323 334)
Proceeds from disposal of property, plant and equipment		1 534 553	--	1 091 873	--
Cash flows before financing activities		(181 262)	(91 795 183)	(143 671)	(166 938 546)
Cash flows from financing activities		68 518 898	37 006 371	68 518 898	123 336 895
Proceeds from interest-bearing loans and borrowings		85 000 000	42 149 175	85 000 000	42 149 175
Repayment of interest-bearing loans and borrowings		(16 481 102)	(5 142 804)	(16 481 102)	(5 142 804)
Funds from subsidiaries		--	--	--	86 330 524
Net change in cash and cash equivalents		68 337 636	(54 788 812)	68 375 227	(43 601 651)
Cash and cash equivalents at beginning of year		(25 828 385)	28 960 427	(38 887 505)	4 714 146
Cash and cash equivalents at end of year	16.3	42 509 251	(25 828 385)	29 487 722	(38 887 505)

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 January 2014

	Retained earnings	Foreign currency translation reserve	Total
	N\$	N\$	N\$
Group			
Balance at 1 February 2012	341 165 428	4 247 856	345 413 284
Total comprehensive income for the year			
Profit for the year	605 961	--	605 961
Other comprehensive income			
Gain arising on translation of foreign operations	--	2 850 123	2 850 123
Balance at 31 January 2013	<u>341 771 389</u>	<u>7 097 979</u>	<u>348 869 368</u>
Balance at 1 February 2013	341 771 389	7 097 979	348 869 368
Total comprehensive income for the year			
Profit for the year	3 388 482	--	3 388 482
Other comprehensive income	--		
Gain arising on translation of foreign operations	--	6 810 914	6 810 914
Balance at 31 January 2014	<u>345 159 871</u>	<u>13 908 893</u>	<u>359 068 764</u>
Corporation			
Balance at 1 February 2012	344 907 273	--	344 907 273
Total comprehensive income for the year			
Loss for the year	(1 788 314)	--	(1 788 314)
Balance at 31 January 2013	<u>343 118 959</u>	<u>--</u>	<u>343 118 959</u>
Balance at 1 February 2013	343 118 959	--	343 118 959
Total comprehensive income for the year			
Profit for the year	403 756	--	403 756
Balance at 31 January 2014	<u>343 522 715</u>	<u>--</u>	<u>343 522 715</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 January 2014

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 2014 comprise the Corporation and its subsidiaries (together referred to as the "Group").

2. Significant accounting policies

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

2.1 Basis of preparation

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

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

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

International Financial Reporting Standards and amendments effective for the first time for 31 January 2014 year-end

Number	Effective date	Executive summary
Amendments to IAS 1, 'Presentation of Financial Statements', on presentation of items of OCI	1 July 2012	The IASB has issued an amendment to IAS 1, 'Presentation of financial statements'. The main change resulting from these amendments is a requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.
Amendment to IFRS 1, 'First time adoption' on government loans	1 January 2013	This amendment addresses how a first-time adopter would account for a government loan with a below-market rate of interest when transitioning to IFRS. It also adds an exception to the retrospective application of IFRS, which provides the same relief to first-time adopters granted to existing preparers of IFRS financial statements when the requirement was incorporated into IAS 20 in 2008.
Amendment to IFRS 7 Financial Instruments: Disclosures – Asset and Liability offsetting	1 January 2013	The IASB has published an amendment to IFRS 7, 'Financial instruments: Disclosures', reflecting the joint requirements with the FASB to enhance current offsetting disclosures. These new disclosures are intended to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 January 2014 (continued)

International Financial Reporting Standards and amendments effective for the first time for 31 January 2014 year-end

Number	Effective date	Executive summary
IAS 19, "Employee benefits"	1 January 2013	The IASB has issued an amendment to IAS 19, 'Employee benefits', which makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits.
IFRS 10 – Consolidated financial statements	1 January 2013	This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in determining control where this is difficult to assess. This new standard might impact the entities that a group consolidates as its subsidiaries.
IFRS 11 – Joint arrangements	1 January 2013	This standard provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.
IFRS 12 – Disclosures of interests in other entities	1 January 2013	This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.
IFRS 13 – Fair value measurement	1 January 2013	This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP.
IAS 27 (revised 2011) – Separate financial statements	1 January 2013	This standard includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10.
IAS 28 (revised 2011) – Associates and joint ventures	1 January 2013	This standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.
Amendment to the transition requirements in IFRS 10, 'Consolidated financial statements', IFRS 11, 'Joint Arrangements', and IFRS 12, 'Disclosure of interests in other entities'	1 January 2013	<p>The amendment clarifies that the date of initial application is the first day of the annual period in which IFRS 10 is adopted – for example, 1 January 2013 for a calendar-year entity that adopts IFRS 10 in 2013. Entities adopting IFRS 10 should assess control at the date of initial application; the treatment of comparative figures depends on this assessment.</p> <p>The amendment also requires certain comparative disclosures under IFRS 12 upon transition.</p>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 January 2014 (continued)

International Financial Reporting Standards and amendments effective for the first time for 31 January 2014 year-end

Number	Effective date	Executive summary
IFRS 9 – Financial Instruments (2009)	1 January 2015	This IFRS is part of the IASB's project to replace IAS 39. IFRS 9 addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value.
IFRS 9 – Financial Instruments (2010)	1 January 2015	The IASB has updated IFRS 9, 'Financial instruments' to include guidance on financial liabilities and derecognition of financial instruments. The accounting and presentation for financial liabilities and for derecognising financial instruments has been relocated from IAS 39, 'Financial instruments: Recognition and measurement', without change, except for financial liabilities that are designated at fair value through profit or loss.
Amendments to IFRS 9 – Financial Instruments (2011)	1 January 2015	The IASB has published an amendment to IFRS 9, 'Financial instruments' that delays the effective date to annual periods beginning on or after 1 January 2015. The original effective date was for annual periods beginning on or after from 1 January 2013. This amendment is a result of the board extending its timeline for completing the remaining phases of its project to replace IAS 39 (for example, impairment and hedge accounting) beyond June 2011, as well as the delay in the insurance project. The amendment confirms the importance of allowing entities to apply the requirements of all the phases of the project to replace IAS 39 at the same time. The requirement to restate comparatives and the disclosures required on transition have also been modified.
Amendments to IAS 32 – Financial Instruments: Presentation	1 January 2014	The IASB has issued amendments to the application guidance in IAS 32, 'Financial instruments: Presentation', that clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. However, the clarified offsetting requirements for amounts presented in the statement of financial position continue to be different from US GAAP.
Amendment to IAS 39 on novation of derivatives	1 January 2014	The IASB has amended IAS 39 to provide relief from discontinuing hedge accounting when novation of a hedging instrument to a CCP meets specified criteria. Similar relief will be included in IFRS 9, 'Financial Instruments'.
IASB issues narrow-scope amendments to IAS 36, 'Impairment of assets'	1 January 2014	These amendments address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less cost of disposal.
Amendments to IFRS 10, consolidated financial statements', IFRS 12 and IAS 27 for investment entities	1 January 2014	The amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an 'investment entity' definition and which display particular characteristics. Changes have also been made in IFRS 12 to introduce disclosures that an investment entity needs to make.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 January 2014 (continued)

Interpretations of International Financial Reporting Standards

International Financial Reporting Standards and amendments effective for the first time for 31 January 2014 year-end

Number	Effective date	Executive summary
IFRIC 20 - Stripping costs in the production phase of a surface mine	1 January 2013	In surface mining operations, entities may find it necessary to remove mine waste materials ('overburden') to gain access to mineral ore deposits. This waste removal activity is known as 'stripping'. The Interpretation clarifies there can be two benefits accruing to an entity from stripping activity: usable ore that can be used to produce inventory and improved access to further quantities of material that will be mined in future periods. The Interpretation considers when and how to account separately for these two benefits arising from the stripping activity, as well as how to measure these benefits both initially and subsequently.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 January 2014 (continued)

2.2 Consolidation

(a) Subsidiaries

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

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

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

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

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

(b) Transactions and non-controlling interests

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

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 January 2014 (continued)

2. Significant accounting policies (*continued*)

(c) Associates

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

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

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

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

2.3 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 January 2014 (continued)

2. Significant accounting policies (continued)

(c) Group companies

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

- (a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (c) all resulting exchange differences are recognised in other comprehensive income.

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

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

2.4 Property, plant and equipment

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

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

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

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

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

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 January 2014 (continued)

2. Significant accounting policies (*continued*)

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.

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 January 2014 (continued)

2. Significant accounting policies (continued)

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 January 2014 (continued)

2. Significant accounting policies (continued)

(ii) Packing materials, consumable stores and spare parts

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

2.11 Biological assets

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

2.12 Trade and other receivables

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

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

2.13 Cash and cash equivalents

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

2.14 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 January 2014 (continued)

2. Significant accounting policies (continued)

2.16 Current and deferred income tax

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

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

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

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

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

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

2.17 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 January 2014 (continued)

2. Significant accounting policies (continued)

(iii) Long-term benefits: Severance benefits

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

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

- (i) Actuarial gains and losses;
- (ii) Return on plan assets, excluding amounts included in net interest on the net defined benefit liability; and
- (iii) Any change in the effect of the asset ceiling excluding amounts included in net interest on the net defined benefit liability.

2.18 Provisions

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

2.19 Revenue recognition

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

(a) Goods sold and services rendered

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

(b) Interest income

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

(c) Dividend income

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 January 2014 (continued)

2. Significant accounting policies *(continued)*

2.20 Leases

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

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

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

2.21 Distributions from retained earnings

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 January 2014 (continued)

3. Financial risk management

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.

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.

Foreign exchange risk

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

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

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 January 2014 (continued)

3. Financial risk management

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 January 2014 (continued)

3. Financial risk management

Foreign exchange risk (continued)

		Foreign currency amount	Reporting date spot rate	N\$
Group – 2013				
Current assets				
Trade and other receivables before impairment	GBP	4 380 355	14.27	62 507 666
	EUR	16 435	12.25	201 329
	USD	299 899	9.03	2 708 088
				65 417 083
Cash and cash equivalents	GBP	1 002 878	14.27	14 311 069
	EUR	3 319 321	12.25	40 661 682
				54 972 751
Current liabilities				
Trade and other payables	GBP	492 295	14.27	7 025 050
Taxation payable	GBP	23 942	14.27	341 652
				7 366 702

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 January 2014 (continued)

3. Financial risk management

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 January 2014 (continued)

3. Financial risk management

Foreign exchange risk (continued)

		Foreign currency amount	Reporting date spot rate	N\$
Corporation – 2013				
Non-current assets				
Investment in subsidiary	GBP	240 538	14.27	<u>3 432 477</u>
Current assets				
Trade and other receivables before impairment	GBP	4 373 704	14.27	62 412 756
	EUR	16 435	12.25	201 329
	USD	299 899	9.03	2 708 088
				<u>65 322 173</u>
Cash and cash equivalents	GBP	1 002 878	14.27	14 311 069
	EUR	3 319 321	12.25	40 661 682
				<u>54 972 751</u>
Current liabilities				
Trade and other payables	GBP	492 295	14.27	7 025 050
Amount due to subsidiaries	GBP	1 210 532	14.27	17 274 292
				<u>24 299 342</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 January 2014 (continued)

3. Financial risk management

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 2013.

	Group		Corporation	
	Equity	Profit or loss	Equity	Profit or loss
31 January 2014				
USD	(47 285)	(47 285)	(47 285)	(47 285)
GBP	(3 935 732)	(3 935 732)	(5 794 881)	(5 794 881)
EUR	(7 279 175)	(7 279 175)	(7 279 175)	(7 279 175)
31 January 2013				
USD	(156 632)	(156 632)	(156 632)	(156 632)
GBP	(3 163 430)	(3 163 430)	(4 519 958)	(4 519 958)
EUR	(11 246 726)	(11 246 726)	(11 246 726)	(11 246 726)

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 January 2014 (continued)

3. Financial risk management

Foreign exchange risk (continued)

Forward Exchange Contracts

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 2014, the Corporation had unutilised forward exchange contracts amounting to N\$ 22 053 885 (2013: N\$ 232 734 200). These contracts consisted of EUR 1.6 million (2013: EUR 10.3 million) and GBP Nil (2013: GBP 8.5 million) at average rates of 13.54 (2013: 11.72) and 13.37 (2013: 13.19) respectively. The maturity dates for all unutilised forward exchange contracts as at the end of January 2014 were between 17 January 2014 and 22 April 2014.

Price risk

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

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 12 and 17 for details of local and foreign borrowings. At the reporting date the interest rate profile of the interest-bearing financial instruments was:

	Group Carrying amount		Corporation Carrying amount	
	2014 N\$	2013 N\$	2014 N\$	2013 N\$
Fixed rate instruments				
Financial liabilities	--	--	--	--
Variable rate instruments				
Financial assets	81 533 533	96 868 222	68 498 518	83 808 998
Financial liabilities	(241 296 145)	(253 616 839)	(241 828 659)	(253 616 735)
	<u>(159 762 612)</u>	<u>(156 748 617)</u>	<u>(173 330 141)</u>	<u>(169 807 737)</u>

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\$ 2 585 855 (2013: N\$ 2 421 439) for the Group, and by N\$ 2 582 838 (2013: N\$ 2 421 427) 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 2013.

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 January 2014 (continued)

3. Financial risk management

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.

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.

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 January 2014 (continued)

3. Financial risk management (continued)

Credit risk (continued)

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.

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 Carrying amount		Corporation Carrying amount	
	2014 N\$	2013 N\$	2014 N\$	2013 N\$
At amortised cost	189 649 357	259 257 088	169 242 064	180 902 042

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

	Group Carrying amount		Corporation Carrying amount	
	2014 N\$	2013 N\$	2014 N\$	2013 N\$
Namibia, RSA and Botswana	26 024 298	106 745 452	23 243 766	28 876 739
European Union countries	11 752 285	92 554 313	11 752 285	92 460 246
	37 776 583	199 299 765	34 996 051	121 336 985

Included in the balance above is N\$ 90 154 899 (2013: N\$ 78 933 183) for Group and N\$ 86 298 844 (2013: N\$ 71 824 352) 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\$ 43 787 811 (2013: N\$ 46 579 841) for Group and N\$41 416 350 (2013: N\$ 24 096 992) for the Corporation.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 January 2014 (continued)

3. Financial risk management (continued)

Credit risk (continued)

Impairment losses

The aging of trade receivables at the reporting date was:

Group

	Gross 2014 N\$	Impairment 2014 N\$	Gross 2013 N\$	Impairment 2013 N\$
Not past due	48 137 865	--	105 831 924	--
Past due 31 – 180 days	99 119 181	3 055 626	94 305 316	837 476
Past due 6 – 12 months	--	--	--	--
More than one year	--	--	--	--
	<u>147 257 046</u>	<u>3 055 626</u>	<u>200 137 240</u>	<u>837 476</u>

Corporation

	Gross 2014 N\$	Impairment 2014 N\$	Gross 2013 N\$	Impairment 2013 N\$
Not past due	31 183 763	--	56 861 241	--
Past due 31 – 180 days	96 747 720	3 055 626	65 313 219	837 476
Past due 6 – 12 months	--	--	--	--
More than one year	--	--	--	--
	<u>127 931 483</u>	<u>3 055 626</u>	<u>122 174 460</u>	<u>837 476</u>

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

	Group		Corporation	
	2014 N\$	2013 N\$	2014 N\$	2013 N\$
Balance at 1 February	837 476	2 535 713	837 476	878 482
Provision raised	2 117 946	1 066 279	2 117 945	1 066 279
Impairment loss reversed	(1 939 310)	(2 277 826)	(282 079)	(620 595)
Impairment loss recognised	2 039 514	(486 690)	382 284	(486 690)
	<u>3 055 626</u>	<u>837 476</u>	<u>3 055 626</u>	<u>837 476</u>

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 2014 the Group does not have any collective impairment on its trade receivables (2013: Nil).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 January 2014 (continued)

3. Financial risk management (*continued*)

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\$ 297.3 million (2013: N\$237.9 million) to finance inventories and trade and other receivables. The borrowings were all short term at interest rates from prime to prime minus 2 per cent (2013: prime to prime minus 2.00 per cent).

The group has an overdraft facility of N\$ 155 million at Bank Windhoek Limited which is reviewed annually on 1 July, as well as a pre-settlement facility of N\$ 15 million (relating to N\$150 million forward exchange contracts margined at 10 per cent).

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

The group has a seasonal overdraft facility of N\$ 170 million with Nedbank Namibia Ltd which is in the process of being reviewed. 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\$ 10 million for the purchase of vehicles has been approved.

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 January 2014 (continued)

3. Financial risk management (continued)

Liquidity risk (continued)

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

Group – 2014	Carrying amount	Contractual cash flows	1 to 12 months	1 to 5 years	More than 5 years
Interest bearing loans and borrowings	202 271 863	298 029 592	21 062 439	83 935 525	97 273 899
Bank overdraft	39 024 282	39 024 282	39 024 282	--	--
Trade and other payables	143 998 568	143 998 568	143 998 568	--	--
	<u>385 294 713</u>	<u>481 052 442</u>	<u>204 085 289</u>	<u>83 935 525</u>	<u>97 273 899</u>

Corporation – 2014	Carrying amount	Contractual cash flows	1 to 12 months	1 to 5 years	More than 5 years
Interest bearing loans and borrowings	202 271 863	298 029 592	21 062 439	83 935 525	97 273 899
Bank overdraft	39 010 796	39 010 796	39 010 796	--	--
Trade and other payables	137 903 086	137 903 086	137 903 086	--	--
	<u>379 185 745</u>	<u>474 943 474</u>	<u>197 976 321</u>	<u>83 935 525</u>	<u>97 273 899</u>

Group – 2013	Carrying amount	Contractual cash flows	1 to 12 months	1 to 5 years	More than 5 years
Interest bearing loans and borrowings	130 920 232	200 778 055	24 519 362	86 735 387	89 523 306
Bank overdraft	122 696 607	122 696 607	122 696 607	--	--
Trade and other payables	100 901 147	100 901 147	100 901 147	--	--
	<u>354 517 986</u>	<u>427 375 809</u>	<u>248 117 116</u>	<u>86 735 387</u>	<u>89 523 306</u>

Group – 2014	Carrying amount	Contractual cash flows	1 to 12 months	1 to 5 years	More than 5 years
Interest bearing loans and borrowings	130 920 232	200 778 055	24 519 362	86 735 387	89 523 306
Bank overdraft	122 696 503	122 696 503	122 696 503	--	--
Trade and other payables	93 542 988	93 542 988	93 542 988	--	--
	<u>347 159 723</u>	<u>417 017 546</u>	<u>240 758 853</u>	<u>86 735 387</u>	<u>89 523 306</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 January 2014 (continued)

3. Financial risk management (*continued*)

Capital management

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

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

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

4. Critical accounting estimates and judgements

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

4.1 Critical accounting estimates and assumptions:

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

Impairment of trade receivables

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

Impairment of other assets

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

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

Taxation

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 January 2014 (continued)

4. Critical accounting estimates and judgements *(continued)*

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.

4.2 Critical judgements in applying the entities accounting policies:

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 January 2014 (continued)

	Group		Corporation	
	2014 N\$	2013 N\$	2014 N\$	2013 N\$
5. Property, plant and equipment				
Owned assets				
Land and buildings	71 406 163	69 728 056	71 279 043	69 600 936
At cost	101 801 118	100 110 618	101 604 848	99 914 347
Less: Accumulated depreciation and impairment losses	(30 394 955)	(30 382 562)	(30 325 805)	(30 313 411)
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	84 543 858	85 410 622	84 072 021	84 824 768
At cost	215 472 031	206 256 705	213 577 797	204 034 672
Less: Accumulated depreciation and impairment losses	(130 928 173)	(120 846 083)	(129 505 776)	(119 209 904)
Buildings and plant under construction	26 273 730	7 113 154	26 273 730	7 113 154
At cost	26 273 730	7 113 154	26 273 730	7 113 154
Less: Accumulated depreciation and impairment losses	--	--	--	--
Total owned assets	<u>182 223 751</u>	<u>162 251 832</u>	<u>181 624 794</u>	<u>161 538 858</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 January 2014 (continued)

	Group		Corporation	
	2014 N\$	2013 N\$	2014 N\$	2013 N\$
Leased assets				
Vehicles and equipment	14 712 969	14 960 487	14 712 969	14 960 488
At cost	23 065 427	20 025 701	23 065 427	20 025 701
Less: Accumulated depreciation and impairment losses	(8 352 458)	(5 065 214)	(8 352 458)	(5 065 213)
Total assets	<u>196 936 720</u>	<u>177 212 319</u>	<u>196 337 763</u>	<u>176 499 346</u>

Group – 2014

	Land and buildings	Plant, vehicles, furniture and equipment	Uncompleted projects	Total
Net book value				
Owned assets				
Opening balance	71 406 163	84 543 858	26 273 730	182 223 751
Additions	69 728 056	85 410 622	7 113 154	162 251 832
Projects capitalised	826 301	7 547 168	24 260 399	32 633 868
Reclassifications	864 198	4 235 625	(5 099 823)	--
Disposals	--	--	--	--
Depreciation	--	(2 023 897)	--	(2 023 897)
	(12 392)	(10 625 660)	--	(10 638 052)
Leased assets	--	14 712 969	--	14 712 969
Opening balance	--	14 960 487	--	14 960 487
Additions	--	3 039 726	--	3 039 726
Disposals	--	--	--	--
Depreciation	--	(3 287 244)	--	(3 287 244)
Total assets	<u>71 406 163</u>	<u>99 256 827</u>	<u>26 273 730</u>	<u>196 936 720</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 January 2014 (continued)

Group – 2013

	Land and buildings	Plant, vehicles, furniture and equipment	Uncompleted projects	Total
Net book value				
Owned assets	69 728 056	85 410 622	7 113 154	162 251 832
Opening balance	32 782 937	116 783 103	5 091 485	154 657 525
Additions	159 268	9 805 362	8 307 514	18 272 144
Projects capitalised	2 123 196	4 162 649	(6 285 845)	--
Reclassifications	34 662 655	(34 662 655)	--	--
Disposals	--	(299 815)	--	(299 815)
Depreciation	--	(10 378 022)	--	(10 378 022)
Leased assets	--	14 960 487	--	14 960 487
Opening balance	--	13 512 928	--	13 512 928
Additions	--	4 062 993	--	4 062 993
Disposals	--	(607 979)	--	(607 979)
Depreciation	--	(2 007 455)	--	(2 007 455)
Total assets	<u>69 728 056</u>	<u>100 371 109</u>	<u>7 113 154</u>	<u>177 212 319</u>

Corporation – 2014

	Land and buildings	Plant, vehicles, furniture and equipment	Uncompleted projects	Total
Net book value				
Owned assets	71 279 043	84 072 021	26 273 730	181 624 794
Opening balance	69 600 936	84 824 768	7 113 154	161 538 858
Additions	826 301	7 075 331	24 260 398	32 162 030
Projects capitalised	864 198	4 235 624	(5 099 822)	--
Reclassifications	--	--	--	--
Disposals	--	(1 438 042)	--	(1 438 042)
Depreciation	(12 392)	(10 625 660)	--	(10 638 052)
Leased assets	--	14 712 969	--	14 712 969
Opening balance	--	14 960 487	--	14 960 487
Additions	--	3 039 726	--	3 039 726
Disposals	--	--	--	--
Depreciation	--	(3 287 244)	--	(3 287 244)
Total assets	<u>71 279 043</u>	<u>98 784 990</u>	<u>26 273 730</u>	<u>196 337 763</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 January 2014 (continued)

Corporation – 2013

	Land and buildings	Plant, vehicles, furniture and equipment	Uncompleted projects	Total
Net book value				
Owned assets	69 600 936	84 824 768	7 113 154	161 538 858
Opening balance	32 655 817	116 278 813	5 091 485	154 026 115
Additions	159 268	9 534 274	8 307 514	18 001 056
Projects capitalised	2 123 196	4 162 649	(6 285 845)	--
Reclassifications	34 662 655	(34 662 655)	--	--
Disposals	--	(266 235)	--	(266 235)
Depreciation	--	(10 222 078)	--	(10 222 078)
Leased assets	--	14 960 487	--	14 960 487
Opening balance	--	13 512 928	--	13 512 928
Additions	--	4 062 993	--	4 062 993
Disposals	--	(607 979)	--	(607 979)
Depreciation	--	(2 007 455)	--	(2 007 455)
Total assets	<u>69 600 936</u>	<u>99 785 255</u>	<u>7 113 154</u>	<u>176 499 345</u>

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 January 2014 (continued)

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).
- Bank Windhoek Ltd is in the process of registering 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 1st Covering Mortgage bond for N\$ 110 million over Erf 7130 Windhoek (extension 6).

All moveable property has been encumbered by means of a negative pledge over all moveable assets of Meatco. The movable assets include the following: Bonanza Butchery, Katima Mulilo Abattoir, Okapuka Feedlot, Okapuka Tannery, Oshakati Abattoir and Windhoek Abattoir.

The leased assets are encumbered as outlined in Note 12.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 January 2014 (continued)

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

	Group		Corporation	
	2014 N\$	2013 N\$	2014 N\$	2013 N\$
7. Deferred tax assets				
Balance at the beginning of the year	30 385 952	27 759 386	27 344 353	27 229 659
Current charge	(1 631 652)	2 626 566	(1 167 612)	114 694
	<u>28 754 300</u>	<u>30 385 952</u>	<u>26 176 741</u>	<u>27 344 353</u>
Comprising of:				
- Capital allowances	(42 302 907)	(46 990 054)	(42 377 167)	(47 007 907)
- Impairment on trade receivables	--	569 483	--	569 483
- Prepayments	(706 098)	(890 755)	(706 098)	(890 755)
- Capital allowances	12 180 045	9 610 944	11 874 865	9 918 820
- Provisions	60 142 845	68 086 334	57 944 726	64 754 712
- Tax losses	(559 585)	--	(559 585)	--
	<u>28 754 300</u>	<u>30 385 952</u>	<u>26 176 741</u>	<u>27 344 353</u>

A deferred tax asset amounting to N\$ 2 463 874 (2013: N\$ 2 549 084) has not been recognised, which relates to calculated tax losses of Namibia Allied Meat Company (Pty) Ltd which have not been recognised due to uncertainty of future taxable profits against which these can be utilised.

	Group		Corporation	
	2014 N\$	2013 N\$	2014 N\$	2013 N\$
8. Inventories				
Meat and meat products	176 794 934	122 455 448	172 388 393	114 369 216
Cost	173 659 736	121 970 016	169 253 195	113 883 784
Inventories stated at fair value less costs to sell	3 135 198	485 432	3 135 198	485 432
Packing materials, consumable stores and spare parts	17 553 618	17 426 402	17 553 618	17 426 402
	<u>194 348 552</u>	<u>139 881 850</u>	<u>189 942 011</u>	<u>131 795 618</u>

A General Notarial Bond of N\$ 15 million over inventory located in Namibia (including beef, sheep, biological assets, hides and cans, but excluding consumables and stock in transit) is registered in favour of Nedbank Namibia Ltd.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 January 2014 (continued)

	Group		Corporation	
	2014 N\$	2013 N\$	2014 N\$	2013 N\$
9. Biological assets				
Livestock 13 492 (2013: 5 822) cattle	74 553 618	35 172 918	74 553 618	35 172 918
Reconciliation of changes in carrying amount of biological assets:				
Carrying amount at beginning of year	35 172 918	27 992 804	35 172 918	27 992 804
Increase due to acquisitions	219 681 378	193 415 632	219 681 378	193 415 632
Net loss arising from changes in fair value	815 734	(16 099 422)	815 734	(16 099 422)
Decrease due to sales	(181 116 412)	(170 136 096)	(181 116 412)	(170 136 096)
Carrying amount at end of year	74 553 618	35 172 918	74 553 618	35 172 918

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.

A General Notarial Bond of N\$ 15 million over inventory located in Namibia (including beef, sheep, biological assets, hides and cans, but excluding consumables and stock in transit) is registered in favour of Nedbank Namibia Ltd.

	Group		Corporation	
	2014 N\$	2013 N\$	2014 N\$	2013 N\$
10. Trade and other receivables				
Trade receivables in Namibia, South Africa and Botswana	62 930 144	106 745 452	44 514 066	28 876 739
Trade receivables Europe & Norway	81 271 276	92 554 313	80 361 791	92 460 246
Other receivables and prepayments	45 439 937	59 957 323	44 366 207	59 565 057
	189 641 357	259 257 088	169 242 064	180 902 042

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in Note 3.

- Trade receivables are shown net of impairment losses amounting to N\$ 3 055 626 (2013: N\$ 837 476).
- The trade receivables balance in South Africa is ceded to FNB Namibia Ltd in favour of overdraft facilities provided by the bank.
- The trade receivables balance in Namibia is ceded to Bank Windhoek Ltd in favour of overdraft facilities provided by the bank.
- The foreign trade receivables balance is ceded to Nedbank Namibia Ltd in favour of overdraft facilities provided by the bank.
- Pledge and cession of VAT claims amounting to N\$ 47.2 million (2013: N\$ 52.3 million) has been ceded to Nedbank Namibia Ltd.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 January 2014 (continued)

11. Provisions

Severance pay benefits

The Corporation raised a provision for severance pay benefits payable to employees upon death, resignation or retirement. This obligation arose as a result of the revised Labour Act 11 of 2007 which was promulgated during November 2008. Severance pay is an amount equal to at least one week's remuneration for each year of continuous service with the employer.

An actuarial valuation was performed on 31 January 2014 of the company's liability in respect of the provision for severance pay.

The financial statement effects of the severance benefit liability are illustrated below for group and corporation.

	Present value of obligation	Fair value of plan assets	Impact of as- set ceiling	Total
	N\$	N\$	N\$	N\$
As at 31 January 2012	(12 751 000)	--	--	(12 751 000)
Income statement:				
(Current Service Cost)	(4 884 520)	--	--	(4 884 520)
Interest (expense) / income	(1 700 079)	--	--	(1 700 079)
Cash movements:				
<i>Benefit payments</i>	274 599	--	--	274 599
Remeasurements:				
Return on plan assets	--	--	--	--
Gain / (loss) – change in financial assumptions	--	--	--	--
Gain / (loss) – change in demographic assumptions	--	--	--	--
Experience gains / (losses)	--	--	--	--
Change in asset ceiling	--	--	--	--
As at 31 January 2013	(19 061 000)	--	--	(19 061 000)
Income statement:				
(Current Service Cost)	(1 672 000)	--	--	(1 672 000)
Interest (expense) / income	(1 534 000)	--	--	(1 534 000)
Cash movements:				
<i>Benefit payments</i>	2 869 000	--	--	2 869 000
Remeasurements:				
Return on plan assets	--	--	--	--
Gain / (loss) – change in financial assumptions	2 599 000	--	--	2 599 000
Gain / (loss) – change in demographic assumptions	--	--	--	--
Experience gains / (losses)	(1 787 000)	--	--	(1 787 000)
Change in asset ceiling	--	--	--	--
As at 31 January 2014	(18 586 000)	--	--	(18 586 000)
Income statement:				
(Current Service Cost)	(1 525 000)	--	--	(1 525 000)
Interest (expense) / income	(1 835 000)	--	--	(1 835 000)
Cash movements:				
Benefit payments (incl. risk premiums)	324 000	--	--	324 000
Expected as at 31 January 2015	(21 622 000)	--	--	(21 622 000)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 January 2014 (continued)

	2014	2013
Discount rate	9.20 % per annum	7.95 % per annum
Salary inflation rate	7.40 % per annum	7.15 % per annum
Long-term inflation rate	6.40 % per annum	6.15 % per annum
Pre-retirement mortality – male	SA 85-90 (Ultimate)	
Pre-retirement mortality – female	SA 85-90 (Ultimate)	

	Impact on defined benefit obligation		
	Change in assumption	Increase assumption	Decrease assumption
Discount rate	1.00 %	Decrease by 11.7 %	Increase by 14 %
Salary inflation rate	1.00 %	Increase by 14.1 %	Decrease by 12 %

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the liability recognised within the statement of financial position.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 January 2014 (continued)

	Group		Corporation	
	2014 N\$	2013 N\$	2014 N\$	2013 N\$
12. Interest bearing loans and borrowings				
Secured loans				
<i>Finance lease liabilities</i> - 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 (2013: prime less 1.5 % to 2.5 %) per annum.	9 976 423	10 398 378	9 976 423	10 398 378
<i>Development Bank of Namibia</i> - Secured by Windhoek Factory plant as set out in note 5. Interest is payable at prime overdraft rate (9.25 %) monthly in arrears. Capital and interest are repayable in 102 (2013: 114) monthly in instalments of N\$1 657 839.	111 388 272	120 521 854	111 388 272	120 521 854
<i>Bank Windhoek</i> - Secured by Okahandja Factory and Okapuka Tannery as set out in note 5. Interest is payable at prime overdraft rate + 0.25 % (9.5 %) monthly in arrears. Capital and interest are repayable in 112 monthly instalments of N\$ 1 151 160.	80 907 168	--	80 907 168	--
Total secured loans	<u>202 271 863</u>	<u>130 920 232</u>	<u>202 271 863</u>	<u>130 920 232</u>
Less: Current portion of interest bearing loans and borrowings				
Finance lease liabilities	(4 652 822)	(3 904 123)	(4 652 822)	(3 904 123)
Development Bank of Namibia	(10 007 889)	(8 137 227)	(10 007 889)	(8 137 227)
Bank Windhoek	(6 401 728)	--	(6 401 728)	--
	<u>181 209 424</u>	<u>118 878 882</u>	<u>181 209 424</u>	<u>118 878 882</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 January 2014 (continued)

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
	2014	2014	2014	2013	2013	2013
Group						
Less than one year	4 923 525	270 703	4 652 822	4 625 294	721 170	3 904 124
Between one and five years	5 457 860	134 259	5 323 601	7 159 115	664 862	6 494 253
More than five years	--	--	--	--	--	--
	<u>10 381 385</u>	<u>404 962</u>	<u>9 976 423</u>	<u>11 784 409</u>	<u>1 386 032</u>	<u>10 398 377</u>
Corporation						
Less than one year	4 923 525	270 703	4 652 822	4 625 294	721 170	3 904 124
Between one and five years	5 457 860	134 259	5 323 601	7 159 115	664 862	6 494 253
More than five years	--	--	--	--	--	--
	<u>10 381 385</u>	<u>404 962</u>	<u>9 976 423</u>	<u>11 784 409</u>	<u>1 386 032</u>	<u>10 398 377</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 January 2014 (continued)

	Group		Corporation	
	2014 N\$	2013 N\$	2014 N\$	2013 N\$
13. Capital commitments				
Authorised:				
- Contracted for	--	--	--	--
- Not contracted for	--	--	--	--
	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
14. Additional disclosure				
14.1 Revenue				
Sales of goods	1 405 445 603	1 382 122 235	1 335 055 652	1 347 848 250
Services	--	--	--	--
	<u>1 405 445 603</u>	<u>1 382 122 235</u>	<u>1 335 055 652</u>	<u>1 347 848 250</u>
14.2 Other income				
Other income	10 583 768	7 784 426	10 554 553	5 855 711
Net foreign exchange gain/(loss)	(2 117 303)	8 010 823	(1 474 136)	8 419 742
	<u>8 466 465</u>	<u>15 795 249</u>	<u>9 080 417</u>	<u>14 275 453</u>
14.3 Operating profit before financing costs is stated after taking into account:				
Depreciation of property, plant and equipment	13 925 296	12 385 477	13 925 296	12 229 533
- Machinery, vehicles, furniture equipment	13 925 296	12 385 477	13 925 296	12 229 533
- Buildings and plant under construction	--	--	--	--
Auditors' remuneration	2 817 425	2 041 027	2 199 425	1 448 417
Local – for services as auditors	2 199 425	1 448 417	2 199 425	1 448 417
- Current year audit fees	1 832 295	1 314 624	1 832 295	1 314 624
- Over-provision previous year	(445 985)	--	(445 985)	--
- Other services	813 115	133 793	813 115	133 793
Subsidiaries - for services as auditors	618 000	545 304	--	--
Subsidiaries - for other services	--	47 306	--	--

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 January 2014 (continued)

	Group		Corporation	
	2014 N\$	2013 N\$	2014 N\$	2013 N\$
14. Additional disclosure <i>(continued)</i>				
14.3 Operating profit before financing costs is stated after taking into account <i>(continued)</i>				
Net loss on disposal and scrapping of property, plant and equipment	141 324	907 794	139 175	874 214
Rentals under operating leases for land and buildings	2 573 993	1 028 119	2 009 830	520 520
14.4 Northern Communal Areas				
Loss included in operating profit	<u>(26 135 540)</u>	<u>(28 325 103)</u>	<u>(26 135 540)</u>	<u>(28 325 103)</u>
14.5 Personnel expenses				
Salaries and wages	176 164 970	145 503 600	168 909 939	138 339 620
Contributions to defined contribution plans	10 339 893	8 599 878	9 914 064	8 129 139
	<u>186 504 863</u>	<u>154 103 478</u>	<u>178 824 003</u>	<u>146 468 759</u>

The group salaries and wages include a severance pay provision charge of N\$ 3 206 000 (2013: N\$ 6 310 000). 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 3 years by an independent actuary. At 30 June 2012, the date of the most recent appraisal, the fund was found to be in a sound financial position.

14.5 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 January 2014 (continued)

	Group		Corporation	
	2014 N\$	2013 N\$	2014 N\$	2013 N\$
14. Additional disclosure <i>(continued)</i>				
- Non executive directors of the corporation for services as directors			1 602 934	1 265 580
Losses arising from changes in fair value less estimated point of sale costs attributable to livestock	815 734	16 099 422	815 734	16 099 422
Impairment loss/(reversal) on trade and other receivables, including amounts written off during the year, net of recoveries	2 218 150	(1 698 237)	2 218 150	(41 006)
15. Income tax				
Normal income taxation				
- Foreign tax	(66 001)	(3 059 541)	--	--
Deferred taxation				
- Current year	(1 631 652)	2 626 566	(1 167 612)	114 694
	<u>(1 697 653)</u>	<u>(432 975)</u>	<u>(1 167 612)</u>	<u>114 694</u>
	%	%	%	%
Reconciliation of tax rate				
Current year charge as a percentage of income before taxation	33.4	41.7	74.3	6.0
Effect of subsidiaries being taxed at rates different to the Corporation's standard rate	65.6	177.3	--	--
Prior period adjustment	11.4	14.7	21.4	8.0
Tax rate change for deferred tax	(15.8)	--	(51.2)	--
Capital profits and exempt income not subject to tax	--	(3.7)	--	(2.0)
Unrecognised tax asset on calculated tax losses	(58.1)	(236.3)	--	--
Non-deductible expenditure	(3.5)	40.3	(11.5)	22.0
Standard tax rate	<u>33.00</u>	<u>34.00</u>	<u>33.00</u>	<u>34.00</u>

Provision has not been made for the Corporation's normal income taxation as the Corporation has a calculated tax loss of N\$ 175 590 079 (2013: N\$ 188 457 305) which is available for set off against future taxable income.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 January 2014 (continued)

	Group		Corporation	
	2014 N\$	2013 N\$	2014 N\$	2013 N\$
16. Notes to the cash flow statement				
16.1 Cash from/ (utilised by) operations				
Operating profit before financing costs	30 110 084	24 154 478	26 770 317	21 421 089
Translation of foreign operations recognised in equity	6 810 914	2 850 123	--	--
Adjustments for non-cash flow items:				
- Depreciation	13 925 296	12 385 477	13 925 296	12 229 533
- Loss on disposal and scrapping of property, plant & equipment	141 324	907 794	139 175	874 214
- Changes in fair value of livestock	(815 734)	16 099 422	(815 734)	16 099 422
- Provision for severance pay	(475 000)	6 310 000	(475 000)	6 310 000
- Financial instrument liability	(13 097 747)	15 850 381	(12 724 650)	15 477 254
	<u>36 599 137</u>	<u>78 557 675</u>	<u>26 819 404</u>	<u>72 411 512</u>
Decrease/(increase) in working capital	19 681 484	(123 529 014)	29 306 031	(193 702 627)
Inventories and biological assets	(93 031 668)	(41 801 216)	(96 711 359)	(42 947 682)
Trade and other receivables	69 615 731	(95 265 400)	11 659 978	(75 409 614)
Trade and other payables	43 097 421	13 537 602	44 360 098	17 937 275
Investment in subsidiaries	--	--	69 997 314	(93 282 606)
	<u>56 280 621</u>	<u>(44 971 339)</u>	<u>56 125 435</u>	<u>(121 291 115)</u>
16.2 Income taxes paid				
Amounts outstanding at beginning of year	(338 619)	1 347 757	--	--
Income statement charge	(66 001)	(3 059 541)	--	--
Amounts outstanding at end of year	66 001	338 619	--	--
	<u>(338 619)</u>	<u>(1 373 165)</u>	<u>--</u>	<u>--</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 January 2014 (continued)

	Group		Corporation	
	2014 N\$	2013 N\$	2014 N\$	2013 N\$
16. Notes to the cash flow statement <i>(continued)</i>				
16.3 Cash and cash equivalents				
Cash and cash equivalents	81 533 533	96 868 222	68 498 518	83 808 998
Bank overdrafts	(39 024 282)	(122 696 607)	(39 010 796)	(122 696 503)
	<u>42 509 251</u>	<u>(25 828 385)</u>	<u>29 487 722</u>	<u>(38 887 505)</u>

N\$ 2.4 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).
- Bank Windhoek Ltd is in the process of registering 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\$ 47.2 million (2013: N\$ 52.3 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 Santam Credit Guarantee Insurance Policy.
- 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 Allied Meat Company (Pty) Ltd supported by a cession of all VAT refunds

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 January 2014 (continued)

16. Notes to the cash flow statement (*continued*)

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.

Bank Windhoek overdraft facility of N\$ 70 million will be reviewed on 6 August 2014.

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

- Pre and Post Shipment Trade Finance Overdraft N\$ 130 million reviewed on 30 April 2014 currently at 9.25 per cent.
- Vat overdraft Facility N\$ 40 million reviewed date of 30 April 2014 at 9.25 per cent.
- Forward Exchange Contract (FEC) Limit of N\$ 20 million reviewed date 30 April 2014 at rate of 9.25 per cent
- Revolving Credit Line (RCL) facility of N\$ 10 million reviewed date 30 April 2014.
- Reducing Business Loan facility of N\$ 23.2 million, repayable over 60 months.

First National Bank total facilities details are as follows:

- Direct Overdraft Facility N\$ 80 million
- Contingent Facility N\$ 2.7 million (guarantees issued by the Bank)
- Pre-settlement Facility N\$ 10 million (N\$ 100 million forward exchange contracts margined at 10 per cent.

17. 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.

17.1 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 January 2014 (continued)

17.2 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 – 2014					
Assets					
Property, plant and equipment	--	--	--	196 936 720	196 936 720
Deferred tax assets	--	--	--	28 754 300	28 754 300
Inventories	--	--	--	194 348 552	194 348 552
Biological assets	--	--	--	74 553 618	74 533 618
Trade and other receivables		144 201 420	--	45 439 937	189 641 357
Taxation	--	--	--	--	--
Cash and cash equivalents	--	81 533 533	--		81 533 533
	--	225 734 953	--	540 033 127	765 768 080
Liabilities					
Non – current interest bearing loans and borrowings	--	--	181 209 424	--	181 209 424
Provisions	--	--	--	18 586 000	18 586 000
Bank overdraft	--	--	39 024 282	--	39 024 282
Current interest bearing loans and borrowings	--	--	21 062 439	--	21 062 439
Trade and other payables	--	--	143 998 568	--	143 998 568
Income tax payable	--	--	66 001	--	66 001
Financial instrument liability	--	--	2 752 602	--	2 752 602
	--	--	388 113 316	18 586 000	406 699 316

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 January 2014 (continued)

17. Financial instruments (*continued*)

17.2 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 – 2014					
Assets					
Property, plant and equipment	--	--	--	196 337 763	196 337 763
Investment in subsidiaries	--	49 996 404	--	--	49 996 404
Deferred tax assets	--	--	--	26 176 741	26 176 741
Inventories	--	--	--	189 942 011	189 942 011
Biological assets	--	--	--	74 553 618	74 553 618
Trade and other receivable	--	124 875 857	--	44 366 207	169 242 064
Cash and cash equivalents	--	68 498 518	--	--	68 498 518
	--	243 370 779	--	531 376 340	774 747 119
Liabilities					
Non – current interest bearing loans	--	--	181 209 424	--	181 209 424
Provisions	--	--	--	18 586 000	18 586 000
Current interest bearing loans and borrowings	--	--	21 062 439	--	21 062 439
Trade and other payables	--	--	137 903 086	--	137 903 086
Amounts due to subsidiaries	--	--	30 700 057	--	30 700 057
Financial instrument liability	--	--	2 752 602	--	2 752 602
Bank overdraft	--	--	39 010 796	--	39 010 796
	--	--	412 638 404	18 586 000	431 224 404

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 January 2014 (continued)

17. Financial instruments (continued)

17.2 Categories of financial assets and liabilities (continued)

	At fair value through profit or loss	At amortised cost	Financial liabilities at amortised cost	Non-financial assets and liabilities	Total
Group – 2013					
Assets					
Property, plant and equipment	--	--	--	177 212 319	177 212 319
Deferred tax assets	--	--	--	30 385 952	30 385 952
Inventories	--	--	--	139 881 850	139 881 850
Biological assets	--	--	--	35 172 918	35 172 918
Trade and other receivables		199 887 093	--	59 369 995	259 257 088
Taxation	--	--	--	--	--
Cash and cash equivalents	--	96 868 222	--	--	96 868 222
	--	296 755 315	--	442 023 034	738 778 349
Liabilities					
Non – current interest bearing loans and borrowings	--	--	118 878 882	--	118 878 882
Provisions	--	--	--	19 201 995	19 201 995
Bank overdraft	--	--	122 696 607	--	122 696 607
Current interest bearing loans and borrowings	--	--	12 041 350	--	12 041 350
Trade and other payables	--	--	100 901 147	--	100 901 147
Income tax payable	--	--	--	338 619	338 619
Financial instrument liability	--	--	15 850 381	--	15 850 381
	--	--	370 368 367	19 540 614	389 908 981

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 January 2014 (continued)

17. Financial instruments (*continued*)

17.2 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 – 2013					
Assets					
Property, plant and equipment	--	--	--	176 499 346	176 499 346
Investment in subsidiaries	--	109 441 534	--	--	109 441 534
Deferred tax assets	--	--	--	27 344 353	27 344 353
Inventories	--	--	--	131 795 618	131 795 618
Biological assets	--	--	--	35 172 918	35 172 918
Trade and other receivable	--	122 553 511	--	58 348 531	180 902 042
Cash and cash equivalents	--	83 808 998	--	--	83 808 998
	--	315 804 043	--	429 160 766	744 964 809
Liabilities					
Non – current interest bearing loans and borrowings	--	--	118 878 882	--	118 878 882
Amounts due to subsidiaries	--	--	--	19 061 000	19 061 000
Provisions	--	--	12 041 350	--	12 041 350
Bank overdraft	--	--	93 542 988	--	93 542 988
Current interest bearing loans and borrowings	--	--	20 147 873	--	20 147 873
Trade and other payables	--	--	15 477 254	--	15 477 254
	--	--	260 088 347	19 061 000	279 149 347

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 January 2014 (continued)

18. Related parties

18.1 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.

18.2 Types of related party transactions

The Corporation paid commission for the throughput through borders of N\$ Nil (2013: N\$ Nil) to Namibia Meat Importers and Exporters (Proprietary) Limited, a wholly owned subsidiary, incorporated in the Republic of South Africa.

The Corporation paid commission of N\$ Nil (2013: N\$ 3 271 648) to Namibia Meat Importers and Exporters (Proprietary) Limited, a wholly owned subsidiary, incorporated in the Republic of South Africa.

The Corporation paid commission of N\$ 9 383 132 (2013: N\$ 13 677 252) to Meat Corporation of Namibia (UK), a wholly owned subsidiary, incorporated in the United Kingdom.

The Corporation paid commission of N\$ 1 673 137 (2013: N\$ 3 277 440) to Namibia Allied Meat Company (Pty) Ltd.

Amounts owing to/by subsidiaries are reflected in the directors' report.

Meatco recovered costs amounting to N\$ Nil (2013: N\$ 14 243) from Namibia Allied Meat Company (Pty) Ltd.

Sales to Namibia Meat Importers & Exporters (Pty) Ltd amounted to N\$ 290 850 996 (2013: N\$ 318 187 018).

The directors' remuneration is reflected in note 14.2.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 January 2014 (continued)

19. Contingent liabilities

As at year-end the Corporation had the following guarantees in place:

- A guarantee of N\$ 1 000 000 (2013: N\$ 1 000 000) is supplied to Customs and Excise.
- A guarantee of N\$ 91 000 (2013: N\$ 91 000) is supplied to NamPower for the purchase of electricity for Okapuka Tannery and Feedlot.
- A guarantee of N\$ 67 566 (2013: 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 5 451 (2013: 10 626) cattle.



www.meatco.com.na

Meat Corporation of Namibia Ltd.
PO Box 3881, Windhoek Namibia
Tel. (+264 61) 321 6400
Fax (+264 61) 321 6401