ANNUAL REPORT 2016/17

Quality Assurance for Long-Term Sustainability

MEATCO
Namibia

Meatco is a product of hard work. Its passion for what the Corporation does, makes them pioneers in the meat processing sector.

CONTENTS

2016/17 ANNUAL REPORT

BACKGROUND TO THE 2016/17 REPORT

Why integrated reporting?

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

About this 2016/17 Report

This is the fifth integrated report delivered by the Corporation to its stakeholders. It comprises information on governance, strategies, performance and prospects and is designed to provide a balanced overview of key developments in the period under review, being 1st February 2016 to 31st January 2017.

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

Reporting principles

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

Assurance

The Audit and Risk Committee oversees the drafting of the integrated report and also approves the Annual Financial Statements, which were prepared under the supervision of the Chief Financial Officer, Ingo Schneider, for the year under review.

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

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

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

The Meatco Annual Report for 2016/17 was approved by the Board of Directors on 8 May 2017.

PERFORMANCE

HIGHLIGHTS OF THE 2016/17 REPORTING YEAR

FINANCIAL

Meatco's financial position can be considered healthy

AMIDST CHALLENGES, GENERATED A NET PROFIT

The unfavourable climatic conditions and resultant water crisis in Namibia contributed to a challenging year for the Group and Corporation. The Group recorded revenue of N$1.694 billion, 6.2% down on the previous financial year, while the Corporation recorded a revenue of N$1.687 billion, 6.3% down on the previous reporting period. In terms of volume, the Group recorded an overall decrease of 21.7% over prior year of the amount of cattle slaughtered south of the Veterinary Cordon Fence. Nevertheless, the Group generated a net profit of N$19.3 million after tax as compared with a N$13.1 million profit in the prior year. Meatco's financial position can therefore be considered healthy at present, with the only concerns being the limited number of cattle available due to three consecutive droughts.

- Meatco's new Mobile Slaughter Unit began operations in August 2016 which is set to end the financial drain that the abattoirs in the northern communal areas brought on the Corporation.
- Annasruh feedlot opened to serve farmers in Omaheke Region
- New strategy to develop the NCA as a market gets underway
- New markets open in China, Hong Kong and the USA

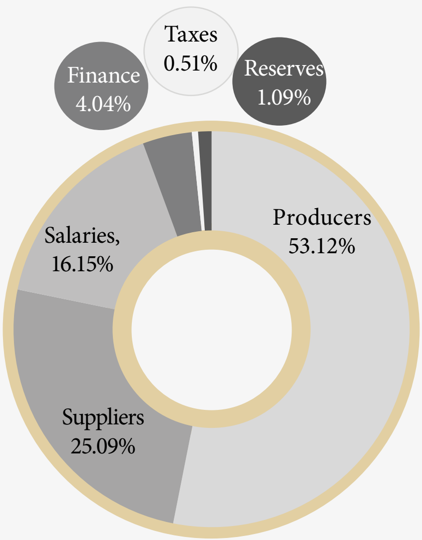


Figure 1: Value addition: 2016/17

VALUE ADDITION

More than 50% of Meatco's revenue paid to producers

A total of N$899.852 million, representing 53.12% of Meatco's revenue of N$1.694 billion, was paid out to producers. The average producer price of N$34.06/kg is 13.64% higher than the previous reporting period (2015/16: N$29.98/kg) and 10.76% higher than the South African parity price. The total premiums paid by Meatco over and above the South African price amounted to N$72.191 million over the reporting period.

25.09% was utilised to purchase goods and services from suppliers. Salaries accounted for 16.15% of revenue generated. Financing cost and taxes accounted for 4.55% combined and 1.09% of total revenue was retained as reserves.

INNOVATION

Water crisis prompted Meatco to think and work smarter

The general scarcity of water prompted Meatco to make some strategic changes in response to the uncertainty of the water supply in the future and the risks it would pose for production. Because the Windhoek Municipality could guarantee a water supply to the Windhoek factory while the Okahandja Municipality could not, it was decided, due to the lower numbers of cattle brought for slaughter, to close operations in Okahandja and run the Windhoek factory at full capacity.

The Okahandja factory was converted into a cold storage facility, enabling Meatco to reroute 70-80% of its products via Walvis Bay.

Operating a single factory produced a saving of 33% of Meatco's total water consumption, lowering costs. The cost of water is a substantial component in its overall operating costs.

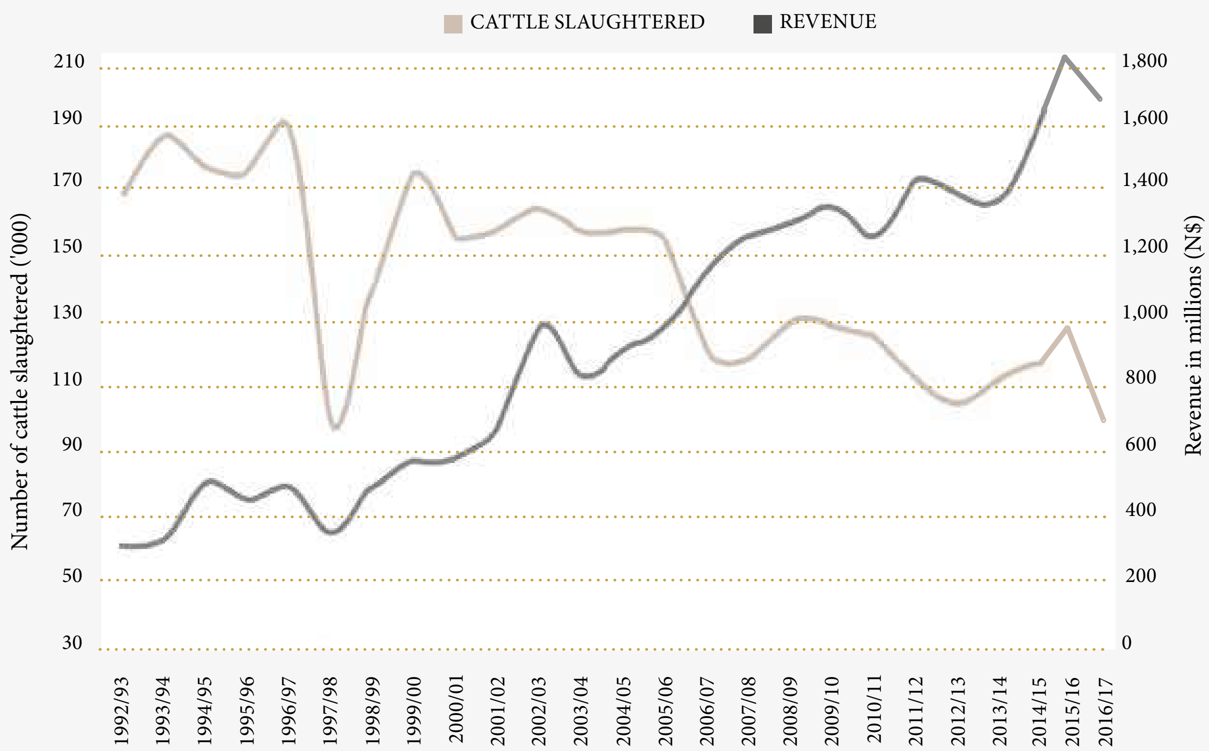


Figure 2: Revenue compared to cattle slaughtered

Even though Meatco's revenue decreased during the reporting period due to fewer cattle slaughtered, Meatco's long-term strategy to add value to its products and market it to niche, high-value markets on the international arena still enables it to maximise returns to producers.

30 YEAR ANNIVERSARY

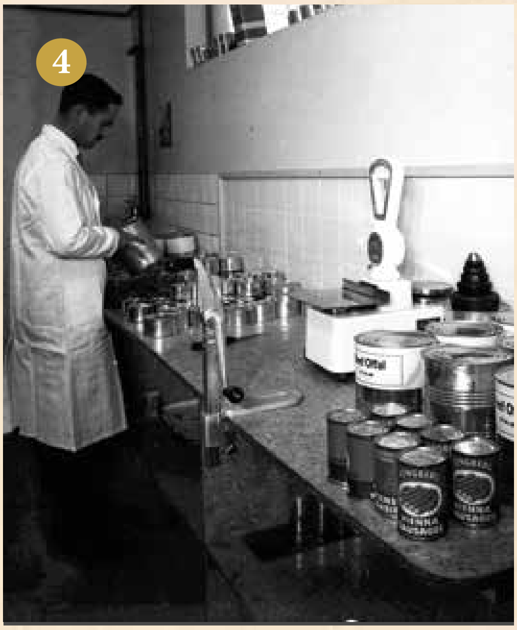
CELEBRATING THREE DECADES OF SUCCESS

HIGHLIGHTS

Looking back 30 years

A STROLL ALONG MEMORY LANE

Thirty years ago, in February 1986, Meatco's forerunner SWAVleis was born. In the first annual report of the Corporation, the then Minister of Agriculture, Water Affairs and Sea Fisheries of the interim government, Hon. JM de Wet, advised producers to accept the fact that the meat processing plants were the property of all meat producers in the country. He stated that the plants form an integral and permanent component of the processing and marketing of Namibia's meat industry and can function efficiently only when slaughtering and processing capacities are optimally utilised. Thirty years later, these words still ring true and form the basis of Meatco's drive to sustainability and efficiency.



1. 1966 – the packaging area
2. 1966 – the canning department
3. 1987 – a page of the annual report
4. 1962 – the product testing laboratory
5. 1966 – the product testing laboratory

6. 2016 – the entrance to Meatco's abattoir
7. 1966 – aerial view of Meatco's abattoir and processing plant
8. 2016 – aerial view of Meatco's abattoir and processing plant
9. The Board Chairpersons for the past 30 years

Meatco continues to make great strides even under difficult circumstances. The producers' persistence over the past thirty years despite numerous droughts and the current water crisis continues to allow Meatco to seek out lucrative markets in order to pay higher prices to all producers.

Meatco's reputation rests on its commitment to the highest technical, ethical, social and environmental standards.

MEATCO
AT A GLANCE
Perspective on its business

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

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

The Meat Corporation of Namibia was established, and is regulated by the Meat Corporation of Namibia Act, with the remit to serve, promote and coordinate the interests of livestock producers in Namibia. The Corporation is also listed as a state-owned enterprise under the Public Enterprises Governance Act, 2006 (Act 2 of 2006).

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

Namibian livestock producers who sell at least one unit of livestock to Meatco every three years are entitled to membership in the Corporation. Since it is not responsible to owners or shareholders, its overall objective is to pay participating producers the maximum sustainable prices for their cattle, while retaining only the minimum profit necessary for future capital requirements.

Meatco believes it is in the best interests of a sustainable cattle industry that producers receive the highest possible return for their cattle.

What does Meatco do?

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

The Corporation and its processes are regularly audited by independent, internationally recognised auditing companies such as SAI Global. All its facilities comply with International Organization for Standardization (ISO) 9002, Hazard Analysis and Critical Control Points (HACCP) 1033:2007, as well as the quality benchmarks set by the South African Bureau of Standards (SABS). The Corporation is also subject to separate auditing activities mandated by certain of its clients.

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

MEATCO'S OWNERSHIP STRUCTURE

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

MEATCO Namibia

MEAT CORPORATION OF NAMIBIA

100%	100%	100%	25%	33.3%
Meat Corporation of Namibia (UK) Limited (United Kingdom)	Namibia Meat Importers & Exporters Limited (South Africa)	Namibia Cattle Procurement (Pty) Ltd (Namibia) (Previously Namibia Allied Meat Company (Pty) Ltd (Namibia)	GPS Food Group (Holdings) Ltd (Ireland)	GPS Norway AS (Norway)

At the heart of Meatco's operations is the historical relationship it has been able to establish with Namibian cattle producers, acting as a value-adding and marketing entity to pass the value gained from various markets back to these producers through the producer price paid for cattle. Meatco is able to do this because it is not its objective to return profits to the Corporation itself: in the year under review, the share of its business earnings that were passed on to producers was 53.12% with little left in the Corporation after expenses.

It is the Corporation's aim to maintain this high percentage, even in the face of prolonged drought and water scarcity, as well as economic circumstances, through its various strategies.

MEATCO'S OBJECTIVES

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

How Meatco adds value

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

Meatco adds further value by eschewing commodity trading as far as possible: the carcasses are not sold in international markets but the Corporation focuses instead on producing value-added, deboned cuts of meat to meet the particular specifications of its individual business customers around the world.

In addition, Meatco's aim is to add as much value to carcasses as possible within Namibia by paying close attention to the requirements of the end consumers of its products. The Corporation ensures that almost 100% of the slaughtered animals are processed and sold, thus maximising value-addition opportunities. The result has been that its labour-intensive, value-addition focus has assisted Meatco in creating just short of 1,000 jobs.

Animals are treated according to the highest animal welfare standards at all stages of their lives, adding another facet to value addition for its producers. Indeed, Meatco believes the unique characteristics of its products, and that special Namibian-beef flavour depend on insistence that the cattle the Corporation processes are happy and contented.

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

Moreover, all cattle in Namibia must be fitted with a unique identification ear tag in order that their movements can be traced, feed regimes and welfare standards monitored, and a record can be made of any veterinary treatments they receive.

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

Producers of livestock

To serve, promote and coordinate 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.

Abattoirs in Namibia

To erect, rent, purchase or otherwise acquire, stabilise, optimally utilise and maintain abattoirs and other meat factories in the public interest.

Market its products

To market products within Namibia and elsewhere to the best advantage of the producers of livestock in Namibia.

Manage its business

To rationalise abattoir and related plant activities, and conduct and manage such business in an orderly, economical and efficient manner.

In Namibia, 2014 saw the launch of the MeatMa local brand when Meatco start selling an affordable, high-quality protein product directly to the Namibian public from the outlet next to its head office in Windhoek. In the reporting year MeatMa celebrated it's second anniversary and Namibians can purchase its range of products from three outlets, namely the outlet next to Meatco's head quarters in Windhoek, in Okahandja and in Oshakati.

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

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

During the reporting period, extensive upgrading of the cannery took place and this will enable Meatco to extend its canned product range (Chicken Loaf, Luncheon Roll and Canned Viennas) in the new financial year. Its *Texan* brand continues its market penetration in Zimbabwe.

The production of premium wet-blue hides continues through the Meatco Okapuka Tannery.

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

Meatco establishes the benchmark for cattle prices in Namibia and, in fact, elevates those prices more generally because of its ability to sell into export markets.

This creates a knock-on effect for farmers who do not sell to the Corporation and those who are in the weaner-production business too, since the price that local competitors pay for slaughter animals is pegged against the Meatco price.

PERSPECTIVE

BUSINESS ENVIRONMENT

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

Through Meatco's world-class quality products, we continue to differentiate ourselves from other abattoirs and processors.

Markets

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

Meatco exports the bulk of its prime cuts (mostly from the hindquarters) overseas, as these markets provide the highest value for these particular products. The Corporation's beef thus finds its way to Norway and the EU (more specifically the United Kingdom (UK), Germany, Denmark and Italy) and having access to the EU market means that Meatco is recognised as conforming to the highest quality standards internationally.

In terms of value, the international market accounted for 77.08% of Meatco's revenue. In terms of volume, 44.27% of Meatco's total volume was exported to these markets.

Since countries such as Asia, Russia, and the United States of America regard compliance with the EU quality standards as a measurement of compliance with their own respective standards, this has the potential to give Meatco entry into other high-value markets.

The unlocking of these markets would mean more value for producers and broader market diversification for Meatco.

Due to South Africa's population size, income levels, and proximity, it remains a lucrative regional market for some of its beef products, receiving 12.28% of the Corporation's exports in the year under review. In terms of volume, South Africa received 24.02% of Meatco's beef.

The local market is not yet a high-value earner for Meatco, accounting for 10.62% of actual sales in the reporting period, but 31.7% in terms of volume. Nonetheless, since the Corporation needs the raw material, the cattle, provided by local producers to enable it to sell high-value cuts to its international clients, the Namibian market has high strategic value for Meatco.

The Corporation therefore acts as a supplier in the local beef market to ensure it retains accesss to its share of local raw materials. As a supplier to the local market Meatco is competing on two fronts: selling its product to the Namibian market place, and procuring cattle from local producers.

How Meatco is managed

1

Ethics

Meatco is committed to being ethical and responsible throughout all its operations. Its values guide the Corporation's behaviour. To succeed, trust has to be maintained between Meatco and its producers, and between Meatco and its customers, other industry players, business partners, regulators, Government authorities and other stakeholders. Its Code of Conduct, which informs its business principles and policies, and offers guidance on how to apply them, forms the foundation for its interactions with stakeholders.

2

Governance

Good governance is fundamental to business sustainability. The Corporation therefore continues to ensure that its governance structures support effective decision-making and robust control and that they are aligned to changing requirements, as well as local and international best practices.

3

Risk management

As a pragmatic business entity, Meatco recognises that there is no opportunity without risk. It therefore has appropriate structures in place – such as the Risk Log Frame revised in 2016/17 – to identify, monitor and manage its risks effectively. Risk is managed at three discrete levels in the Corporation: the line manager at operational level; the Executive Committee; and the Audit and Risk Committee of the Board.

4

Remuneration

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

PERSPECTIVE

WHAT MEATCO LIVES FOR

Vision

Meatco's vision is to have the most sought-after meat brands in selected markets in the long-term interest of its stakeholders.

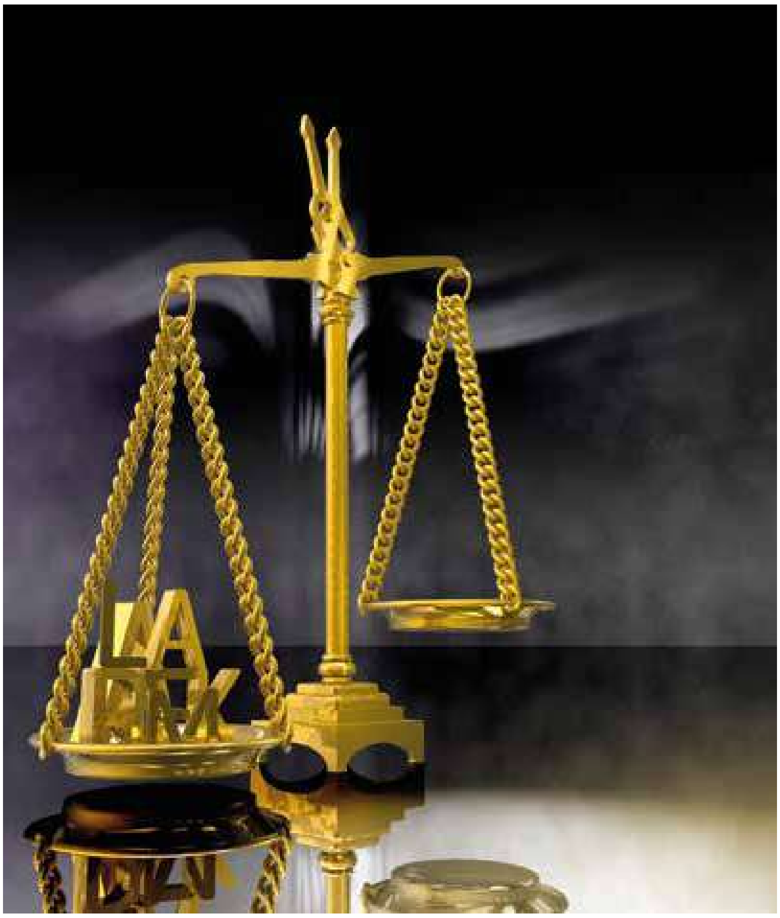
Mission

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

Objective

Its principal objective is to maximise producer returns sustainably.

One of focus areas of Meatco's business is to maximise producer prices sustainably.



CORPORATE GOVERNANCE

BOARD OF DIRECTORS

CORPORATE
GOVERNANCE

WHO GOVERNS MEATCO?

It is the responsibility of the Board of Directors to govern and guide Meatco. The current Board of Directors was appointed on the 4th of October 2013 for a period of three years. In terms of Section 5 of the Meat Corporation of Namibia Act, Act. No 1 of 2001, the Minister of Agriculture, Water and Forestry appoints the Meatco Board from individuals nominated by members and other stakeholder groups.

The Act provides for the minister to be tasked with appointing six directors to represent the interests of:

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

Section 15 of the Act also allows the Board to co-opt a maximum of three additional members. However, these co-opted members have no voting rights.

Chairperson

Dr Martha Namundjebo-Tilahun

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

Director

Mr Stefanus Johannes Oosthuizen, appointed 22 June 2016

Appointment: Co-opted to the board to represent commercial farmers.
Formal education: S4 Technical Degree in civil engineering from the Cape Town Technicon.

Director

Mr Ronald Leonard Kubas

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

Director

Mr Charles /Urib

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

Director

Mr Israel Itamungua Ngangane

Appointment: nominated by Meatco's employees to represent employee interests.
Formal education: Certificate in Norwegian specifications and abattoirs, Fatland, Norway; Diploma in Labour and Employment Studies University of Namibia.

Director

Ms Sophia Kasheeta

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

Director

Mr Edwin Dennis Beukes, CA

Appointment: Co-opted to the Board for his expertise in finance.
Formal education: B. Com Degree from Unisa, B Com Degree (Honours) from UNISA, CIMA stages 2 & 3, Masters in Business Leadership from UNISA, board exams, from the Institute of Chartered Account & Public Auditors.

CORPORATE GOVERNANCE

BOARD OF DIRECTORS

Independence, skills and knowledge

All Meatco Board members are non-executive directors and four of its members are elected to represent the interests of the respective member groups that nominated them. On the current Board of Directors these individuals are:

- Mr Charles /Urib (representing communal farmers);
- Mr Israel Itamunua Ngangane (representing the Corporation's employees);
- Ms Sophia Kasheeta (representing the Ministry of Agriculture, Water and Forestry); and
- the position of representative for commercial farmers is vacant at the year end.

The overall composition of the Board is in conformity with the tasks that fall under its remit, having been constituted with regard for the independence and integrity of its directors, as well as for the experience and skills they bring to their duties.

The Corporation is committed to the continual development of the directors, that their expertise may continue to grow and they retain an up-to-date understanding of the business and markets in which it operates.

Meatco is committed to the continued development of the Directors.

The overall composition of the Board is in conformity with the tasks that fall under its remit.

Conflict of interest

Directors and staff are required to avoid situations in which they may have direct or indirect interests that conflict, or may conflict, with the interests of the Corporation. Directors and staff must follow established procedures to disclose any potential conflict of interest and to seek appropriate authorisation if a conflict should arise. These procedures are accessible to the directors.

Company secretary

Ms E.M. Tuneeko, the company secretary, is suitably qualified and has access to the Corporation's resources in order to execute her duties effectively. She provides support and guidance to the Board in matters relating to governance and compliance practices in all affairs of the Corporation. Directors have unrestricted access to her expertise.

The Corporate Governance Code of Namibia (NamCode)

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

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

CORPORATE GOVERNANCE

Independence of external auditors

Meatco's 2016/17 Annual Financial Statements were audited by the independent auditors, Grant Namibia. Meatco believes the auditors have observed the highest standard of professional ethics and Meatco has no reason to suspect that they have not acted independently of the Corporation. The Board Audit and Risk Committee has confirmed that the external auditors have acted independently in the performance of their duties for the reporting period.

Financial statements

The directors are responsible for monitoring and approving the Corporation's Annual Financial Statements, and must ensure that they reflect fairly its affairs and profits or losses at the end of the financial year. External auditors are charged with making a statement as to the degree which these financial statements correlate with the Corporation's actual financial position.

Meatco's management prepares the Annual Financial Statements in accordance with international financial reporting standards and in the manner set out by the Meat Corporation of Namibia Act. The Corporation bases its statements on relevant accounting practices that it has applied consistently and which are supported by reasonable and prudent judgements and estimates.

Operation of the Board of Directors

Areas of responsibility

The Board establishes the strategic objectives of the Corporation. It delegates the detailed planning and implementation of its activities in respect of those objectives, in accordance with appropriate risk parameters, to the management of Meatco in terms of a formal authority framework.

Subsequently the Board is tasked with monitoring compliance with its strategic objectives by holding management accountable for its performance by means of quarterly reporting and updates.

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

Board structure

The Board governs through mandated committees which have their own monitoring and reporting systems. Board committees operate within clearly defined, individual charters, that have been approved by the Board.

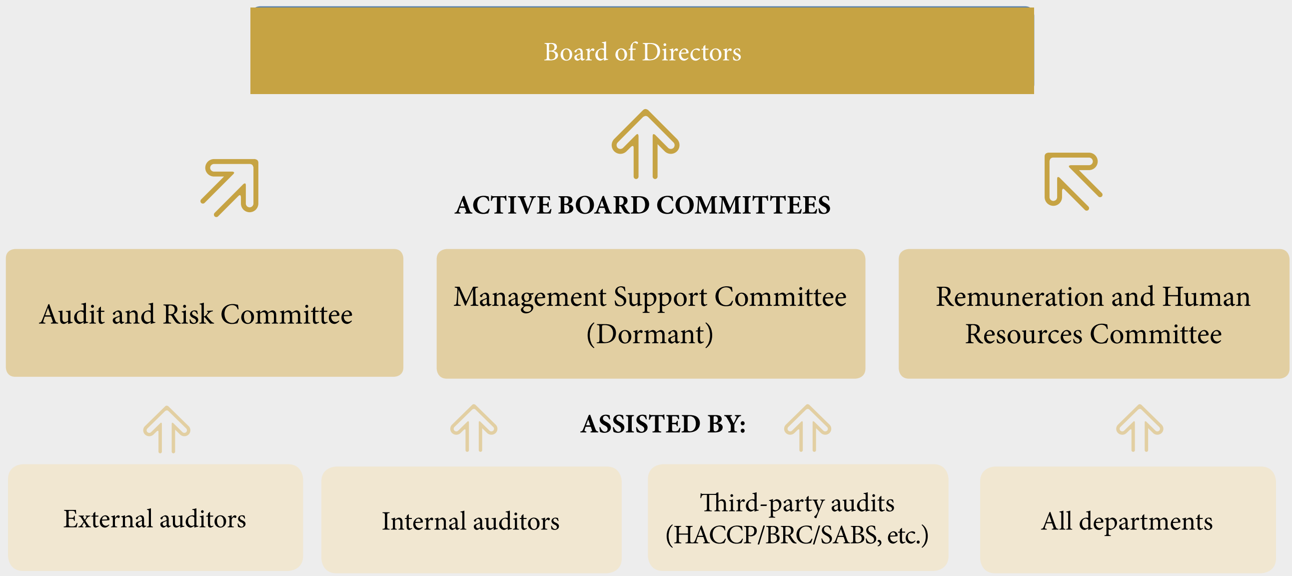
Committee chairpersons report verbally on the proceedings of their committees at the subsequent Board meeting.

The Board structure is depicted in the figure below. The Board was assisted by the following persons and external parties during the year under review:

Members of the Audit and Risk Committee: Mr R.L. Kubas (Chairperson) and Mr E. Beukes, appointed on 17 March 2016.

Members of the Management Support Committee: Dr M. Namundjebo-Tilahun (Chairperson). This Committee has been dormant during the period under review.

Members of the Remuneration and Human Resource Committee: Ms S. Kasheeta (Chairperson) and Mr 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 provided comprehensive and timely information, including detailed financial information, to enable the directors to discharge their responsibilities. The committees are likewise provided adequate resources and support to undertake their duties.

All directors have access to the company secretary; independent professional advice is also available to Directors with the approval of the Chairperson.

Internal audit activities, all of which are risk-based, are performed by a team of appropriately qualified and experienced employees.

Board meetings

During the year under review, the Board met twelve times, seven of those meetings were special meetings to address, amongst other things, the zeranol issue at the Okapuka Feedlot and other situations that required the immediate attention of the Board. Board Members also attended the Annual General Meeting which was held in accordance with the requirements of the Meat Corporation of Namibia Act. Records of Directors' attendance at Board meetings, committee meetings, and the Annual General Meeting are set out in the table below. In addition to the meetings indicated, several Board Members attended farmers' liaison meetings and producers' forum meetings, as well as ad hoc meetings with farmers' associations, farmers' unions, member groups and other stakeholders.

Board meetings are held in an atmosphere of honesty, integrity and mutual respect, in compliance with the Board Charter and in accordance with the Corporation's Code of Conduct. Meetings allow for robust, constructive challenges and debate among Members.

Audit and Risk Committee

During the year under review, the Audit and Risk Committee was chaired by Mr R.L. Kubas. The committee met five times during the year under review. The meetings were attended by the Chief Executive Officer, the Chief Financial Officer and the Internal Auditor. Other members of management attended on request, when required, while the external auditors attended only those meetings that were pertinent to their activities.

The Audit and Risk Committee reports on its activities and makes recommendations to the Board. During the year under review, the committee discharged its responsibilities in accordance with its charter. The committee also ensured that appropriate standards of governance, reporting and compliance were met and advised the Board on matters

Board Member	Board Meeting	Audit and Risk Committee Meeting	Management Support Committee	Remuneration and HR Committee Meeting	Annual General Meeting
M. Namundjebo-Tilahun	9	n/a		n/a	✓
C. /Urib	10	n/a		2	✓
I.I. Ngangane	12	n/a		n/a	✓
R. L. Kubas	12	5		n/a	x
S. Kasheeta	6	n/a	dormant	2	✓
E. Beukes	11	5		n/a	✓
S. Oosthuizen	8	n/a		n/a	n/a
V. Rukoro, Chief Executive Officer	8	2		2	✓
By invitation:					
E. Tuneeko, Company Secretary	12	5		2	✓

relating to the application of accounting standards in respect to Corporation activities.

The committee's activities during the year included:

- preliminary considerations of the Corporation's Annual Financial Statements before submission to the Board, including consideration of the Corporation and the Group as viable entities with particular reference to balance sheets, income and cash flow statements;
- a review of areas of significance in the preparation of the Annual Financial Statements, including items of exception, impairment reviews and tax provisions;
- considerations of governance and control in the sphere of the Corporation's activities, specifically the implementation of Information Technology (IT) Governance;
- review of external auditor reports on the Annual Financial Statements, approval of the audit plan and fee proposal for the audit;
- evaluation of the progress of the internal audit and matters arising from the audit;
- consideration of the effectiveness of the internal audit function; and
- an evaluation of the internal control environment and risk management systems, including the Corporation's statement on internal control systems, the appointment of the new external auditors and their effectiveness,

The committee was satisfied that, for the period under review, the external auditors had not been adversely affected by the provision of non-audit services (related to taxation services). External auditor fees for non-audit services were mainly related to taxation services.

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

Remuneration and Human Resources Committee

The Remuneration and Human Resources Committee was chaired by Board member Ms S. Kasheeta and met twice during the reporting year. The meetings were attended by the Chief Executive Officer and the Executive: Human Resources. Other members of the management team attended on invitation.

The Remuneration and Human Resource Committee is responsible for assessing and approving a broad remuneration strategy for the Corporation. It also monitors the implementation of human resource policies. The committee reports and makes recommendations to the Board.

The committee was satisfied that appropriate human resource and remuneration policies were in place during the year under review, and that such policies had been consistently implemented and applied.

Meatco's Executive Committee is responsible for the detailed planning and implementation of Meatco's objectives and policies, ensuring that all its operations run smoothly.

PERSPECTIVE ON MEATCO'S BUSINESS

MEATCO'S EXECUTIVE MANAGEMENT TEAM

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

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

Effective on the 1st of November 2015, the committee's functions were realigned to ensure closer correlation between management's responsibilities and delivery of the core functions identified in Meatco's Strategic Framework: Raw Materials, Processing and Markets.

Code of conduct

The Corporation operates within a formal code of conduct that was developed as the result of an all-inclusive, transparent, and participatory process involving the majority of the Corporation's staff and management. The code relates to five sets of key behavioural attributes as depicted below.

CODE OF CONDUCT

Participation and cooperation	Lead by example Empower and involve stakeholders Create forums for effective participation Give recognition for individual and team contributions
Respect, integrity and dignity	Acknowledge the culture of others Act courteously towards all Solve issues and move on Respect individual differences Be honest at all times Be trustworthy Acknowledge and take ownership of authority Root out victimisation and discrimination
Effective communication	Be transparent in your dealings with people Issue clear instructions Obtain feedback Use clear communications (in all directions) Share information
Commitment and responsibility	Act consistently at all times Protect the Corporation's property as your own Obtain the facts before acting Adhere to rules and procedures Apply good business principles in everything you do
Service excellence	Do things right the first time, every time Work with a sense of urgency Strive for continuous improvement Attend to issues without delay

Executive management committee

During the year under review, the composition of the Executive Committee remained appropriate in terms of their overall balance of skills, experience, knowledge of the industry, technical knowledge relating to each member's field of expertise, and commitment to their respective functions.The incumbents are listed on the following two pages.

BEHIND A BRAND IS A GREAT TEAM

MANAGEMENT TEAM

Chief Executive Officer

Adv. Vekuii Rukoro

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

Advocate Rukoro commenced duties at Meatco in March 2013.

Ingo Schneider joined Meatco in 2016.

Chief Financial Officer

Ingo Schneider

Formal education: Executive MBA from University of Cape Town and Bachelor of Commerce (B.Com.) Hons. from Stellenbosch University.

Executive: Operations

Jannie Breytenbach

Formal education: National Diploma in Finance and Administration.

Jannie Breytenbach joined the Corporation in 1994.

Formal education: Diploma in Agriculture, Tsumis Agricultural College; Executive Development Programme including Project Management, University of Stellenbosch Business School, South Africa; Post Grad. Diploma in Rural Development and MSc in Rural Development, University of Reading, UK.

Vehaka Tjimune joined Meatco in 2008.

Executive: Stakeholder Relations & Corporate Affairs

Vehaka Tjimune

Executive: Quality Assurance

Rosa Katjivena

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

Rosa Katjivena joined Meatco in 2000.

Cyprianus Khaiseb joined Meatco in 1996.

Executive: Marketing & Sales

Cyprianus Khaiseb

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

Heiner Böhme joined Meatco in 2007.

Executive: Livestock Procurement

Heiner Böhme

Formal education: BSc Agric, BSc Agric (Hons), MSc Agric: University of Stellenbosch, South Africa; Business Management and Administration (Hons), MBA: University of Stellenbosch Business School, South Africa.

Executive: Human Resources

Stanley Hoveka-Mbura

Formal education: National Diploma in Human Resources (Polytechnic of Namibia); Senior Management Development Programme (USB-ED); pursuing an MBA through Regent Business School.

Stanley Hoveka-Mbura joined Meatco in 2013.

Executive Officer: Meatco Foundation

Kingsley Kwenani

Formal education: Diploma in Agriculture, Diploma Agric Extension and Rural Development, B Agric (Hons); Master's Degree in Agriculture Extension and Rural Development from University of Pretoria; currently pursuing an MBA through Regent Business School.

Kingsley Kwenani joined the Meatco Foundation in 2013.

Dr Martha Namundjebo-Tilahun
Chairperson: Board of Directors

2016/17
REPORTS AND REVIEWS

Chairperson's Report

Economic overview

It is well-known that Namibia's small, open economy is highly exposed to events on the world stage. International developments are expected to have an impact on how the Namibian economy performs and logically, how Meatco performs. It is imperative to be vigilant regarding instability in the world economy, and particularly to follow trends in our key off-take markets. If the general situation deteriorates more than we have anticipated, it will be reflected in Namibia's overall patterns of growth, and consequently the prices we can expect for our products.

Because there are so many factors that influence Meatco prices – such as the exchange rate, changes in political power and fuel prices – it is not just currency fluctuations that markets respond to. At Meatco, we have tried our level best to stabilise producer prices.

Revenue recorded

The Group recorded revenue of N$1.694 billion, 6.2% down from the previous financial year, while the Corporation recorded a revenue of N$1.687 billion, 6.3% down from the previous reporting period.

Net profit generated

The Group generated a net profit of N$19.3 million after tax as compared with a profit ofN$13.1 million in the previous year.

Working capital

The Group retained a working capital of N$420 million. After settling long-term debts, the Group retained N$87 million in cash at the end of the financial year.

Capital spent

Capital spent came to N$47.8 million, adding an investment up to N$189.5 million over the past three years in upgrading and expanding our infrastructure.

I am also glad to say our economy is well managed, and Namibia has established a firm macro-economic architecture. The Harambee Prosperity Plan - our President's action plan towards prosperity for all in Namibia - highlights that international financial institutions, including the International Monetary Fund and the World Bank, have lauded the manner in which the Namibian economy is managed.

The European Union (EU) is a major export market for Namibian red meat, fish and grapes, ranging between 40 to 70% of Namibia's agricultural exports. Preferential access to the EU market to supply premium beef cuts has made it viable for the Namibian red meat industry to upgrade production facilities to meet international standards.

At the moment, Europe is still overshadowed by BREXIT post-financial woes which, among other effects, have triggered a significant devaluation of the Pound. This, in turn, impacts on Meatco's revenues. In general, Meatco remains vulnerable to exchange rate fluctuations, as the highest value comes from international markets, which include Norway, the United Kingdom, Germany, Denmark and Italy. Meatco exports the bulk of its prime cuts (mostly hindquarters) to these countries because their markets are willing to pay the highest price for

On the South African front, current political instability does not bode well for a strong Rand currency and could impact on Meatco's revenue-generating opportunities with our neighbour.

On the local front, Meatco is concerned about reduced funding of national projects by Government, which will affect consumer spending. This relationship highlights the importance of Meatco's strategy to sell beef to markets not directly affected by local events.

Financial review

The Group recorded revenue of N$1.694 billion, 6.2% down from the previous financial year, while the Corporation recorded a revenue of N$1.687 billion, 6.3% down from the previous reporting period. In volume, the Group recorded an overall decrease of 21.7% compared to the previous year in the number of cattle slaughtered south of the Veterinary Cordon Fence.

The unfavourable climatic conditions and resultant water crisis in Namibia contributed to a challenging year for the Group and the Corporation.

Nevertheless, the Group was able to generate a net profit of N$19.3 million after tax, compared to N$13.1 million profit in the previous year. However, it is important to bear in mind that Meatco is not a profit-seeking entity: the Corporation paid 53.12% of its beef revenue to its producers.

The Group retained working capital of N$420 million. After settling long-term debts (N$37 million), the Group retained N$87 million in cash at the end of the financial year.

Investing in the development of our assets is another vital aspect of ensuring long-term growth. During this reporting year capital spent came to N$47.8 million, adding an investment of N$189.5 million over the past three years, upgrading and expanding our infrastructure, gearing up for the next decade's production and processing requirements.

Consequently, Meatco's financial position can be defined as healthy at the present time, with the only significant concern being the limited number of cattle available for slaughter due to three, consecutive periods of drought.

Operational review

As farmers began to restock the national herd, the impact of lower cattle numbers meant that Meatco was compelled to offer record prices in order to motivate farmers to deliver stock to the Corporation. We expect in the first two quarters of the new financial year that slaughter volumes will be low and Meatco will have to rely on the backwards integration initiative to maintain slaughter operations.

The ongoing water crisis in the central areas of Namibia remains a major concern. Meatco will continue to operate under the current set of constraints. Limited water, low slaughter volumes, as well as concern about affluent treatment in Okahandja, will force Meatco to keep the Okahandja abattoir closed, which will have a short term impact on its financial position.

Despite closure of the Okapuka feedlot for an eight-week period in the face of the zeranol crisis (details provided later in the report) and other constraints under which Meatco was compelled to operate, it is commendable that good price levels could be maintained for our producers in the current and previous reporting periods, and that we were still able to turn a profit at the end of the financial year.

It is even more commendable that Meatco could meet its full, 1,600-tonne quota to Norway, proving to Norwegian and Namibian authorities that Meatco is capable of fully utilising the quota, extracting maximum value from its markets and passing on the benefits to its producers.

Despite the fact that we are going through trying times, Meatco is confident that we are adequately funded and have the necessary reserves to meet our commitments, supporting farmers and Namibia at large now, just as we have in the past.

Looking forward

While Meatco continues to meet the needs of existing international, regional and local customers, it is with a sense of pride that we witness the result of years of work to open new international markets.

Thirty years since its inception, Meatco still looks to a bright future, confident it will continue to make a valuable contribution towards the livelihoods of Namibian cattle producers.

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

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

By order of the Board

Dr Martha Namundjebo-Tilahun
Chairperson: Board of Directors
8 May 2017

Advocate Vekuii Rukoro
Chief Executive Officer

CEO'S REPORT

2016/17

The reporting year 2016/17 was characterised by noteworthy accomplishments and demanding challenges.

The Corporation's motivation in achieving the former and mitigating the latter remained consistent with its ultimate goals, namely to produce and export high-quality products to a growing international market and to ensure that its customers know that its cattle is sourced ethically and processed to the highest safety standards. It is essential to reward producers for their hard work, without which the Corporation could not achieve these goals.

The drought and uncertainty regarding the water supply to Meatco's two abattoirs and processing plants in Windhoek and Okahandja were certainly of great concern during the reporting year and Meatco had to put its own measures in place to reduce its dependency on supply from the two municipalities.

Producer price

Meatco paid N$34.06/kg on average (across all grades), an increase of 13.64% from N$29.08/kg the previous reporting year.

Average cold dress weight

The average cold dress weight increased to 238.2 kg (2016: 229.83 kg), resulting in actual throughput of 21 809 tonnes (2016: 26 878 tonnes).

Cattle slaughtered

Meatco slaughtered less than was planned: 91,558 (2015/16: 116,948) cattle south of the Veterinary Cordon Fence, decreasing the volume by 25,390 cattle year-on-year.

Total premiums paid

The total premiums paid by Meatco over and above the South African price, amounted to N$72.19 million during the period under review.

During the year under review Meatco slaughtered fewer cattle overall, but the additional export quota of 400 tonnes for the Norwegian market enabled us to retain good producer prices, despite a third consecutive year of drought.

The fact that Meatco was able to fill its full Norway quota for the year amidst challenges, proves to the Norwegian authorities that Meatco has the capacity and capability to fully utilise the allocated and additional quota, whilst maximising yields for its producers.

PRODUCER PRICE

A total of N$899.852 million, representing 53.12% of Meatco's revenue of N$1.694 billion, was paid out to producers.

The average producer price of N$34.06/kg is 13.64% higher than the previous reporting period (2015/16: N$29.98/kg) and 10.76% higher than the South African parity price. The total premiums paid by Meatco over and above the South African price amounted to N$72.191 million over the reporting period

This increase in the producer price, and the stability it afforded Meatco and its producers, was grounded primarily on three factors, namely the exchange rate; an additional quota of 400 tonnes from the Norwegians, and initiatives Meatco put in place to counter a continual decrease in the number of cattle available for slaughter.

TOTAL CATTLE SLAUGHTERED

Aware that Namibia could face another year of drought and the challenges producers face to rebuild herds after two years of little rain, Meatco budgeted slaughtering just over 95,400 cattle during the reporting period. Ultimately Meatco slaughtered less than was planned: 91,558 (2015/16: 116,948) cattle south of the Veterinary Cordon Fence (VCF), decreasing the volume by 25,390 cattle year-on-year, which is quite substantial. This was the first year to decrease numbers south of the VCF.

CEO'S REPORT (continued)

The Mobile Slaughter Unit which started operating in August 2016, slaughtered just short of 750 cattle in the Northern Communal Areas (NCA), representing a decrease in the number of cattle slaughtered compared with the previous year, when the abattoirs in Katima Mulilo and Oshakati were still operational.

However, even though fewer cattle were slaughtered in the NCA, Meatco is optimistic that once the Mobile Slaughter Unit is in production for a full year, the numbers will increase. In that event, overall operating costs would decrease because Meatco would be relieved of the financial burden incurred by maintaining two northern abattoirs.

WATER SCARCITY AND ITS IMPACT

In light of a lack of rainfall in the catchment areas over the past three years, the general scarcity of water and the impact these two factors have had on the operating environment, the Corporation decided to make some strategic changes in response to the uncertainty of the water supply in the future and the risks it would pose for production.

Because the Windhoek Municipality could guarantee a water supply to the Windhoek factory while the Okahandja Municipality could not, it was decided, due to the lower numbers of cattle brought for slaughter, to close operations in Okahandja and run the Windhoek factory at full capacity.

Operating a single factory produced a saving of 33% of Meatco's total water consumption, lowering costs. The cost of water is a substantial component in its overall operating costs.

The number of animals graded 'A' and 'AB' decreased, while the number of 'B' and 'C' grade cattle increased.

The Okahandja factory was converted into a cold storage facility, enabling Meatco to reroute 70-80% of its products via Walvis Bay.

- Annasruh feedlot opened to serve farmers in Omaheke Region
- New strategy to develop the NCA as a market gets underway
- New markets open in China, Hong Kong and the USA

The Corporation takes its role as a responsible corporate citizen seriously, and has instituted strict water-saving measures at the Windhoek factory whilst proactively searching for ways to mitigate its reliance on the Windhoek Municipality and NamWater for its water supply. Nine boreholes were sunk at the Okapuka Feedlot and Tannery (of which, two are in use); four boreholes were sunk at the Windhoek Head Office premises (of which three are in use).

A water committee was also established at Meatco to steer the Corporation's in-house response to the crisis, firstly by educating staff members on how to conserve water, and secondly to negotiate a

25,000 m³ guaranteed supply per month from the municipality.

QUALITY ASSURANCE: OVERCOMING UNFORESEEN SETBACKS AND CELEBRATING NOTABLE ACHIEVEMENTS

In September 2016, after two urine tests conducted in April returned positive for traces of zeranol, the Directorate of Veterinary Services (DVS) ordered closure of the Okapuka Feedlot.

Despite the fact that Meatco fully cooperated with the DVS and the scientific evidence pointed to feed contamination as the cause of the test results, the shut-down lasted two months.

Needless to say, this shut-down caused significant losses for the Corporation because only 20,807 cattle from the feedlot were slaughtered, opposed to a projected 27,500 for this period. The situation translated into knock-on losses in earnings for producers and the Namibia economy as a whole. The closure of the feedlot resulted in Meatco sustaining significant losses, impacting on producers and the Namibian economy.

Meatco is committed to delivering products of the highest quality; markets locally, regionally and internationally depend on them. The Corporation's products and processes undergo rigorous testing in keeping with the highest international standards. It is Meatco's adherence to food safety and hygiene standards that enable it to export to international markets.

In the year under review, Meatco has maintained its formal certifications: by the British Retail Consortium (BRC), International Organization for Standardization (ISO 9001:2008) and Hazard Analysis Critical Control Point (HACCP) standards.

The Corporation also follows the Quality Assurance Management (QAM) system which is internationally recognised and enables it to export to upmarket customers such as Heinz Italy, Norske Group in Norway and also Danish Co-op.

CEO'S REPORT (continued)

INNOVATION DRIVES A NEW BUSINESS MODEL

In the 1991/2 reporting year, Meatco assumed responsibility for the Government abattoirs in Oshakati, Oshana Region, and Katima Mulilo, Zambezi Region. In 2011 this arrangement was converted into a commercial lease agreement, resulting in huge losses for Meatco because it was liable for overheads at these facilities, even when production was interrupted due to the outbreak of disease in the Northern Commercial Areas (NCA).

In the 2015/16 reporting year, the Meatco Board embarked on operations under a new business model. The Corporation terminated its lease agreement with the Government and launched operations from a mobile abattoir to support the farmers in the NCA.

A delegation from China visited Meatco's processing plant.

The new strategy designed and implemented Meatco's Mobile Slaughter Unit (MSU), which began operations in August 2016 in the Kavango-East Region.

At this point in time, both the Corporation and farmers are happy with the new facility. A total of 746 cattle have been slaughtered to date and it appears that the MSU will end the financial drain (approximately N$354 million over 25 years) that the conventional abattoirs brought on the Corporation. However, access to markets is a hindering factor in terms of slaughter numbers.

STREAMLINING INITIATIVES IN PROCESSING

Over the past three years there has been a drive to increase efficiency in the departments responsible for the processing side of the Corporation's business.

The canning department has been modernised, entailing an investment of N$10.3 million, and the improvement is apparent. While Meatco's existing square-can brands of corned beef (*Texan*, *Eloolo*, *Longhorn* and *Ranch*) maintain their success on local, regional and West African markets, the introduction of a round-can line of products (Viennas, Chicken Loaf and Luncheon Roll) has been very well received as a strategy to increase the Corporation's basket of canned products into all markets.

Meatco's Mobile Slaugther Unit started operations during the current reporting period.

The flexibility of the new round can line simplifies the process of adding products to the range. As sales of these products increase, expansion of the range is likely, which in turn augurs exciting prospects for regional export possibilities.

The year under review has been challenging for the tannery. Fewer hides were available due to the lower numbers of cattle brought to slaughter. Additional hides had to be purchased to meet demand. It was deemed necessary to 'right size' the tannery's operations to correspond to the smaller volume and in doing so, bring expenditures in line with current conditions.

As mentioned, the closure of the Okahandja abattoir necessitated increased efficiency at the Windhoek factory. With no 'fall back' plant operational, it was up to management to launch the necessary initiatives to ensure that the plant would run as efficiently as possible.

The objective was achieved, as increased efficiency in slaughtering and deboning indicate: year-on-year slaughtering increased from 420 heads per day to 560 and deboning from 360 per day to 480.

Effecting this improvement without major capital expenditure is a remarkable achievement. Primarily, the plant's increased capacity can be attributed to greater flexibility and responsiveness to situations as they arose, for example when farmers brought cattle for early slaughter due to grazing scarcity.

Also, as enhanced water usage efficiency was practiced, streamlining processing operations contributed greatly to the savings achieved.

RESPONDING TO SITUATIONAL CHALLENGES

While it isn't possible to predict or pre-empt every potential challenge, it is important that Meatco responds to its challenges in a pro-actively innovative manner. In this way the Corporation will evolve and Meatco will demonstrate to its producers and customers that it can meet challenges effectively.

As an example, closing the Okahandja factory gave rise to an opportunity to convert it into a cold storage facility. This meant that the Corporation no longer had to rely on cold storage facilities in South Africa; it is now able to reroute between 70% and 80% of its products via Walvis Bay, which is extremely beneficial from a global marketing perspective.

The temporary closure of the Okapuka Feedlot prompted Meatco to lease private feedlots such as Bradley located near Kombat as counter measures, which allow the Corporation to benefit from feedlots without the necessity of investing in infrastructure.

NEW HORIZONS

Meatco continues to explore selected new markets in order to diversity its market exposure.

CEO'S REPORT (continued)

NEW HORIZONS BECKON

The reporting period was a successful year from a marketing standpoint with exciting new markets opening in China, Hong Kong and the USA.

The Corporation's aim is not to enter every market open to it, but rather to achieve the best mix of markets in order to move among them to mitigate challenges that could arise due to international economic volatility.

Given the unpredictability of the global economy and the uncertainty of how long the current downturn may last, Meatco must diversify its market exposure in order to realise better sales figures and value for its producers.

Achieving clearance to export to these markets is really a noteworthy achievement. During the reporting period, Namibia was the only country in Africa cleared to export bone-in products to China and Hong Kong.

In addition, after a 14-year long application and vetting process, Meatco gained clearance to export to the USA, a notoriously difficult market to access. These achievements are a testament to the quality of its products and the high standards to which its production processes adhere.

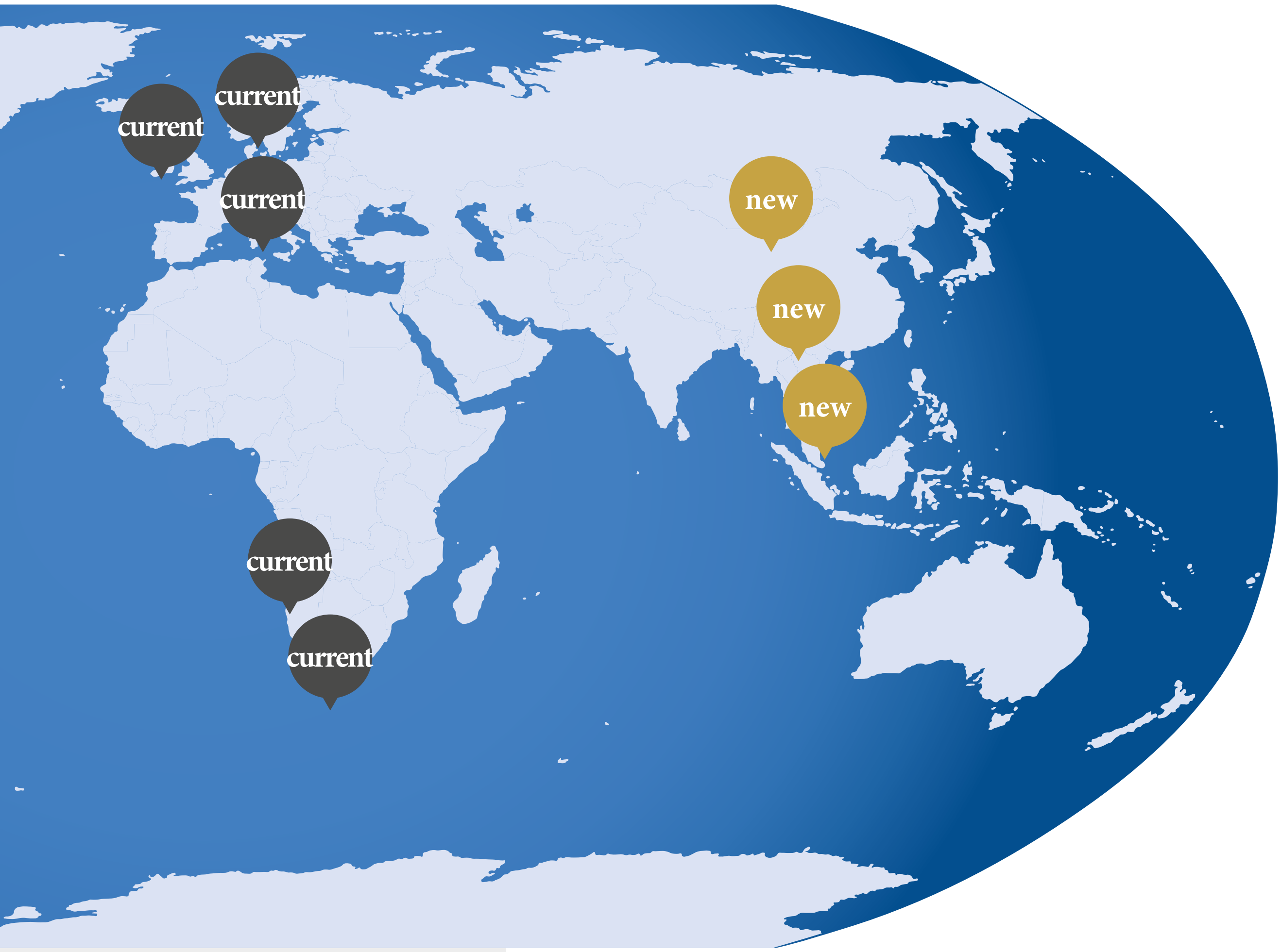
Meatco has also formulated a strategy to develop the NCA as a new market. Besides processing carcasses from the MSU into whole cuts, offal is sold to the communities in which the MSU operates, so that they can earn income from its sale.

LOOKING AHEAD

Overall, Meatco performed well in the year under review, facing its challenges head-on with clear thought-out strategies. Without a doubt, Meatco's long-standing adherence to the highest international standards, highly experienced management team and skilled workforce, give the Corporation a vital competitive edge.

After being revamped in 2013, the Stakeholder Relations and Corporate Affairs department was tasked to drive the Corporation's strategic corporate communication needs and engagement activities. According to an independent survey by NaMedia, Meatco was the second best corporate communicator in Namibia in 2016, an improvement from the third-overall position in 2015.

This achievement was further affirmed when the Corporation's excellence was recognised as part of the annual PMR Awards. Recognition was given in honour of achievement for *Demonstrating exceptional managerial and corporate governance qualities*. Moreover, Meatco achieved the highest rating and won three



Diamond Arrow Awards in the business sectors *Agriculture Abattoirs*, *Agriculture Livestock* and *Meat Processing companies in Namibia*.

Furthermore, the London Stock Exchange Group (LSEG), in collaboration with Africa Development Bank Group, CDC Group and PricewaterhouseCoopers, identified Meatco as one of Africa's most inspiring companies. The award recognised small- to medium-sized companies who demonstrate outstanding stories of innovation, bravery and growth across the African continent.

Meatco intends to continue building on our proud reputation. Having been awarded 88% of Norway's quota of 1,600 tonnes in the upcoming financial year, the Corporation is confident that the business will continue to realise good prices for its producers, without whom we would not be in business.

We are poised to achieve continued growth and look forward to a year less fraught with financial challenges, except for what appears to emerge in a vicious battle for the low number of slaughter cattle!

In conclusion, I want to thank the former and current members of the Board of Directors for their valued guidance and confidence in my team and myself. I would be remiss if I overlooked an expression of appreciation to the various departments of the Ministry of Agriculture, Water and Forestry, the Ministry of Industrialisation, Trade and SME Development, the Ministry of Public Enterprises, the Meat Board and the Agriculture Trade Forum for their continued support in facilitating the execution of our core mandate. We owe them a debt of gratitude indeed.

Lastly, I also wish to thank each and every employee for their hard work, dedication and loyalty, without which none of the success of this reporting year could have been achieved. I look forward to serving our producers and the industry to the best of my ability.

Adv. Vekuii Rukoro
Chief Executive Officer

Stringent quality assurance lies at the heart of what we do.

QUALITY
ASSURANCE
REVIEW

As competition in meat markets continues to increase, the demonstration of product integrity standards has become increasingly important. Food safety is a key component for product integrity, and a standard expectation of all consumers regardless of market. The importance of being able to validate, demonstrate, communicate and manage responses to food safety issues as they arise is part of daily business in the red meat processing industry.

Stringent quality controls and the knowledge that Meatco's products conform to the highest international standards of quality are at the heart of what the Corporation works to achieve. The Corporation is committed to producing meat of the highest quality because access to the most lucrative markets depends on it.

Meatco's utilisation of world-class processes and adherence to strict international food safety and hygiene practices, despite eventual difficult circumstances, enable it to meet the exacting demands of the global marketplace, increase revenue earnings and continue to build a strong, reputable brand.

OUR QUALITY PRODUCTS EXPORTED

ACCESS TO NEW INTERNATIONAL MARKETS

The Directorate of Veterinary Services (DVS), a division of the Ministry of Agriculture, Water and Forestry, is the designated authority with which export market inspectors conduct a dialogue. The purpose of the DVS is to maintain and promote animal health, production and reproduction, and to ensure the safe and orderly processing and marketing of animals and animal products through animal disease control, import control, veterinary surveillance, epidemiology and extension, diagnostic services and veterinary public health services. The directorate's assessment involves the inspection of meat export facilities such as Meatco, the Corporation's adherence to HACCP principles and all sanitary and phytosanitary (SPS) requirements set forth by the specific export destination. In the 2016/17 financial year, the following new markets were realised:

United States of America

The Ministry of Agriculture, Water and Forestry notified Meatco that access to the American market had finally been granted and would be effective from 12 September 2016. The first container of meat destined for the United States will depart Namibia in the next reporting period.

China

Meatco plants and processes have been approved by the Certification and Accreditation Administration of the People's Republic of China (CNCA). The confirmatory audit which led to final approval was conducted in January 2016 and approval was granted in June 2016.

Hong Kong

Clearance for this market was received on 30 May 2016 through a document audit process conducted offsite. The first container of frozen beef knuckle and shin was dispatched in late September from the Meatco plant in Windhoek and arrived in Hong Kong on 2 November 2016.

Russia

Access to the Russian market was originally cleared in December 2013. However, technical delays were encountered regarding the health certificate. DVS made all necessary changes to the health certificate which was satisfactory to the Russian authorities and clearance was issued in December 2016.

Achieving compliance with quality and health assurance requirements of different markets is an intricate balancing act. The challenge of supplying products to several markets is the maintenance of an integrated quality management system that ensures products comply with each of these markets. This dictates, for example, that the one test must be carried out twice on the same carcasses, once because the EU requires samples to be taken while the carcasses are warm, again because the USA requires they be taken after the carcasses have been chilled. In other cases, specifications for the same parameters differ, in which case Meatco implements the highest specification. In terms of achieving a necessary standard, requirements of the USA and China are the most stringent, while the requirements of other countries are more or less standardised.

Meatco's clearance for the American and Chinese markets underscores how rigorous the Corporation's quality assurance management system is, a remarkable accomplishment for both the Corporation and Namibia.

STAMP OF APPROVAL

FORMAL CERTIFICATION MAINTAINED

In order to maintain its quality-standards certification, Meatco's abattoirs and processing facilities in Okahandja and Windhoek undergo regular audits and verification according to an established schedule. These are carried out by independent, internationally recognised auditing firms such as SAI Global and Kiwa PAI.

Certification under private standards is valuable for Meatco because it facilitates access to premium markets. The Quality Assurance Management (QAM) system, meaning adherence to set policies and controls, is well established in Meatco's whole production system: from the procurement of cattle, fully compliant with relevant principles, to the hygienic slaughtering and deboning, and up to the dispatch of every carton.

Through competencies established by this internationally-recognised QAM system, Meatco is able to supply upmarket customers such as Heinz Italy, Norske Group in Norway and Danish Co-op.

The three leading certification standards applicable to Meatco are the British Retail Consortium (BRC), the International Organization for Standardization (ISO 9001:2015) and the Hazard Analysis Critical Control Point (HACCP), standards which have been observed for many years.

EU legislation insists on health and supervisory regulations which guarantee that imports meet the standards of production imposed by its member states. The primary objective of the EU food safety policy is to ensure a high standard of protection of human health and consumer interests concerning food, which take into account diversity and the preservation of traditional products, among others, while ensuring a balanced functioning of the market.

Their guiding principle is the application of 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 BRC is a body which maintains a strict watch over food safety and quality and upholds global standards which must be met by manufacturers. The BRC facilitates standardisation of quality, safety, operational criteria and manufacturers' fulfilment of legal obligations.

Certification also protects consumers. If a supplier gains certification against the BRC global standard for food safety, customers know they are dealing with a company that operates at a high level of competence in all critical areas. Customers are also assured that their supplier monitors and continually improves product quality, safety and legality, and that it has taken every precaution to prevent situations that could undermine the product's quality or safety.

BRC audits are carried out once a year, and grading is awarded based on the assessment of the applicable food safety management systems.

ISO 9000 is a series of standards developed and published by the International Organisation 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 eight management principles on which the family of standards is based. The ISO 9001 standard is a quality management standard for the achievement of quality products and service for customers. The HACCP and BRC standards are mainly food-safety management standards.

HACCP (Hazard Analysis Critical Control Point) is a systematic, preventative approach to maintain food safety. It focuses on physical, chemical and biological hazards to address prevention, rather than inspect finished products. This approach significantly benefits companies operating within the food supply chain as it enables them to identify key controls over processes and concentrate resources on activities critical to ensuring safe food. Retailers, the food industry and governments are concerned about ensuring food is produced safely so that consumers can be justifiably confident in the products they consume.

The two EU exporting plants have been certified by the British Retail Consortium (BRC), International Organization for Standardization (ISO 9001:2015) and Hazard Analysis Critical Control Point (HACCP) standards for many years.

Namibia and Botswana are the only countries in Africa cleared to export to the European Union (EU), while Namibia is the only African country cleared to export to the United States of America.

CERTIFICATION ORGANISATIONS/INSTITUTIONS AND STANDARDS TO WHICH MEATCO COMPLIES

Logo	Institution/ organisation	Standard	Certification Audit Description
	SABS	ISO 9001:2015 & SANS 10330:2007	HACCP (Hazard Analysis Critical Control Point) focuses on physical, chemical and biological hazards to address prevention
	BRC British Retail Consortium	Kiwa PAI	Assessment of the applicable food safety management systems.
	Namibia Standards Insitute (NSi)	ISO 9001:2008 & SANS 10330:2007	The cattle slaughtering, deboning of beef, dispatch of beef and processing of corned beef
	Meat Board of Namibia		Abattoir registration
	Halaal		Halal certification is a process which ensures the features and quality of the products according to the rules established by the Islamic Council that allow the use of the mark Halal. Specifically, for meat products Halal certifies that the animals were slaughtered in a single cut, thoroughly bled, and their meat have not been in contact with animals slaughtered otherwise and, especially, with pork.
	SAI Global	SAI Global Product Certification	SAI Global Product Certification provides third party assurance that a particular product meets the specified requirements of a nominated product standard and the certification represents reliability, quality assurance and safety. One of Meatco's customers, McDonalds, uses this certification standard.

TESTING OF OUR QUALITY PRODUCTS

UNVEILING OF MEATCO'S UPGRADED LABORATORY

The construction of Meatco's upgraded laboratory was completed in October 2016; it was commissioned in January 2017. The building is electrified by solar energy with key instruments backed by UPS. This is a level 2, Bio-safety Laboratory, equipped to conduct all microbiological and chemical tests specified, including tests for Clostridium perfrigens, Enterobacteriaceae and the Shiga toxin-producing Escherichia coli (STEC) group.

Meatco's laboratory is also available for external clients and is particularly suited to test for pathogens using the BAX system, an automated DNA-based system to test food safety and quality that produces results that are available within 24 hours. The lab was set up primarily to monitor internal hygiene and provide early detection of bacteria. However, Meatco also tests for bacteria on request by customers and markets, for example for STEC (Shiga toxin-producing E. coli) which is an American requirement.

Level 2 Bio-safety Laboratories

A Level 2 Bio-safety Laboratory employs specially trained personnel under the direction of a scientist with advanced qualifications. The laboratory handles pathogens which represent a moderate hazard to personnel and the environment, but are difficult to contract via aerosol exposure. Bio-safety cabinets are utilised and access to the facility is limited when tests are underway, because extreme caution must be observed when personnel handle contaminated sharp items.

QUALITY ASSURANCE: SETBACKS

OUTBREAK OF LUMPY SKIN DISEASE

The outbreak of lumpy skin disease (LSD) in the foot-and-mouth disease (FMD) free zone has impacted on the export of beef to China. Export has thus been temporarily suspended because the Protocol agreement states that the FMD free area must also be free of LSD, bovine spongiform encaphalitis (BSE), rinderpest and contagious bovine pleuropneumonia (CBPP).

The LSD cases were immediately reported to the Chinese Administration of Quality Supervision Inspection and Quarantine (AQSIQ) as and exports were suspended as per agreement between Namibia and China. For exports to resume, the Ministry of Agriculture, Water and Forestry will need to conduct testing and provide the AQSIQ with a detailed report on the status of the disease with assurances that it is under control. Once the AQSIQ is satisfied with these reports, negotiations to resume export may commence.

Despite these challenges, Meatco endeavours at all times to source ethically and manufacture to the most stringent international standards, and by undergoing regular independent and internationally recognised quality accreditation audits to reassure its customers of the quality of its products.

Besides serving the interests of its producers, Meatco takes immense pride in the fact that it is a substantial earner of foreign revenue. The Corporation draws attention to the quality of its products and high standards of its manufacturing processes in order to maintain markets and, critically, to open access to new markets for Namibia.

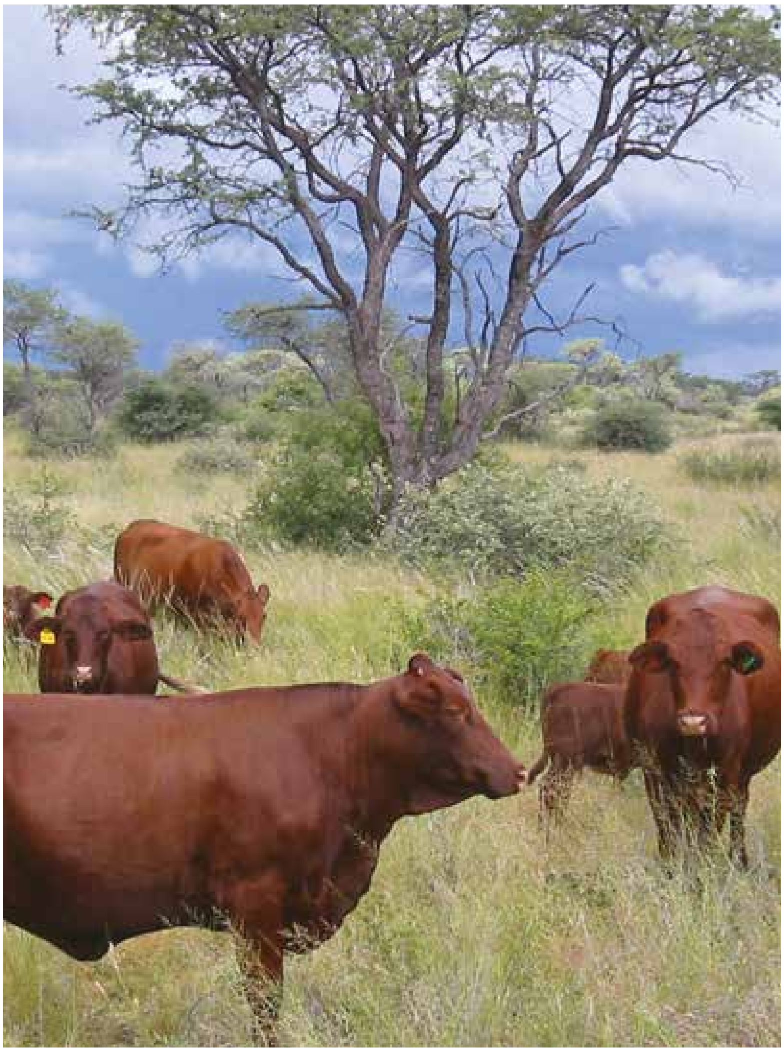
ENFORCED CLOSURE OF OKAPUKA FEEDLOT

During the 2016/17 reporting period, the Directorate of Veterinary Services (DVS) closed the Okapuka Feedlot twice, on 1 May and on 2 September, for four weeks and eight weeks respectively, due to low levels of zeranol, Fusarium fungi mycotoxins and their metabolites detected in urine samples from feedlot cattle.

In clarification, zeranol can be applied intentionally, only via implanted chip, to promote growth, which would be illegal in Namibia and the EU. It should be noted that zeranol can occur in low levels due to oxidiation of the Fusarium fungi's mycotoxins. Mycotoxins are not growth hormones, but rather naturally occurring toxins in stored feed. These are not prohibited or regulated in Namibia or the EU. Because it is a natural occurring process, the EU accepts Fusarium-produced zeranol levels in cattle urine.

There was no justification, neither legal, scientific nor health risk, for closing the feedlot because there was no evidence suggesting deliberate administration. Secondly, the first test results indicated already there was a relation between the low levels of zeranol and the toxins due to feed contamination. It was not necessary for the DVS to close the feedlot in order to test or conduct an investigation.

The unfortunate consequence of the closure was a significant loss of revenue for Meatco, for its producers and for the Namibian economy in general.



Stringent quality assurance throughout the whole chain lies at the heart of what we do.

LIVESTOCK
PROCUREMENT
REVIEW

Meatco exercises a three-pronged approach to procure livestock, namely, procurement through commercial farmers (which include Meatco's backwards integration initiatives), through communal farmers and from feedlots.

COMMERCIAL FARMERS

Due to ongoing drought and the scarcity of grazing which is its consequence, many farmers choose to market their cattle directly to Meatco rather than pay for supplementary feeding, necessitated by the drought. The situation has produced increased numbers of directly sourced cattle during the year under review, namely 56,766 head instead of the 45,000 that were budgeted.

ANIMALS PROCURED

62.8%
From commercial farmers

27.3%
From Meatco feedlots

6.0%
From communal farmers

3.9%
From backwards integration initiatives

The average weight and quality of cattle procured has declined year-on-year, with approximately 40% of the number marketed directly as C-grade cattle.

Unfortunately, the situation impacts on the national herd as well, with quality declining due to drought and the herd shrinking by at least 15%. The effects of the drought will continue to be felt in the foreseeable future.

Meatco's backwards integration initiative, by which contract feeders and profit-share producers raise Meatco-owned cattle (MoC) for the Corporation, is an important part of Meatco's livestock procurement approach. In 2016, contract feeders reared 3,547 heads of MoC in feedlots. As part of this initiative, two commercial farms, Langdon and Eahero, were leased in order to park animals if necessary. A total of 2,642 head of cattle were held during the value addition process.

The year under review was the second year since an amendment to the producer classification was made in 2015 to include 'Golden Producer'. The category honours the top ten Meatco producers by evaluating their merit points, as well as the quantity and quality of cattle delivered to Meatco over a period of three years. The classification system is beneficial for improved service delivery to its producers.

COMMUNAL FARMERS

As a service to communal farmers, Meatco regularly holds assembly or permit days in communal areas when farmers can bring cattle to a centralised location to be purchased immediately.

The permit days are arranged through the Farmer's Association (FA) of the area where they are held. The FA selects the date on which the assembly occurs and approves the prices Meatco offers for the cattle. For their part, producers need to adhere to the days advertised and accept the offered prices to ensure these events are well-coordinated. Animals auctioned for slaughtering must meet the 90/40-day requirements which are stipulated by the Meat Board of Namibia.

On the permit day, the Directorate of Veterinary Services appoints an inspector who identifies cattle that are limping, are blind or are lean. It is crucial that a farmer who transports cattle to the permit location, has an animal movement permit, a departure register and the 90/40-day verification certificate. Animals that are not covered by this documentation may not be sold or bought.

Producers must also produce FANMeat or brand cards on the permit days, as well as identification cards to prove cattle ownership for traceability purposes. During the year under review, 18 permit days were held, at which 722 communal producers were represented.

A total of 3,676 head of cattle were sourced through these permit days, of which 2,043 were selected for slaughter, 643 as feedlot cattle, and 430 designated communal weaners were sent to a South African feedlot. The rest were returned to the commercial auction system, because they could not be accommodated in Meatco's backwards integration initiatives.

Communal producers also delivered 1,682 cattle directly to a Meatco abattoir for slaughter.

Permit days are also an effective way to 'recruit' new members; 614 new producers registered with Meatco as members in 2016. Membership is imperative if farmers wish to voice their opinions, to vote or take part in strategic decisions at annual general meetings or other platforms. It is therefore important that farmers enquire about their membership status with a Meatco livestock procurement official.

The new producer classification system includes 'Golden Producer', a category that honours the top ten Meatco producers by evaluating their merit points, as well as the quality and quantity of cattle delivered over a three-year period.

To qualify for membership, farmers must slaughter at least one head of cattle at Meatco's abattoir or the Mobile Slaughter Unit (MSU) in the Northern Communal Areas (NCA) every three years, and must market to Meatco facilities, such as the feedlots or directly on permit days. Those farmers who have sold cattle to Meatco but who have not qualified to slaughter at the abattoir through the MoC scheme, do not automatically qualify for membership.

Should they wish to become members, farmers need to complete an application form which enables the Corporation to capture necessary information for its database. There is no membership fee and membership is activated as soon as a farmer's data has been entered into the system. Memberships are deactivated when members fail to market to the Corporation within the stipulated three-year period.

Prospects for the coming year are good. Approximately 60 permit days have been planned, which bodes well for communal farmers. However, some challenges will need to be addressed, such as logistical challenges and the risks associated with conducting cash transactions in communal areas.

SUCCESS: PERMIT DAYS

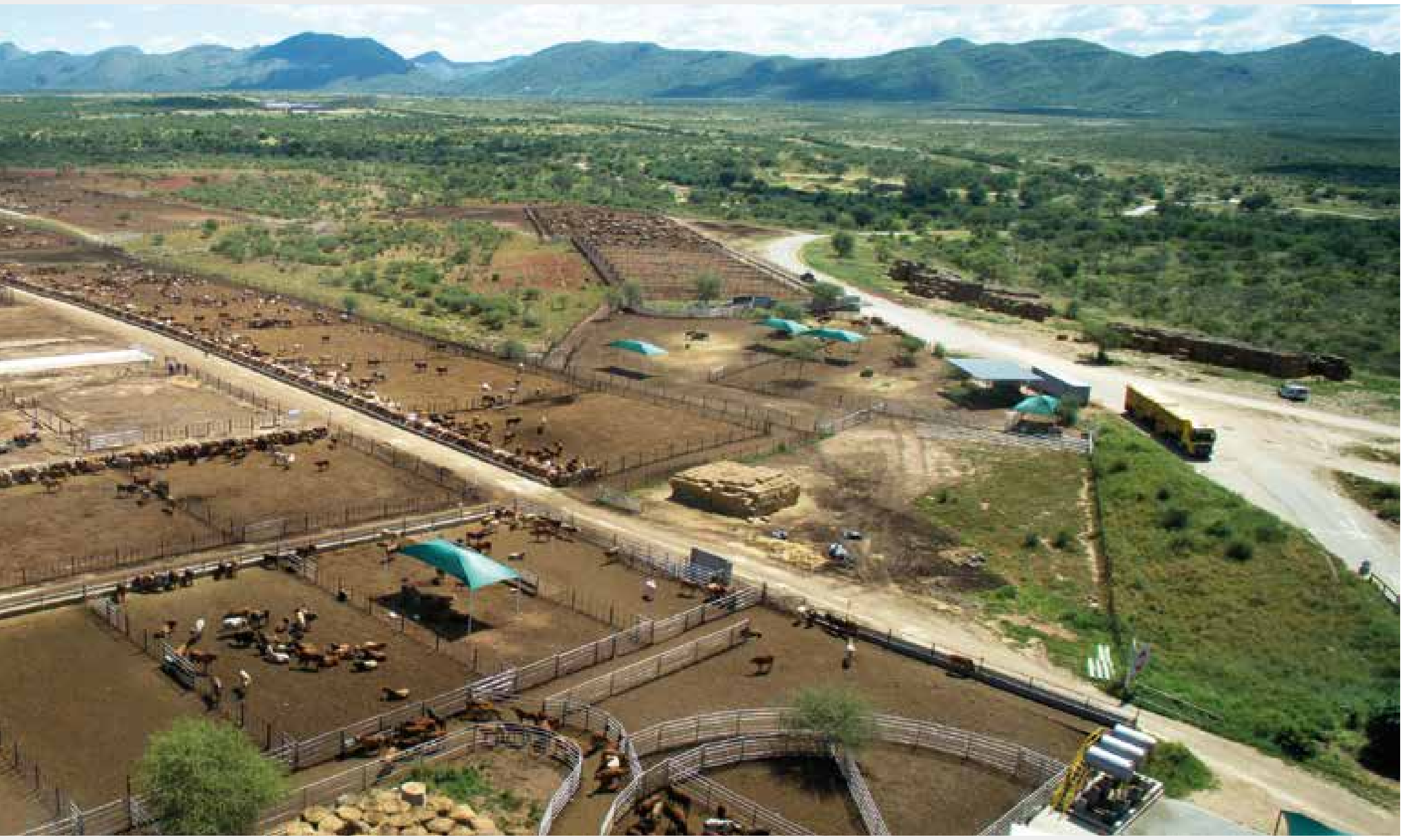
Gam, Talismanus and Omatjete permit days set the bar

A permit day in Gam in September 2016 witnessed 998 cattle in excellent condition sold to Meatco. The Talismanus permit day in April 2016 saw 322 cattle purchased by Meatco. Three permit days at Omatjete during the reporting period produced a combined yield of 661 head of cattle sold to Meatco.

The greatest impact of the permit-day programme in 2016 can be seen in the timely intervention of Meatco to purchase cattle from communal producers in the severely drought-stricken western areas of Namibia.

Cash injections on permit days helped both communal producers and small businesses in these communities survive the economic crunch.

The encouraging response to the permit-day programme on the part of communal producers will enable Meatco to slaughter an increasing number of communal cattle from year to year as Meatco puts systems and structures in place to accommodate the full 'basket' of cattle that can be purchased on these events.



Feedlots are an important part of Meatco's overall strategy to ensure the long-term sustainability of cattle supply to its processing facilities.

THE FEEDLOTS: AMELIORATING DIFFICULT CIRCUMSTANCES

The number of cattle purchased by Meatco for slaughter decreased from a budgeted 95,400 to 91,558 during 2016.

A primary contributing factor was closure of the Okapuka Feedlot in April and September 2016 by the Directorate of Veterinary Services (DVS), after two urine tests returned positive for zeranol. The test results were subsequently attributed to the presence of Fusarium fungus in the cattle feed. The throughput at Okapuka had been projected for 30,000. Ultimately only 20,807 head of cattle were slaughtered during 2016 at the feedlot.

The Corporation moved quickly to ameliorate its losses by closing the Okapuka Feedlot. The Annasruh feedlot was opened and an additional private feedlot, Bradley near Outjo, was leased. A total of 1,086 head of cattle were consequently slaughtered from the Bradley feedlot.

Approval by the mandatory Environmental Impact Assessment meant that the Corporation could continue to develop the Annasruh feedlot, groundwork having been initiated in April 2016. Clearing of bush has been carried out and 25 pens are under construction as part of Phase 1 of the development. An additional seven pens will be built in Phase 2.

The Annasruh feedlot will also become a sorting station for communal farmers in the region, whose cattle must remain at the feedlot for 40 days prior to slaughtering to meet EU export requirements. The feedlot can currently accommodate 500 standing head of cattle, and to date 1,769 head of cattle have passed through it.

INCREASED PREMIUMS

Producer prices

Despite the fact that the year under review was a challenging one, marked by drought and closure of the Okahandja abattoir and Okapuka Feedlot, producer prices have still increased year after year.

Overall, in the 2016/7 period, the average producer price increased by 13.64% from N$29.98/kg to N$34.06/kg, and the average weight per carcass increased from 229.83 kg to 238.20 kg. The average producer price paid by Meatco to Namibian producers is 10.76% higher than the South African parity price.

PRODUCER PRICE (N$/kg)	2016/17	2015/16
'A'-grade	N$38.75	N$33.70
'AB'-grade	N$36.02	N$31.11
'B'-grade	N$33.73	N$29.22
'C'-grade	N$29.36	N$25.41
Average	**N$34.06**	**N$29.98**

ANNUAL AVERAGES	2016/17	2015/16
Producer price (N$/kg)	N$34.06	N$27.75
Weight (kg/carcass: all factories)	238.20 kg	229.83 kg
Live weight	419.52 kg	439.82 kg

PAID TO NAMIBIAN PRODUCERS

Producer prices

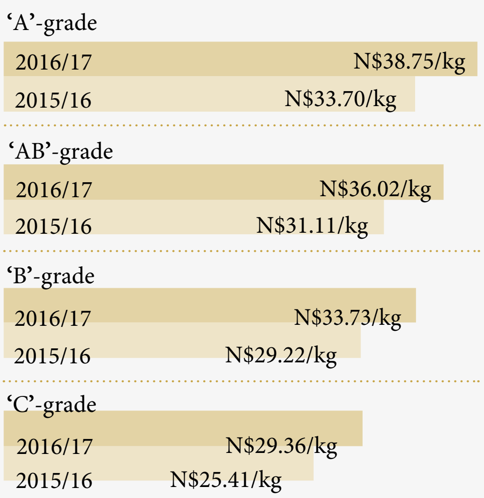


Figure 3: Producer prices (N$/kg), 2015/16-2016/17

CATTLE PROCURED

Procurement sources

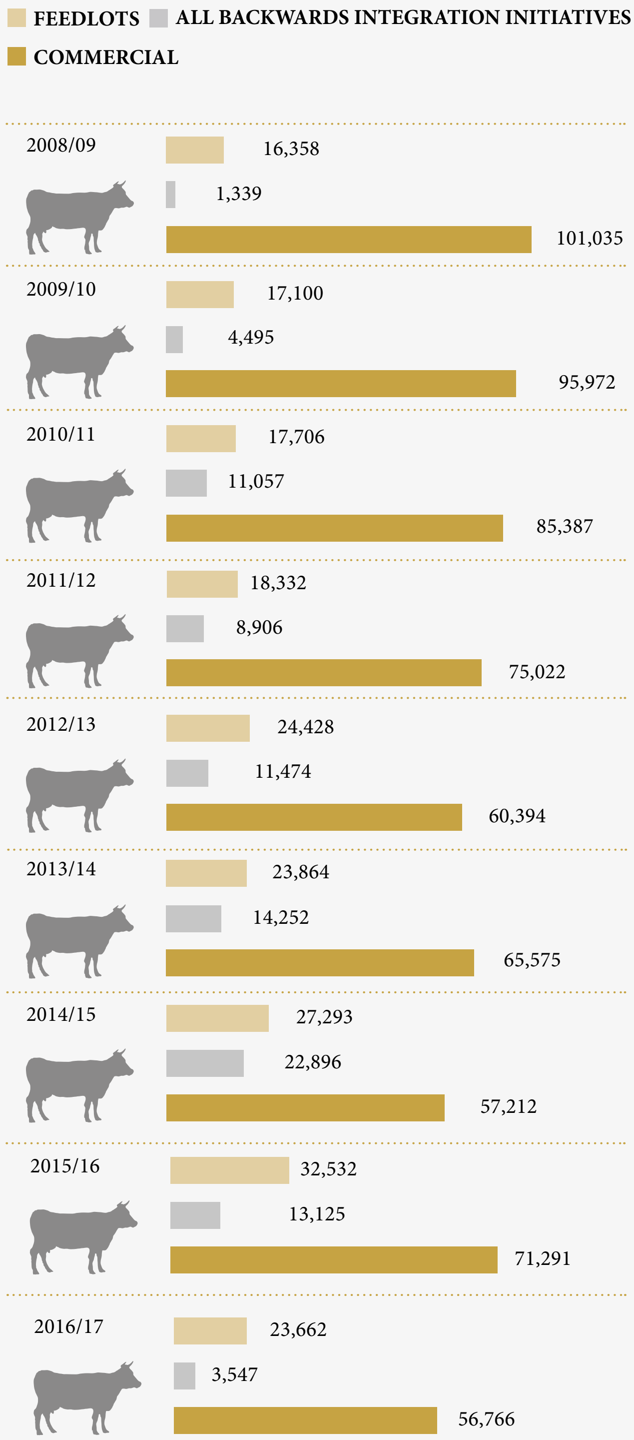


Figure 4: Cattle procured (SVCF): 2008/09-2016/17

2016/17 REVIEW

INNOVATION AND ADAPTABILITY: THE KEYS TO THE FUTURE

On the 14th of June 2016, a redesigned and refined version of the Meatco booking system was unveiled. Developed to synchronise with current technological advances and to ensure that Meatco's interaction with producers is efficient and accurate, the system has two main objectives, one, to make it user-friendly for those making a booking and two, to ensure fairness for all producers regarding relevant allocations, with minimal human intervention.

Producers will be better served with the new delivery-date scoring system which is intended to accelerate and streamline procedures to plan slaughter dates. Meatco recommends that the range of dates set for slaughter be as narrow as possible in order to select a month which is convenient for the greatest number of producers.

As exchanges are no longer permissible, a new algorithm was developed to get a slaughter date as close to a producer's preferred date as possible. In the event that a preferred date is not available, Meatco's procurement offices can be contacted to arrange a more convenient slot.

In addition, when rescheduling a slaughter date, the system will consider a producer's merit points, cancellation durations, quota lifts and extra slaughter days. Another notable modification of the system regards the stand-by list. Producers will now be asked to specify a lead time, the number of days the producer requires between arranging delivery to actual arrival of cattle at an abattoir.

The changes to the system were envisaged to be as beneficial for producers as they are for Meatco, as they simplify and streamline the procurement process, functioning as an early warning system in case livestock procurement difficulties should arise and allowing the Corporation to manage risk more efficiently.

CELEBRATING SUCCESS

PRODUCER OF THE YEAR AWARDS 2016/17

The awards were hosted under the theme 'Namibian Sunrise'. A total of 74 awards in 13 categories were handed over to the finest cattle producers in the country.

Dirk Uys of Savanah Brahmans in the Omaheke Region was crowned Meatco Producer of the Year for 2016 and Esegiel Nguvauva from Ovitoto Region scooped the Communal Producer 2016 at a colourful ceremony in Windhoek on 10 March 2017. They were awarded plaques and certificates, as well as cash prizes.

Dirk Uys also won the Top Regional Producer (commercial slaughter) award and was one of the Top Five Producers (slaughter commercial) while Nguvauva added the Top Regional Producer's award (slaughter communal) and the Top Five Producers' award to his grand prize.

Uys thanked Meatco for inspiring farmers to aim for higher levels of production and Nguvauva said he was speechless as he realised that any of the farmers could have won the top prize, seeing that they had put a lot of effort into their work.

The 2017 awards recognised farmers who produced and delivered top quality cattle to Meatco for slaughtering and feedlot purposes during a severe drought, while displaying their passion and commitment towards the farming sector.

Several criteria determined the winners in different categories, including the quantity of animals delivered, carcass conformation, fat grade and animal average daily gain (ADG).

2016 PRODUCER OF THE YEAR

Omaheke farmer, Dirk Uys of Savanah Brahmans, was crowned the Meatco Producer of the Year for 2016

At the event, Meatco board chairperson, Dr Martha Namundjebo-Tilahun, said the board appreciated the effort farmers were putting into their work under challenging circumstances and had therefor decided to reward the producers.

"As a board we recognised this and we approved a budget for a Producer Bonus of 75 cents per kilogramme to show we really value your hard work. It is important that the Meatco board and producers work together to earn foreign currency for the country and safeguard the interests of all stakeholders," she said.

Guest speaker Gunnar Dalen from Norway said Namibian and Norwegian farmers faced similar challenges. He said Norway has snow for about eight months out of the year, making it a 'snow desert' and livestock must be kept in barns all that time, which is an expensive undertaking.

"They only have four months in which to 'make hay' while the sun shines. Namibian farmers also have to prepare for drought in the few months the rain falls," he said.

He said Norway, one of Namibia's top beef markets, imports about 17% prime cuts

Esegiel Nguvauva from Ovitoto Region was crowned the Meatco Communal Producer 2016

COMMUNAL PRODUCER 2016

The winners in each of the respective categories of the Producer of the Year Awards are:

Producer of the Year: Commercial – Dirk Matthysen Uys
Producer of the Year: Communal – Esegiel Nguvauva
Golden Producer 2017 – Wilhelm Gerd Diekmann
Top Five Producer: Slaughter Commercial – Dirk Matthysen Uys
Top Five Producer: Slaughter Communal – Esegiel Nguvauva
Top Regional Producer: Slaughter Commercial – Reiner Stommel (Kunene)
Top Regional Producer: Slaughter Communal – Jekura Uairika Kavari (Kunene)
Top Five Producers: Live Sales Commercial – Omaruru Slagtery
Top Five Producers: Live Sales Communal – Uaavi Kandirikirira
Top Regional Producer: Live Sales Commercial – PS Gouws T/A Etobra Brahmane (Kunene)
Producer of the Month – Cordova Farming CC
BIG 5: Cattle Slaughtered – Kavango Cattle Ranch
BIG 5: Cattle Live Sales – Cuffs Cattle Enterprise

worth about N$300 million a year from Namibia. “This is about 5% of Meatco’s production,” he said.

He said farmers in Norway had formed a company (Notura) with a turnover of over N$35 billion a year to take care of their interests and was happy that Namibian producers had taken steps to make Meatco a producers’ cooperative.

He said the producers must maintain quality and keep an eye on prices, as this was the recipe for success.

“I have a dream: To see a producer-owned and producer-driven industry for the future,” he concluded.

Producer of the Month based on the number of cattle slaughtered

January 2016	Cordova Farming Cc
February 2016	Siebert Jacobus Briedenhann
March 2016	J.H. Botha
April 2016	H.J Kriess
May 2016	Kamab Guest Farm & Simbra Stud
June 2016	H.G. Rusch & Partners
July 2016	E.W. Fischer
August 2016	Dawid Hansen
September 2016	W.F. Lubbe
October 2016	Pommersche Farmgesellschaft
November 2016	Orthodontic & Genetic Service
December 2016	H.H.K. Kronsbein

Meatco's goal, as always, is to manufacture products of the very highest quality.

PROCESSING
OPERATIONS
REVIEW

The financial year 2016/17 was a challenging one for Meatco with the ongoing drought in Namibia and uncertainty regarding the water supply being of greatest concern.

Meatco's goal has always been to manufacture products of the highest quality, increasing profits for the Corporation while keeping costs as low as possible. The operational implications of an insufficient water supply for a company like Meatco are obviously severe.

Before the Windhoek municipality set water-saving targets of 30% for businesses and 40% for residences, the Corporation had proactively instituted measures to decrease its reliance on municipal water and reduce its water consumption overall.

Because climatic circumstances give rise to challenging conditions that require a mitigating response, the Corporation's response to the water crisis dovetails well with the ongoing initiative to streamline processing operations and modernise its plant. The goal has been to achieve greater efficiency, in order to maximise its profit-earning capabilities.

The Corporation's strategic commitment to improving efficiency spans all its processing operations: abattoir and meat processing plants, the canning and the tannery operations.

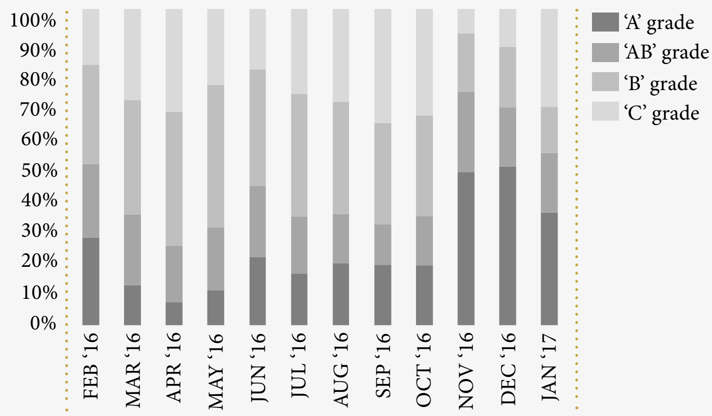


Figure 5: Grading distribution: 2016/17

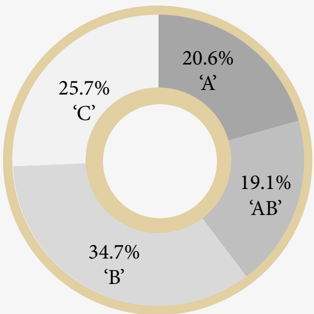


Figure 6: Grading distribution: 2016/17

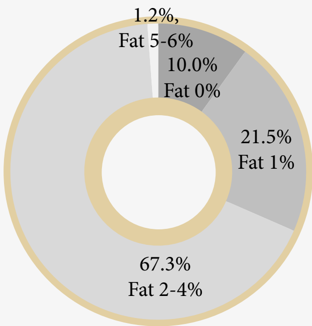


Figure 7: Fat distribution: 2016/17

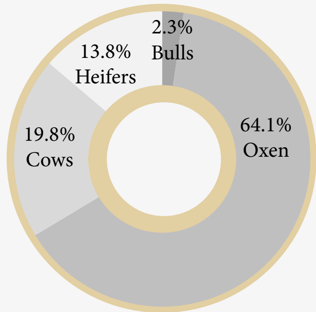


Figure 8: Type of cattle distribution: 2016/17

THE ABATTOIR AND MEAT PROCESSING PLANT

The focus during the year under review was to increase efficiency and minimise waste. The Windhoek plant increased capacity in slaughtering and deboning departments achieving a year-on-year increase in slaughtering from 420 to 560 head of cattle per day, and in deboning from 360 to 480 per day.

This achievement was notable because it was achieved solely through management initiatives, with no significant capital expenditure. Primarily the plant's increased capacity may be attributed to greater flexibility and responsiveness to unexpected situations, for example, when farmers brought cattle for early slaughter, but also because peak slaughter periods were managed better.

The implementation of a profit-and-loss management report that balances actual efficiency against budgeted targets on a daily and weekly basis has been hugely beneficial. The new report has promoted the refinement of processing operations, by enabling nimble decision-making and appropriate responses to any situation.

The Windhoek Plant was operational all year long and a total of 91,557 cattle were slaughtered, 25,391 less than the corresponding period in the previous year. The number of animals graded 'A' and 'AB' decreased, while the number of 'B' and 'C' grade cattle increased. The average weight per carcass increased by 8.37 kg from 229.83 kg to 238.20 kg for the year under review. Capacity utilisation was 84.4% of the quota allocated for slaughter and private slaughter was 6.51% of the animals slaughtered at the plant.

Most animals slaughtered at the abattoirs were a fat grade of 1 to 4. Overall, the condition of the cattle was fair throughout the year, though volumes were lower than expected.

Meatco processed a total of 21,809 tonnes of meat for its markets during the reporting period, compared with 26,878 tonnes recorded in the previous reporting period.

By modernising the canning line and trimming the production processes associated with it, more efficiencies could be effected.

INCREASED EFFICIENCY

OKAHANDJA FACTORY AND COLD STORAGE

The Okahandja plant only slaughtered during the first week in February 2016 and was closed for the remainder of the year.

Following the board's decision, the Okahandja facotry will be operating as a cold store for the next three financial years, depending on cattle numbers, the water situation and future effluent requirements.

CANNING

The focus of the canning department during the year under review was to increase efficiency on the canning line.

Because the requirement to buy raw material at the best price is a constant, modernising the canning line and trimming the production processes associated with it, enhanced efficiency and thereby enabled the Corporation to generate more income.

Meatco entered the canned corned beef market in the 1980s with its square-canned *Texan*, *Eloolo* and *Ranch* brands. Those brands are now sold in Namibia, South Africa, West Africa and Nigeria. Two new brands, *Longhorn* and *Cattleman*, were established to create a platform for launching products into local and regional markets.

With growing markets in mind, the Corporation has in preceding reporting periods upgraded the canning line. This is a process which is ongoing and is part of a strategy to increase profitability by decreasing loss of production time in this unit.

A round-can line has recently been introduced, with products such as canned viennas, chicken loaf and luncheon roll.

This round-can line will expand the Corporation's range of canned products substantially and, as demand grows, more products will be added, strengthening the Corporation's local value-addition plan in compliance with the Government's 'grow at home' strategy. The plan particularly aims at expansion into both local and regional export markets.

All said, the canning line produced 15.3 million cans of products in 2016/17, and sold 14.9 million cans of canned meat products, in doing so adding N$1.2 million to the Corporation's bottom line.

While the 2016/17 reporting period was largely successful for the cannery, some hurdles needed to be negotiated.

Problems with municipal water quality at the cannery had an impact on production, as did technical problems associated with the age of the canning production lines. Installation of a new production line in April 2017 should mitigate losses in production time.

OKAPUKA TANNERY

Meatco's Okapuka tannery is located 25 km north of Windhoek and has been in operation since 1987.

It currently employs 38 people but employs a sophisticated automated method requiring minimal human intervention to process fresh and salted hides to the wet-blue stage. (These hides have been cured in chromium salts, a method that produces stable leather products that are flexible and long lasting.)

Hides are sourced throughout Namibia, from Meatco and other abattoirs, as well as from South Africa and Mauritius. These are destined locally, for NAKARA, and internationally to Italy and China once they have been processed.

The reporting period was a tough year in the tannery: 272,422 skins were sold while only 168,422 skins were purchased. The discrepancy was attributable to the reduced number of cattle slaughtered. The situation necessitated the purchase of additional game, sheep and goat hides to supplement the shortfall in supply. Ninety per cent of the exported hides went to Italy and ten per cent went to China.

Maximising those market opportunities was the main consideration.

Due to the losses the tannery incurred, it was decided that no lower grade hides would be purchased in the future, only high-grade hides to supplement a shortfall. Also, no sheep and goat hides would be bought. Furthermore it was decided that both international and local economic conditions would be taken into consideration when attempting to reduce the Corporation's vulnerability to fluctuations in those markets. A strategic decision was taken to 'right size' production in the tannery to increase returns.

It was considered that, with most exported hides feeding the fashion industry, inherently sensitive to currency fluctuations on international markets, and due to uncertainty of the water supply in Windhoek, it would be prudent to adjust production accordingly.

Hides at Okapuka Tannery, ready for shipment to Meatco's international customers.

GROUP ENGINEERING: THE NEED FOR INNOVATION

The ongoing drought in Namibia has shaped much of the decision-making process at Meatco during the year under review. With grazing dwindling for lack of rainfall, and the water supply becoming ever more precarious, serious interventions became necessary.

The situation has also forced the Corporation to rethink long-term strategies and to establish innovative solutions for persistent challenges. Meatco's initiatives during the reporting year related to its water consumption are described in more detail in the environment section. The new business approach in the Northern Communal Areas (NCA) focuses on the new mobile slaughter unit and exemplifies the Corporation's trends in innovation.

STRAIGHT TO THE SOURCE

MEATCO'S NEW MOBILE SLAUGHTER UNIT

For 25 years Meatco has managed Government abattoirs in Oshakati and Katima Mulilo on a lease basis. The agreement expired on 4 March 2016 and, in October 2015, Meatco gave notice that it does not wish to renew the contract due to the huge losses incurred over the past 23 years in the NCA.

The business model used in the region to this point has not worked for the Corporation. The board has made it clear that Meatco will maintain its presence in the NCA but will conduct its business in a manner by which the Corporation is able to serve its membership in the NCA area. A new business plan for the area introduces the Mobile Slaughter Unit (MSU).

The first slaughter site at the Matumbu Ribebe quarantine camp.

The benefits of utilising the MSU in the NCA are substantial. Taking an abattoir to the farmers provides greater flexibility, eliminates the long distances livestock needs to travel and decreases stress on the animals.

The unit effectively creates capacity where and when it is needed, north and south of the VCF. Improved food-safety and hygiene standards are ensured and Meatco is now able to operate in NCA areas which have not been closed due to foot-and-mouth disease.

The MSU also provides access to quality animals previously unavailable to formal slaughter outlets. In addition, the unit can be completely shut down during periods or situations not conducive to efficient operations.

Because only core staff are employed and fixed-term, seasonal support staff is sourced from the communities being served, the unit offers the dual benefits of keeping overheads low, simultaneously creating employment and a measure of self-sufficiency for communities in some of the most remote areas of Namibia. In addition, local entrepreneurship is also stimulated, because all offal is sold at discounted rates directly to villagers and to small-medium enterprises (SMEs) under the supervision of the Meatco Foundation.

In August 2016, the MSU was transported to its first slaughter site at the Matumbu Ribebe quarantine camp. Between 18 August and 13 December, Meatco slaughtered 746 cattle with the unit. Slaughtering was suspended in January 2017.

The Mobile Slaughter Unit operating team.

Inside the Mobile Slaughter Unit during the first stage of removing the skin.

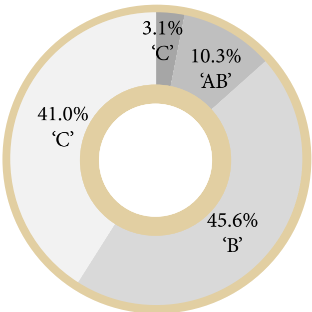


Figure 9: MSU Grading distribution: 2016/17

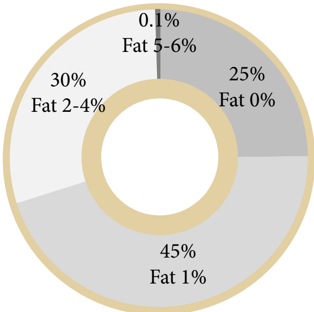


Figure 10: MSU Fat distribution: 2016/17

208
Average carcass cold mass/kg

407
Average carcass live mass/kg

N$27.11
Average cold mass price/kg

N$13.85
Average live mass price/kg

All carcasses were sold to Bonanza in Oshakati. Throughput is still lower than was budgeted due to marketing challenges in the NCA.

Prerequisites for cattle purchase by Meatco are fairly stringent. Animals must:

- be on the hoof (alive);
- comply with the weight, age, conformation, fat cover and hide condition criteria dictated by the Corporation;
- not display any signs of sickness or external injuries;
- be tagged with an electronic tag on the left ear and any other ear tags must be visible upon arrival;
- be accompanied by a valid Directorate of Veterinary Services movement permit;
- support an official stock brand; and finally
- be transported to the MSU in an animal-welfare compliant manner.

IN CONCLUSION

Despite the fact that the Corporation is currently in a period of change and adaptation, the operations department has managed to negotiate its challenges successfully. It has innovated, scaled its operations and continues to support the creation of value required by customers and producers.

With an uptime of 98% (minimum industry standard is 95%), it is clear that the department's efficiency initiatives deliver the desired results.

Meatco filled the full 1,600-tonne quota to Norway for the year, despite Okapuka Feedlot being closed for eight weeks. By fulfilling the quota the Corporation continues serving niche markets and placing its Natures Reserve product range onto shelves that will bring maximum yield for Meatco's producers. At the same time it proves to the Norwegian authorities that Meatco has the capacity and capability to fully utilise the allocated and additional quota in future.

MARKETING
AND SALES
REVIEW

Overall, the 2016/17 reporting period was a successful year for Meatco from the standpoint of marketing and sales, although the excitement associated with the opening of new markets was tempered somewhat by the challenge of attenuating the effects of drought.

In trying times, market diversification clearly becomes more important. It's not a matter of gaining access to every market possible, rather one of achieving a beneficial mix of markets that allow the Corporation to navigate among them and mitigate challenges, such as those created by the global economic slump which weakened markets through currency exchange-rate instability and other macro-economic conditions.

Given the unpredictability of the global economy and uncertainty about how long the downturn may last, Meatco needs to spread its exposure in various markets to realise more sales and better value for its producers.

BROADENING MEATCO'S 'BASKET' OF PRODUCTS

It goes without saying that international markets are instrumental to Meatco's success. The lion's share of the Corporation's income is earned in foreign currency, primarily from the European Union (EU) and Norwegian markets. Given the instability and weakness of the South African Rand (ZAR), to which the Namibia dollar is linked, against the major trading currencies, payments in foreign currency are vitally important to the Namibian economy. This situation is a motivational factor which drives Meatco to nurture its markets overseas and its exploration of potential new markets.

Meatco exports to the European Union (EU), United Kingdom (UK), Norway and South Africa, and new markets in the United States, China and Hong Kong have recently been cleared. The EU, UK and Norwegian markets account for 43.2% of Meatco's sales by volume, while South Africa and Namibia make up 55.72%.

Namibia accounts for 31.7% of that volume while the balance, 24.02%, comes from South Africa. It is notable that the bulk of sales in Namibia is offal products, while in South Africa it is mostly beef used for manufacturing of meat products.

However, international markets account for 75.41% of the value of the Corporation's sales, while South Africa and Namibia combined accounted for 22.9%. Namibia accounts for 10.62% and South Africa for 12.28% of the combined value.

Clearly, these markets are vitally important to Namibian producers. Fortunately, despite the drought in Namibia and its effect on the availability of feed, Meatco managed to maintain the prices of its products, and even affect a slight increase in price year-on-year across all its markets. The difference in the markets, that Meatco's prime cuts are exported to the EU, UK and Norway, while Namibia and South Africa purchase the low-price cuts, is essential.

RECOGNISING THE NCA AS A PLATFORM FOR GROWTH

While international markets are vitally important to the Corporation and the national economy, the importance and value of the market at home should not be overlooked.

Meatco has formulated a strategy that is especially adapted to exploit the growth potential of the Northern Communal Areas by offering a service that is affordable which maximises profits at the same time. This strategy includes processing carcasses from the Mobile Slaughter Unit (MSU) into beef whole-cuts, beef stew and deboned cuts. Frozen beef, which is aimed at semi-formal markets is also sold in the NCA. These markets include *kapana* vendors, government institutions (schools, prisons and police stations), and retail outlets where the general public can purchase small quantities for household use at reasonable prices.

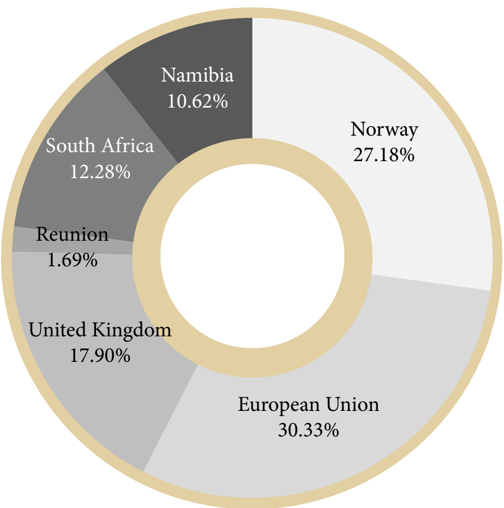


Figure 11: Actual sales distribution in value, 2016/17

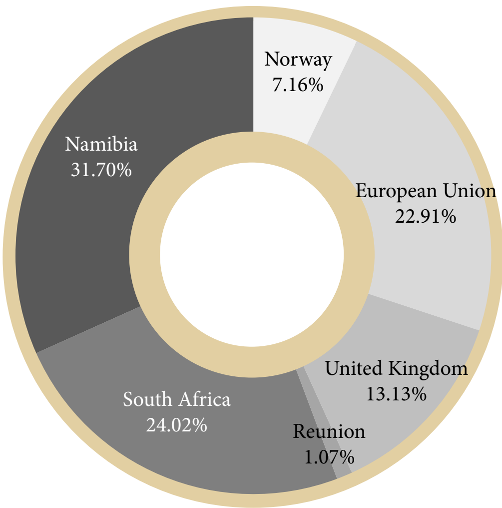
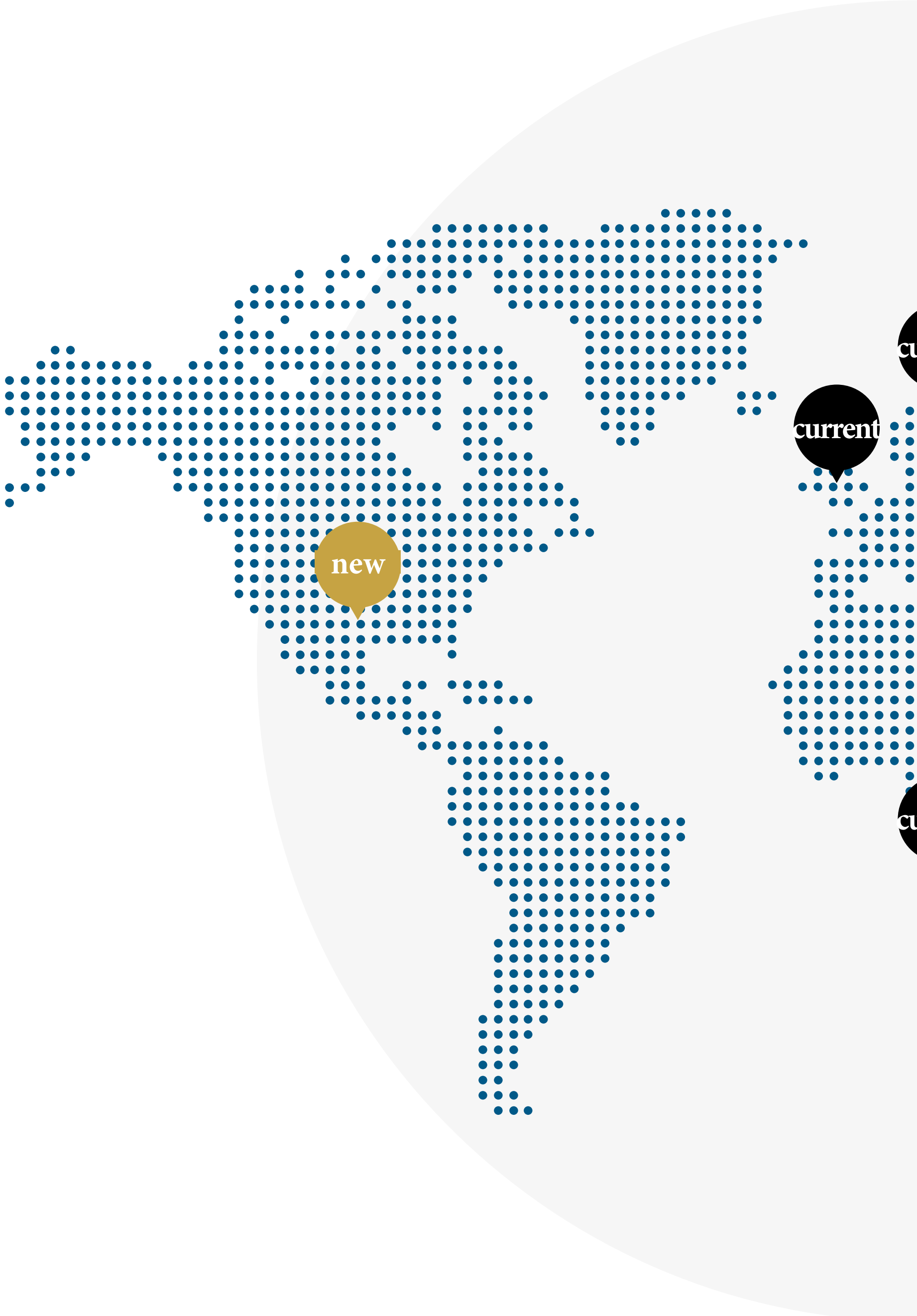


Figure 12: Actual sales distribution in volume, 2016/17



GLOBAL MARKET

NEW MARKETS APPROVED

During the current reporting period, exciting new export opportunities were cleared for Namibia when the Corporation gained access to China, Hong Kong and the United States. New markets allow us to promote products in different places at different times of the year and to balance the product mix in order to continuously maximise returns.

The Chinese market holds huge earning potential, as beef consumption in China tops nine million tonnes annually. Requirements, such as management of the 60-day standing regulation before slaughter, still need to be ironed out, but barring outbreaks of disease, the Chinese market is open to Meatco.

The Corporation also intends to request that Government renegotiate with China so that Meatco will be able to add vacuum-packed, fresh beef (chilled) and offal to widen its basket and maximise returns. Namibia is the only country in Africa cleared to export bone-in beef to China during the year under review.

Another important market for Namibia's beef opened with the first consignment of 23,719.28 kg shipped to Hong Kong in late September. The Hong Kong market provides a further opportunity to market bone-in and offal products, which will increase the value of traditionally low-value products.

Requirements, on which export clearance depends, include that the cattle be slaughtered at a DVS-approved abattoir, that the cattle was born and sourced south of the Veterinary Cordon Fence (VCF) from a zone free of foot-and-mouth disease (FMD) where no vaccinations were administered. Prior to slaughter, animals needed to bear a unique identification mark so that they could be traced to the farm of origin. Impressively, Namibia is the also first country in Africa cleared to export beef to Hong Kong during 2016.

Meatco is continually exploring new markets to diversify its customer base. New markets allow us to promote different products in different places at different times of the year, thus balancing the product mix and maximising returns.

On 16 July 2016, after a long and rigorous application process Meatco began in 2002, Namibia was finally added to the list of countries cleared to export meat and meat products to the United States by the Food Safety and Inspection Service (FSIS). The first container of boneless beef (including prime cuts, chuck, blade and beef trimming) will depart Namibia for the USA in the new reporting period.

Though accessing these markets is undoubtedly a very important achievement, managing, developing and maintaining them is equally important. Establishing new markets is not an easy task. On the other hand, it is an equally difficult challenge to keep these markets paying competitive prices on a sustainable basis.

VALUE ADDITION: EXPANDING MEATCO'S SELECTION OF CANNED PRODUCTS

Since the 1980s, Meatco has produced canned corned meat under the Texan brand. This brand is marketed in Namibia, Zimbabwe, Botswana and South Africa and has recently made inroads to markets in West Africa, particularly in Nigeria. Available in three flavours (plain, chili and chakalaka), the Texan range is ISO, HACCP and Halaal certified, and has sold 16.5 million cans in these markets with Botswana and South Africa consuming the lion's share of the volume at 65.18%.

Based on the success of the Texan brand, the Corporation decided to widen Meatco's basket of canned products by introducing a new range, which includes Viennas, luncheon roll and chicken roll in a 280-gram round can, to the market.

The range has received Namibia Standards Institution (NSI) accreditation and is available in Namibia and the other SADC countries. The range represents a valuable growth opportunity for Meatco and by way of this value addition, is also a platform for local job creation.

In September 2016, Meatco's MeatMa range of products celebrated its second year of being available on the Namibian market.

MEATCO'S MEATMA BRAND

MAKING INROADS IN THE LOCAL MARKET

Meatco's MeatMa range of products is a local brand which provides a good source of protein to a large number of consumers.

Comprising offerings such as braai wors, burger patties, hindquarters, shin and club steaks, the range has created a space for itself in the local market and has been very well received. Its success may be attributed to the fact that customers are confident that the rigorous quality standards applied to exported products are also applied to a local range.

Part of the strategy to expand the presence of the range on the local market, Meatco has decided to partner with retailers such as Woermann Brock and Metro, whose retail and wholesale outlets throughout Namibia will increase the visibility and availability of these products.

Meatco's general approach is to maximise returns from this brand by operating as close to the end user as possible, and to ensure the sustainability of the brand by paying its producers a good price for their cattle.

SURMOUNTING CHALLENGES

An essential component of serving local and international markets with quality products is, of course, having a consistent supply of the raw material needed to make those products in the first place. In 2016 securing a steady supply proved to be a challenge, mainly due to the effects of the drought.

Not only was the quality of the meat affected ('C'-grade cattle increased), the number of animals available for slaughter decreased, due to the scarcity of graze. With international export agreements and local brands to develop, it was necessary to rely on imports in order to meet the Corporation's production quotas.

The course of nature is always unpredictable. For that reason, any business that depends on farming carries inherent risks. Focus needs to be placed on controllable and predictable factors in order to develop such business.

Meatco needs to create awareness of its strengths, which are the quality of its products, the stringency of its controls, its expertise in processing, to its customers and potential customers in order to maintain markets and open new ones.

The Corporation must continuously refine and develop its processes and products to maximise returns and earnings for its producers, offering the best products possible to the market. Marketing the difference, Meatco reiterates that its products should always be the consumer's first choice.

The MeatMa range of products is gaining popularity among Namibian customers.

Meatco partnered with selected retail and wholesale outlets to increase the visibility and availability of the MeatMa range of products.

Meatco's employees form the backbone of all its operations.

HUMAN
RESOURCES
REVIEW

Meatco's human resources strategy is to develop and implement policies and procedures that will develop the Corporation's human capital complement to define and execute its overall business strategy and achieve its objectives.

At the heart of Meatco's people-centred approach lies the recognition that the Corporation's workforce is pivotal to its success and that investment in its development is essential.

To that end, its employees' health, safety and well-being must be safeguarded through effective management systems, engagement and training.

As of January 2017, Meatco employed a staff of 988 people.

The right of employees to associate freely and bargain collectively is entrenched and the Corporation aims to meet, even exceed, relevant labour standards at all times.

Meatco firmly believes that its long-term commitment to its employees' development, i.e. broadening their skills and welcoming their contribution to the Corporation, their lives and their communities, will make a significant contribution to reaching Namibia's development goals as they have been envisioned in the Harambee Prosperity Plan.

With that commitment in mind, Meatco's human resources goals can be summarised as follows:

- to build a sustainable pool of talent for its employment needs, both current and future;
- to foster the retention and development of talent;
- to develop dynamic leadership skills; and
- to plan the succession of key skills needed by the Corporation over time.

BENEFITS

Meatco employees enjoy the following benefits:

- Market-related salaries revised on an annual basis,
- Training and development opportunities
- Employee health benefits
- Retirement benefit
- Medical aid
- Housing allowance
- Comprehensive leave benefits
- 13th cheque
- Corporation-sponsored transportation from pick up points to the factory
- Interest-free study loan
- Long-service Awards
- 24-hour insurance policy, and
- Discounted prices on specified meat products, among others.

ADAPTING TO EVOLVING BUSINESS MODELS

IMPACT OF THE MOBILE SLAUGHTER UNIT AND CLOSURE OF THE OKAHANDJA ABATTOIR

In the period under review two developments in Meatco's operations had notable implications for human resources, namely the introduction of the Mobile Slaughter Unit (MSU) in the northern communal area, and the closure of the Okahandja abattoir in February.

Launching the MSU, it was important that appropriate staff be in place, while in the latter case, serious planning, engagement and negotiation were necessary, and are ongoing, to accommodate staff from Okahandja at the Windhoek abattoir. In addition, the Okahandja factory was converted into a cold storage facility, reducing the Corporation's reliance on South African cold storage and creating faster turnaround times due to proximity.

It was decided it would be more efficient to run a single factory at full capacity where the supply of water is guaranteed.

Wage packages were negotiated at the beginning and at the end of 2016. The second round of negotiations addressed salaries for the year 2017.

Previously Meatco's production had been split on a six-month rotation between the two factories, due to the low number of cattle available for slaughter, and because of the water supply crisis. It was then decided that it would be more efficient to run a single factory at full capacity, namely Windhoek, where a supply of water is guaranteed.

Subsequently, production was shut down at the Okahandja abattoir in February and all production moved to Windhoek.

The Okahandja factory employed 282 people. Twenty have been identified for employment at the cold storage facility; the rest have been offered positions in Windhoek.

Meatco continues to scoop PMR Awards in the Diamond categories (2016).

The new duty station is slated to open on 1 April 2017. Voluntary early retirement was offered to employees older than 55 years to open up more positions in Windhoek. A move to Windhoek would require that employees also move their residence, since transport could only be provided within city limits. Those unable or unwilling to make this adjustment would be retrenched in accordance with Namibian labour law.

The Board approved fuly subsidised transport for Okahandja employees. The transition has included dialogue between the Corporation, the Board and labour union, Meatco's goal being to minimise the number of jobs lost.

Times are economically challenging for the Corporation, with reduced cattle numbers necessitating economising and increasing efficiency at the Windhoek factory to reduce staff costs.

A hiring moratorium has been instituted to help reduce costs, with new positions open only on approval of motivation.

Meatco achieved success with AA reporting, the Corporation being recognised as a compliant employer.

RECOGNITION

MEATCO SCOOPS FOUR PMR DIAMOND ARROW AWARDS

The Meat Corporation of Namibia (Meatco) won four Diamond Arrow Awards and was the highest rated in the Agricultural sector at the annual Professional Management Review (PMR) Awards held in Windhoek on Wednesday, 29 March 2017.

For the first time Meatco received the PMR 1st Overall Diamond Arrow Award in the category *Companies/Institutions Demonstrating Exceptional Managerial and Corporate Governance in Namibia* over the past year, with a rating of 4.35 out of a possible 5.00.

In the business sector, the Overall Outstanding first Diamond Arrow Awards were awarded in three categories, namely:

- *Agriculture (Abattoirs) in Namibia*
- *Agriculture (Livestock) in Namibia*, and
- *Meat Processing Companies in Namibia*.

The awards are made based on research by the South African consultancy company Professional Management Review (PMR) Africa, which rates companies on perceptions of their processes, leadership, competitiveness, effectiveness and excellence, customer service and levels of satisfaction. In the previous reporting period, Meatco won two awards. These acknowledgements of dedication and hard work identify the Corporation as a leading contributor to the Namibian economy.

Meatco's Executive: Stakeholder Relations and Corporate Affairs, Vehaka Tjimune, said, "Despite 2016/17 being a challenging year for Meatco given the closure of the Okapuka Feedlot, Meatco was still able to maintain a positive image and obtain these four awards. For Meatco, its employees and the communities around us, the awards are an achievement to celebrate."

Employee wellness remains a priority for Meatco as a healthy workforce is vital for a healthy and successful company.

Peer educators and shop stewards received training in employee wellness during the reporting year.

OCCUPATIONAL HEALTH

EMPLOYEE WELLNESS

It was mentioned in Meatco's 2015/16 Annual Report that the Corporation had established a clinic at its Windhoek factory so that staff could have quicker access to healthcare, and to promote a proactive attitude towards maintaining health.

In the 2016/17 period, the Meatco clinic joined the PharmAccess Foundation's SafeCare programme of basic standards. SafeCare standards are accredited by the International Society for Quality in Healthcare, and by its participation, Meatco is able to provide a higher standard of healthcare for its employees.

The Corporation also disseminates information via internal media, such as the MeatUs newsletter. Topics of mental health, such as depression and suicide prevention, as well as subjects like heart disease and breast cancer, are presented and staff is encouraged to visit the clinic if employees have questions.

ORGANISATIONAL DEVELOPMENT

BURSARIES, STUDY LOANS AND INTERNSHIPS

In the reporting period Meatco subsidised the studies of five university students in fields pertaining to the Corporation's operations, such as veterinary science (one student), electromechanical engineering (one student), information technology (two students) and animal science (one student).

Due to current economic constraints, the Corporation has decided to support only these bursary holders to completion of their studies and will not grant new bursaries for 2017/18. Selection of students to receive bursaries is based on considerations of merit.

Under the terms of a memorandum of agreement with vocational training centres and institutes of higher learning, Meatco occasionally offers internships or apprenticeships to Namibian students who require practical experience in order to graduate. Nineteen students were accommodated in internship programmes in 2016.

Meatco supported five students with bursaries and accommodate 19 interns.

Due to financial support on staff training and development, Meatco qualifies for a rebate of 50% on its training levy taxes. During the 2016/17 reporting period, a refund of over N$800,000 was granted for contributions made during 2014 and 2015.

Meatco also supports employees to further their education by offering interest-free study loans. Employees have their studies paid upfront and a monthly salary deduction is made which is fully refundable to the employees on completion of their course.

Recipients of loans are obligated to remain in Meatco's employ for a period equal to the duration of their studies. Should an employee wish to change employers before their obligation is met, they are required to repay the loan in full on a pro-rata basis. During the reporting period, nine Meatco employees applied for and received study loans.

Engagement with Meatco's stakeholders, such as the annual general meeting held in June 2016, forms an important part of its interaction with members.

STAKEHOLDER
ENGAGEMENT AND CORPORATE AFFAIRS
REVIEW

Meatco's success relies on open, respectful and mutually-beneficial relationships with a number of key stakeholders.

These include producers who supply raw materials, employees who process raw material into products in demand at the marketplace, suppliers of consumables and services required for processing, Government, the Directorate of Veterinary Services (DVS), the Meat Board and other industry regulatory bodies, institutions that assist the development of and access to new markets by means of trade agreements and finally, customers who purchase Meatco's products.

Primarily, it is Meatco's producers, both commercial and communal farmers, who are the Corporation's most important stakeholders. While the Corporation needs its producers to supply it with cattle of a high standard on a reliable basis, the farmers need Meatco to remunerate them at a competitive and sustainable price for their cattle.

The sustainability of the Corporation, as well as the Namibian livestock industry on a macro scale, depends on regular, direct and transparent communication to sustain this symbiotic relationship.

It is therefore understandable that nearly half of Meatco's corporate communications and projects deal with producers. For the same reason, most of the Corporation's sponsorships benefit farmers' associations and organised agricultural activities.

During the period under review the focus of Meatco's stakeholder engagement and corporate affairs department was threefold: firstly, to identify and influence factors in the business environment that bear on the conduct of its business, secondly, to build and maintain beneficial relationships with external and internal stakeholders, proactively identifying the Corporation's communication needs and designing innovative approaches to communication, and thirdly, to monitor and evaluate the effectiveness of the department's interventions through the design of robust tools.

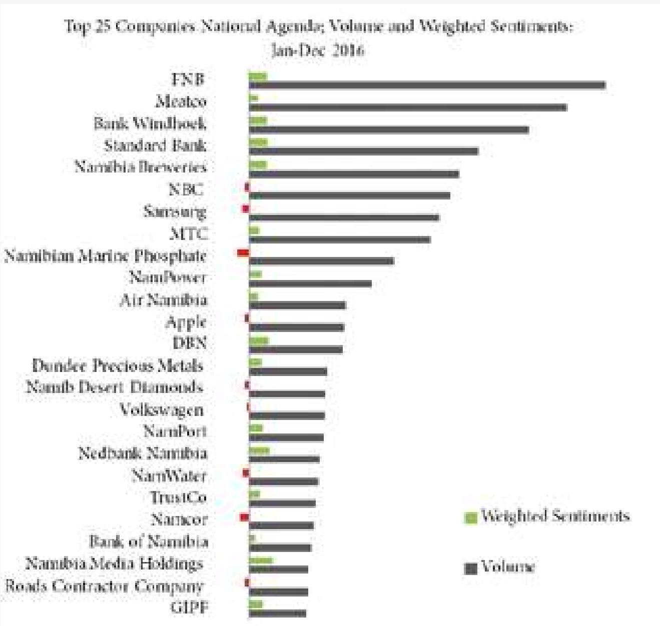
To achieve these complex goals, the department conducts interaction with external and internal stakeholders on a continuous basis, researching, identifying and ultimately influencing factors in its business environment, creating effective communication vehicles to serve Meatco's activities, and finally, designing the tools by which it can measure the effectiveness of its endeavours.

To reach the gamut of diverse stakeholders, Meatco utilised 14 communication channels in 2016, ranging from an online platform and electronic channels to conventional print media. Meatco's website was revamped during the reporting period, making it more user-friendly and accessible, with links to various activities across the Corporation's activities, thereby providing new sources of information and offering fresh experiences of the Meatco brand.

The department participated in planning meetings, public dialogue on parliamentary bills, and sector-specific conferences. In addition, particularly effective means of engaging with stakeholders and the public is participation in agricultural fairs and invitations to observe Meatco's operations through factory tours and 'open season' events.

The latter are the means by which Meatco rallies the media around issues of mutual importance to the Corporation and its shareholders. A successful 'open season' event was conducted on 25 November 2016, whose aim was to foster amiable relationships with media practitioners. The media were informed about the Corporation and its activities, with special emphasis given to the topic of market diversification. The media were also invited to network with the Corporation's communication officers.

NaMedia, a media content analysis and research firm, rated Meatco the second top communicator in 2016 in local print, television and radio stations, confirming the Corporation's prominence on the national agenda for the period under review.



(Source: NaMedia, January 2017)

NaMedia rated Meatco the second top communicator in 2016, as indicated on the graph.

Figure 13: NaMedia's top 25 communicator companies, Jan-Dec 2016

WATER CRISIS

MITIGATING CHALLENGES THROUGH ENGAGEMENT

Given the challenging conditions under which Meatco is currently operating, the importance of regular and constructive stakeholder engagement is becoming increasingly apparent.

Arising from the effects of drought on Meatco's operations and business, engagement with producers, employees and Government to clarify their impact on the Corporation was essential. As noted earlier, the lower cattle numbers resulting from drought, combined with acute water shortage, necessitated the temporary closure of the Okahandja factory.

Understandably, it was important to engage staff, to reassure them and help them adapt to adjustments necessitated by the circumstances. The contracts of fixed-term workers at Okahandja were not renewed, but all permanent staff were accommodated at the Windhoek factory. Producers, the relevant municipalities and Government were kept informed about these events as they occurred.

Meatco also engaged with the Ministry of Public Enterprises in order to establish a mutually beneficial relationship with the new ministry. In addition, there was critical engagement with the Ministry of Industrialisation, Trade and SME Development regarding the allocation of the Norway quota, which initially awarded Meatco 1,425 tonnes of the 1,600 tonnes and later an additional 400 tonnes, thus the full quota. This was an important milestone for Meatco.

Another issue of common interest was the Corporation's commitment to a new business model which brought significant investment in the development and launch of the Mobile Slaughter Unit to bolster Meatco's continued profitability, despite challenging environmental and business climates.

Deputy Minister of Public Enterprises, Hon. Engel Nawatiseb (right) met with the executive management team.

An aerial view of the Mobile Slaughter Unit at the Matumbu Ribebe quarantine camp.

The unit, also described as an 'abattoir on wheels', enjoyed a specialised external affairs programme during the period under review. Several radio talk shows in the form of 'live-call-in programmes' were held in indigenous languages to introduce the new concept to the public, with emphasis on producers in the NCA.

NAMIBIA INVESTMENT CONFERENCE 2016

Meatco joined more than 1,700 local and international participants in the Invest in Namibia conference 2016. The conference was held under the banner: 'Promoting Investment for industrialisation and inclusive growth'.

The conference was billed as an important, high-level national event. As such it was linked to Namibia's development, the Harambee Prosperity Plan and to Namibia's economic aspirations.

Working with organisers, the Ministry of Industrialisation, Trade and SME Development, Meatco made its contributions to ensure the success of the event. Valuable also were the networking opportunities and encounters, of a personal nature, with national leaders, to include Namibian President, His Execllency Dr Hage G Geingob, cabinet ministers, entrepreneurs and leaders in business.

MEATCO'S PRODUCERS

FARMERS' LIAISON MEETINGS

Meatco's Farmers' Liaison Meetings are a Corporation-initiated forum for farmers, especially communal farmers both north and south of the Veterinary Cordon Fence, to engage with Corporation representatives on a personal level.

These events are very popular as they offer excellent opportunities for farmers to glean first-hand, information regarding farming methods and to receive advice how to maximise their returns on the cattle they supply to the Corporation.

On numerous occasions throughout the year, Meatco representatives, such as Vehaka Tjimune (Executive: Stakeholder Relations & Corporate Affairs), Cyprianus Khaiseb (Executive: Marketing & Sales), Lapitomhinda Hashingola (Senior Manager Stakeholder Relations), and the livestock procurement officers of respective regions, as well as CEO Advocate Vekuii Rukoro, travel to different parts of Namibia to engage farmers directly.

Themes that are discussed on these visits include the Mobile Slaughter Unit (MSU) and how it will affect Meatco's business model. Other topics of interest are how South Africa's strict border requirements impact the Namibian livestock industry, the best way to take advantage of premium payments and how to achieve conformity with and produce quality to Meatco's standards.

Farmers' Liaison Meetings offer an excellent opportunity for farmers to gain advise how to maximise their returns on cattle they supply to Meatco.

Farmers' liaison meetings held during the reporting year include one held at Oshakati (above), Gobabis (right) and Ongwediva (below).

STAKEHOLDER ENGAGEMENT

NETWORKING OPPORTUNITY AT THE OKAKARARA TRADE FAIR

The 10th annual Okakarara Trade Fair was a perfect opportunity for Meatco to host a livestock exhibitors evening and offer stakeholders, farmers and potential producers a chance to network.

During the course of the evening, attendees were informed about developments at Meatco and were apprised of contributions the Corporation had made to the trade fair, which included revamping the cattle-holding pens. The Corporation also took the opportunity to inform attendees of the feedlot initiative at Annasruh and Kombat in the Omaheke and Otjozondjupa regions respectively.

In addition, the Corporation presented N$56,000 sponsorship to the Okakarara Trade Fair Society for use in developing the livestock section of the fair.

Okakarara Trade Fair Board Members receiving sponsorship cheque from the Executive: Stakeholder Relations & Corporate Affairs, Vehaka Tjimune.

A public information day was held as part of a campaign to introduce the MSU to producers and the public. In addition segments were aired on talk radio and call-ins were invited on indigenous language radio to expand awareness of the MSU.

Sixteen face-to-face Farmers' Liaison Meetings, whose primary purpose is to share information, were held during the period under review and engaged 379 producers (75 commercial, 304 communal).

These meetings are of enormous benefit to both producers and the Corporation.

MEATCO'S EMPLOYEES

The Stakeholder Engagement and Corporate Affairs Department produces a bi-monthly newsletter called MeatUs, which specifically addresses Meatco's employees. Through this vehicle, pertinent information about the Corporation, producers and markets is shared, as well as information regarding topics of personal interest, such as health. *MeatUs* is informative, professionally produced and is a valuable channel of communication from the Corporation to its employees.

COMMUNITY INVESTMENT

MEATCO FOUNDATION REVIEW

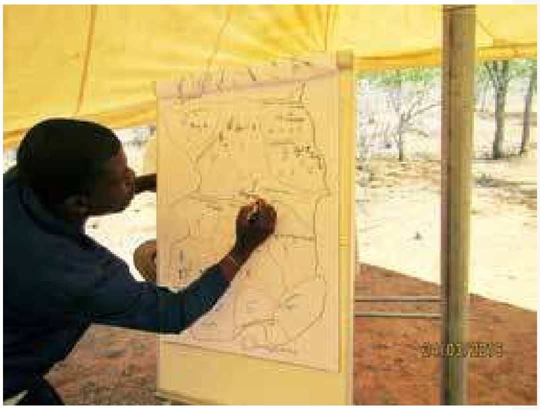
The Meatco Foundation is the Corporation's corporate social investment initiative, established with the aim of promoting and supporting the socio-economic improvement of the Namibian rural communities that rely on livestock for their livelihoods. All of Meatco's corporate social responsibilities fall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

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

Vigorous growth of grasses in the Kakekete grazing area, which is part of the Rangeland and Marketing Development Support Project.

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

In past years, the Foundation has focused its attention on the Northern Communal Areas (NCAs), with the intention of creating capacity in these farming communities so that they can become more commercially competitive. In partnership with Meatco, the Ministry of Agriculture, Water and Forestry (MAWF), the Ministry of Lands and Resettlement (MLR), agricultural unions, Conservation Agriculture Namibia (a Namibian non-governmental organisation that was formed for the purpose of increasing agricultural production in Namibia), Understanding the Management of Ecosystems (UME) consulting services that have pioneered rangeland rehydration



A farmer of the Omisema grazing area, drafting a growing season grazing plan.

using EMU™ approach, as well as aspects of Community Based Rangeland Management in Namibia and other partners, the Foundation was able to ensure that beneficiaries received practical assistance, marketing support, as well as training on issues such as sustainable rangeland management.

In addition, the Meatco Foundation is the implementing agent to establish an effective healthcare management system that provides healthcare services to the staff members of Meatco's Windhoek plant and their dependants, as well as the staff and their dependants in the supply chain of Meatco.

COMMUNITY INVOLVEMENT

RANGELAND AND MARKETING DEVELOPMENT SUPPORT PROJECT (RMDSP-NCA)

The Rangeland and Marketing Development Support Project (RMDSP-NCA), funded with €1.6 million from the European Union and Meatco and implemented by the Meatco Foundation and Conservation Agriculture Namibia (CAN) will end in March 2017.

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

Specific objectives of this project include:

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

The project is implemented in 34 grazing areas dispersed over the seven northern regions of Kunene North, Omusati, Oshana, Oshikoto, Ohangwena and Kavango East and West. It targets only communal areas in these regions that are north of the Veterinary Cordon Fence.

Implementers work directly with the communities who live or have their livestock in the grazing areas, with an estimated 4,354 people (farmers and their families) participating in the project. Nearly 30% of various committees consisted of female farmers.

A marketing coordinator of CAN handing over an auction report to Otuani Constituency Councillor after an auction held at Otuani in Kunene Region.

Indirectly, approximately 10,000 people benefited, as all residents of the seven target regions benefit from the improved cattle marketing activities initiated by the project.

Just more than 145,000 ha were under improved rangeland management during this reporting period. This represents a 25,363 ha increase compared with the previous year and exceeds the 90,000 ha project target.

Of the 34 grazing areas, 26 managed their resources holistically during this reporting period, as is evidenced by overall improvement in rangeland and livestock management activities, Namibia Specific Conservation Agriculture operation activities, marketing activities, governance and advocacy. The drought prevented the achievement of better results.

Despite operational and marketing challenges, auctioneering was one of the main income-generating activities for the farmers during the reporting period. After six months of being free of foot-and-mouth disease, farmers in the NCAs were allowed to resume the sales of livestock. Nineteen auctions were held in the seven regions during this period. A total of 620 cattle were sold at auctions which generated a turnover of N$2.6 million; the commission generated by the co-operatives improved the livelihood of farmers. Potentially, co-operatives can become sustainable through auctions and other business development initiatives.

All the Regional Livestock Marketing Cooperatives were operational with a total of 41 board meetings being held during this period. Four Co-operative Forum meetings were held as planned.

In addition, various stakeholder collaborations contributed to the implementation of the project. A such, five stakeholders' feedback meetings were held; three exchange visits for local stakeholders on Conservation Agriculture were facilitated and conducted successfully; delegates from Chikukwa Ecological Land Use Community Trust (CELUCT) and the Tsuro Trust from Zimbabwe were received; donor visits from EU and JAMMA Foundation representatives were hosted, among others.

A group of farmers, development workers and academics from Australia also visited Erora grazing area as part of a rangeland exposure trip. The trip was highly successful; plans and ideas were shared by both sides regarding rangeland management and landscape rehydration.

HIGHLIGHT

ENHANCED CATTLE OFF–TAKE AND INCOME FOR FARMERS IN COMMUNAL AREAS OF OMAHEKE AND OTJOZONDJUPA REGIONS NAMIBIA

The old crush pen (left) before the construction of the new EU-compliant pen (right).

The objective of the project was to enhance livestock marketing, throughput and consequently improve farmer income in the two target regions. The project activities included the construction of a multipurpose crush pen at Helena in the Otjombinde constituency, located 162 km east of Gobabis in Omaheke Region, as well as the provision of water infrastructure at Peke Peke community near Gam in the Otjozondjupa Region.

Marketing in Omaheke Region
Initial funding was provided by Meatco's client, UNIL of Norway, while collaborative engagement and additional financial contributions were made by the MAWF's Directorate of Rural Water Supply (DRWS). The Directorate of Veterinary Services provided inputs on the crush pen design to make it EU compliant.

The construction of the Helena crush pen was completed in August 2016 and as it is an EU-compliant facility, for the first timeenables the community to market their animals in Europe.

The multi-purpose pen can also be used by the community of Helena and surrounding areas for other purposes such as vaccinations. The community sees this development as a step in the right direction in terms of alleviating some of the problems experienced by farmers in the area.

Although the physical aspects of the project are completed, data collection on the use and its impact will be continued to determine the wide impact of the project.
Data will be collected that follows cattle from its purchase to its final destination in Europe and preferably to Meatco's high-value market, Norway. Farmer capacity building activities will continue.

Water in Otjozondjupa Region
Providing a better water supply significantly improves the quality of life and is a source of socio-economic development. Farmers in the Peke Peke area near Gam often have to travel between 7 km and 12 km to reach a water point. To improve water availability to livestock in the Peke Peke area, a borehole was sunk and additional water infrastructure provided, directly benefiting 75 households.

The borehole is fitted with a diesel-powered pump, providing cost-effective and sustainable water flow on a daily basis. The farmers in the area, most of whom produce for Meatco, share boreholes. The borehole is linked to a trough providing water for cattle with a separate tap for domestic use.

A drinking hole was made to cater for the water needs of elephants in the area to prevent damage to the tanks, thereby reducing human and wildlife conflict and destruction to the water infrastructure.

The multi-purpose crush pen constructed at Helena in the Omaheke Region.

The success of the pilot Meatco-owned cattle project demonstrates the need to upscale the concept in Namibia's communal areas.

The beneficiaries formed water point communities to take responsibility for the management and maintenance of the water points.

Enhancement of cattle marketing information and procurement

Meatco Procurement staff and other stakeholders will be engaged on a continuous basis to provide marketing and procurement information to these communities. A booklet on livestock marketing is being developed and will be made available to the communities to utilise. The booklet will include animal husbandry, animal health, animal welfare and handling and a component on range land management.

'BANKABLE' CATTLE IN KAVANGO WEST REGION

Livestock smallholder farmers usually cannot provide collateral, such as land title deeds or physical assets to obtain loans from commercial banks and the concept of value-chain finance in the agriculture sector is not well developed. In Namibia, the hurdle is even higher when farming activities take place north of the Veterinary Cordon Fence.

An initial attempt to get a finance model off the ground for small-scale farmers was developed by Meatco in collaboration with the Agriculture Bank, but since then was replaced by the Meatco-owned Cattle (MoC) livestock production finance model. Meatco Foundation and its partners, Solidaridad Network, Global Protein Solutions, Danish Coop and Meatco were willing to contribute in-kind and to co-fund a pilot project to finance 'walking assets'.

The fenced-off parcels of 2,500 to 5,000 ha land in the Kavango West Region were ideal to run such an incubator experiment. A total of 29 small-scale farmers indicated their willingness to participate, totalling a basket of 750 animals for the trial. Meatco provided funding of N$2.625 million which was used to grant unsecured loans of N$3,500 per head of animal on the condition that the farmers pledge N$600 per head for the procurement of the nutritional supplements and participated in the periodic weighing sessions conducted by a Meatco dedicated livestock-marketing mentor.

The programme went according to schedule and should have been completed in June 2016. Completion was delayed by the livestock sales ban due to the outbreak of the FMD epidemic, as well as other disruptive incidences in the north-central areas.

After the 15-month animal growth period, 13 farmers (45%) achieved average live weights exceeding the average target weight of 420 kg.

The highest observed average live weight was 525 kg, exceeding the average target live weight by 105 kg. The lowest observed average live weight was 384 kg.

During the two-month period of August to October 2016, 180 of these MoC cattle were slaughtered since the Meatco Mobile Abattoir Unit started to operate in the NCA.

In addition to having the mobile abattoir conveniently close to their farms, thereby reducing transport cost, Meatco offered the farmers a premium on top of the RSA beef parity price per kg, plus an additional N$4.50/kg for hides and offal. It is conservatively estimated that the MoC farmers will achieve an average price of N$6,000 per animal at the mobile slaughter unit, amounting to a total of N$4.5 million. After subtracting the initial micro-loans of N$2.625 million, this pilot yielded an increase of 58.3% direct gross income for the participating farmers.

The success of the pilot is underscored by the fact that all 29 farmers honoured their agreements and that 13 farmers achieved average live weight scores that exceeded the targeted scores. The substantial increase in direct gross income from their cattle furthermore demonstrates the need to upscale the MoC concept in Namibia's communal areas.

CASE STUDY

Farmer Frans Sikaki Itepu "I'm well on my way to become a commercial farmer..."

"The MoC pilot project was a major learning experience for us communal farmers, because to conduct farming as a business is new in communal areas. We never considered that selling a young animal can be lucrative. Most farmers usually sell old animals but now we need to produce tender meat, which is what the market demands, and we have to change our farming methods to keep in step with new developments. I used to be an agriculture officer, but now I want to develop my farm and improve the infrastructure.

"When Meatco's MoC scheme came along, I grabbed the opportunity and it was an eye-opener for me. In the past, the live weight scores of my animals were not good, but they are now improving. I have seven camps on 5,000 ha, but would prefer to have smaller camps for better management of my livestock. When I started my participation in the project with 20 cattle, I decided to separate the MoC cattle from the rest of my herd in a camp. I then built a kraal around the water trough, and the nutritional supplements and licks were also kept in the MoC camp. It was then easy for me to compare the group of animals on supplements with the rest of my herd.

"I'm now putting into practice what I've learned and like the idea of selling the animals in bigger numbers at a time, rather than one by one. I have a good relationship with Meatco and I'm on my way to become a commercial farmer. Without doubt, it would very beneficial if the MoC scheme can continue and more small-scale farmers across the country could get similar exposure."

The team that participated in the mobile clinic pilot project.

HEALTHCARE SERVICES

MEATCO'S COMPREHENSIVE HEALTH MANAGEMENT SERVICE AND OUTREACH PROJECT

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

The project was funded through a private-public-partnership between Namibia Employer's Federation (NEF), Gesellschaft für Technische Zusammenarbeit (GIZ) HIV Component in Namibia and Meatco, in close collaboration with the Ministry of Health and Social Services. Meatco Foundation oversaw the project implementation.

It is a first-of-its-kind in Namibia and was therefore considered an innovative pilot programme for GIZ to support, especially as an implementing example within the HIV response in the agriculture sector.

The upgrade of the Meatco clinic was substantive, particularly the fixed asset capital expenditure and the refurbishment of the facility with medical equipment and integrated IT systems. The clinic is fully operational with specialised health facility management that ensures sustainable and effective provision of primary health care in the long-term.

The extension of primary healthcare services to the dependants of the Meatco factory staff in the informal settlements of Windhoek has made a valuable contribution in support of preventative care and expansion of health services to all Namibians. As a pilot, an urban mobile clinic was stationed in various informal settlements for one day.

The project was targeted to reach 2,500 dependants of the Meatco factory workers in the informal settlements. In the end, 10,992 people living in the informal settlements received healthcare services from the mobile clinic staff.

The mobile clinic was used for the first time in Drimiopsis, a settlement in the Omaheke Region, as part of Meatco's contribution towards improving the health of its members and their dependants.

The clinic was opened to all members of public in the area, and not just Meatco staff dependants, which accounts for the much higher reach than the targeted number.

The implementation of a rural mobile clinic to widen healthcare services to farm workers and their dependants has been a new experience for Meatco. Drimiopsis, a settlement in the Omaheke Region, was identified as the area to conduct a pilot outreach programme.

Drimiopsis has a population of approximately 1,000 people and there are 53 farms in the surrounding areas. The mobile clinic was stationed for three days in the settlement and provided quality healthcare services through its expert personnel and trained nurses to a total of 1,960 people during that time, confirming the positive response of the community.

The project represents a major milestone that makes it vital to Meatco and its contribution towards improving the health of its workforce, their dependants and the supply chain that provide Meatco with livestock, enhancing Meatco's long-term sustainability as a business.

Looking ahead, it is envisaged that Meatco and Meatco Foundation will host a multi-stakeholder forum to discuss alternative, sustainable and innovative healthcare options in the workplace in both urban and rural settings through public-private-partnerships, in collaboration with the MHSS and other relevant stakeholders.

The upgraded clinic at the Windhoek factory will ensure effective provision of primary healthcare to Meatco's workers and dependants.

TAKING CARE OF THE ENVIRONMENT

IN WHICH MEATCO OPERATES: REVIEW

The need to preserve the environment for future generations makes good business sense.

Meatco is committed to protecting and conserving the environment for its members, the broader community, and for future generations of Namibians. Meatco considers the preservation of the natural environment and biodiversity as a principle on which the sustainability of its business depends.

MEATCO'S ENVIRONMENTAL POLICY

Meatco is committed to promoting a sound environmental ethos within its key businesses through the establishment of policies and practices that conduct operations in a sustainable and environmentally sound manner.

Meatco strives continuously to identify potential impacts on the environment arising from its operations and manage such impacts in a timely and effective way, at the same time using resources in a sustainable and efficient manner.

To promote these operating principles, the Corporation utilises an Environmental Management System, which promotes energy conservation, controls the carbon footprint of operations, conserves water and optimises its use, manages waste and protects biodiversity.

The importance of preserving the environment for future generations is more than a moral imperative at Meatco, it is a strategy that makes good business sense.

In addition, since its business involves the handling and transportation of animals, the objective of animal-welfare practices is to treat them with respect and as humanely as possible, in order to minimise the stress to which they are subjected.

WATER SUSTAINABILITY

The severity of the water-supply crisis in Namibia came into sharp focus during this reporting period. The drought and the consequent lack of inflow into catchment dams, coupled with the absence of a demand-management culture in Namibia, meant that Namibia was, quite literally, in danger of running dry. The implications of such a crisis for an industry like Meatco are dire. The Corporation was forced to adjust its production activities in line with the water shortage and all its operational departments were affected: the Windhoek and Okahandja abattoirs, the feedlot, the tannery and the canning plant.

Water usage restrictions have a direct impact on Meatco operations, sustainability and efficiency. Already in 2011, Meatco began to implement measures pre-emptively that would improve its water-usage efficiency and decrease its dependence on the municipal water supply. A water committee was established to consider ways in which Meatco could rationalise its water consumption. These included small initiatives, such as interlocking grassy patches at the factories and banning the washing of vehicles on Corporation premises, and examining which areas in the processing chain used the most water.

Deep cleaning, which is a vital part of food-safety hygiene, was identified as a major consumer of water. While it obviously cannot be eliminated, a saving of 30% in the water used for deep cleaning was achieved.

Continuous employee education on the value of water and the ways it can be consciously conserved is embedded in the Corporation's activities. Water-wise usage involves a change in attitude and must be regarded as a long-term goal and commitment on the part of Meatco.

To manage water-related risks, the Operational Executive and the Group Engineer have held monthly meetings with NamWater since 2015, to ensure that Meatco is effectively engaged in water conservation, is informed of any developments, and aligns its business practices in compliance with any official policies regarding water consumption. Meatco also negotiated a water-supply agreement with the Windhoek municipality to limit its consumption of municipal water to 25,000m^3 per month for the plant in Windhoek. This crucial step included a water saving of 30% for the year.

WATER USAGE (continued)

To secure at least a portion of its required water supply, the Corporation employed local hydrological experts to sink boreholes at a number of the Corporation's facilities.

Tannery and feedlot

The tannery and the feedlot depend directly on NamWater for their water supply. With the decrease in water pressure at the Von Bach Dam, Windhoek's main source, Meatco needed to augment the volume of water available for cattle in the feedlot and for its tannery operations. Nine boreholes were sunk at these two locations, of which two are functional. One borehole, the only one producing at the feedlot, is estimated to deliver 30 cubic metres of water per hour. This volume is sufficient to sustain operations on a lower-standing capacity.

Meatco requires high amounts of water and the implications of a water supply crisis are dire. Nevertheless, its water saving target is 50% at all times, which exceeds the targets set by the Windhoek municipality for businesses.

Three boreholes were drilled on the Windhoek head office premise. In total they produce an estimated yield of 30 cubic metres per hour, which enables Meatco to buffer its operations from municipal water shortages.

Preventative measures

Looking ahead, preventative measures have been implemented to ensure uninterrupted operations due to water shortages.

To complete production on any given day in case of an interruption in the water supply from the primary sources, Meatco has installed a buffer storage dam at the Windhoek plant that holds approximately 400 cubic metres of treated, municipal water as a backup for the abattoir and deboning functions. To secure the steam supply, ten 10-cubic-metre water tanks were installed next to the boiler house.

In addition, two boreholes at the Windhoek plant (capacities of 9 cubic metres per hour and 12 cubic metres per hour respectively) will supply two storage dams with a holding capacity of approximately 240 cubic metres

AT A GLANCE: WATER SUSTAINABILITY AT MEATCO

- Meatco's total operational water consumption in the central area of Namibia is approximately 3% of the consumption in the entire region. Operations, including a single abattoir and the Corporation's other initiatives, have produced the conservation of 50% of its own consumption, a saving which significantly exceeds the 30% requested by the municipality. Meatco's water mitigating plan has cost the Corporation N$4.5 million to date, due to the loss of 4,000 cattle and the closure of one factory.
- Water-supply security becomes more and more challenging due to the limitations of supply from NamWater. Water quality is also a major challenge when the Von Bach Dam reaches low levels of capacity, which forces an investment in the reverse osmosis process at the canning department.
- Technologies currently under investigation include membrane technology and state-of-the-art water technologies. Exploration will be continued into the future.

of water. This water would be used to clean the raceway and by-product plant, as well as other external areas. The borehole at Meatco's head office, delivering 9 cubic metres per hour) would supply the 75-cubic-metre tanks in the truck cleaning area, as well as provide drinking water for cattle standing in the lairages (holding pens).

At the Okapuka Feedlot a second buffer dam was built during the reporting year. The feedlot consumes approximately 405 cubic metres of water per day for 9,000 standing cattle. The two water reservoirs at the feedlot hold a two-day supply if there is an interruption from NamWater.

As mentioned, the borehole output at the feedlot is currently 30 cubic metres per hour and, as a precaution, the limit of the feedlot was decreased to approximately 4,500 head of cattle for the last three months of the reporting year. The estimated loss due to the reduced limit over this period came to 4,000 head.

The tannery uses 220 cubic metres of water per day, of which 22% is sourced from NamWater and the rest from its own water supply. An estimated 60 cubic metres per day is recycled for wash-water as from the middle of November. Eighty cubic metres are sourced from river water and the rest, 30 cubic metres, come from the borehole. The recycled water at the tannery is the lime and chrome water, which can be re-used two or three times. These measures enable the tannery to conserve 45% of its water consumption.

The Windhoek factory began block slaughtering in September 2016 and continued this practice into the reporting period under review. Block slaughtering allows Meatco to save water since the water cleaning regime, whether one or 560 animals are slaughtered, remains the same. It is policy that the factory is only opened if 70% of the slaughtering capacity can be ensured.

Okahandja abattoir temporarily closed

With the Board's approval, the Okahandja abattoir and processing facility was closed in 2016 and will serve as a cold storage facility. The closure will reduce the consumption of water. Beginning in the new financial year and for three years running, the facility will remain closed, depending on cattle numbers, the water supply and the effluent requirements for the future.

Water security was a major factor motivating the closure. All permanent employees at the facility were accommodated at the Windhoek factory. Unfortunately, the contracts of approximately 350 seasonal employees at the two plants could not be renewed.

ENERGY SUSTAINABILITY

Raising and slaughtering cattle, consumes large amounts of water and electricity. At the same time, associated processes produce substantial amounts of waste and unpleasant odours, leaving Meatco with a substantial environmental footprint. It remains a strategic goal of Meatco to reduce its environmental footprint while operating within economic constraints to reduce overall costs.

Over the years Meatco has conducted several feasibility studies and solicited a number of proposals regarding measures to reduce its environmental footprint. Among the most prominent proposals are the following:

- Build a power station that runs on bio-gas
- A new solution for a sustainable coal supply for the boiler
- Solar power generation based on a power-saving system or power reduction
- Power systems based on gas, solar or diesel hybrids
- Build a rendering plant for specialist, bio-gas under a no-waste policy, and
- New dewatering equipment to meet municipal effluent targets for the existing effluent plant.

Meatco is conducting a preliminary assessment to determine which of these projects would be the most promising regarding energy conservation. Of interest would be creating partnerships with other organisations or companies with similar concerns. The assessment will also address additional factors to be taken into account, such as the acquisition of an electricity generation license, environmental impact assessments and municipal regulations.

The current assessment, a Meatco focal point in 2017, will form the basis for commissioning technical proposals that would take into their orbit various goals set forth in the strategic blueprint to reduce the Corporation's environmental footprint.

It is well-known that Namibia's current consumption of electricity stands at 500MW, of which 380MW is produced by NamPower, with the shortfall supplied by neighbouring countries. Electricity tariffs increased 124% between 2011 and 2016. Escalating tariffs understandably impact tremendously on Meatco's operational costs. During the year under review, Meatco managed to save 10% on its consumption over the previous year.

REDUCING THE ENVIRONMENTAL FOOTPRINT

WASTE WATER: WINDHOEK PLANT, OKAHANDJA PLANT AND TANNERY

Windhoek's effluent tariff increased 680% between 2011 and 2016, with even higher penalties levied when standards were not met. Meatco plans to upgrade the effluent plant in Windhoek with new sludge-removal equipment, which will work more efficiently.

At the present time, Okahandja municipality does not have an effluent discharge permit and lacks the financial means to build a plant. A waste treatment plant would cost more than N$30 million, a cost that could not be justified in the current economic climate.

The tannery conducts some recycling and has three, lined evaporation dams. However, more dams would need to be lined in order to comply with municipal standards.

PROCESSING MANURE TO PRODUCE BIO-GAS

Currently, all excess manure generated at the Okapuka Feedlot is sold to customers in South Africa at a small profit. However, feedlot manure would be an excellent fuel to produce bio-gas. A feasibility study is currently investigating various implications of erecting a bio-gas plant at the feedlot.

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 2017

ANNUAL FINANCIAL STATEMENTS

DIRECTORS' RESPONSIBILITY FOR THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 January 2017

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 2017, set out on pages 96 to 156, have been approved by the Board of Directors and authorised for issue on 8 May 2017. The annual financial statements were signed on 8 May 2017 on behalf of the Board by:

……………………………..

Dr M. Namundjebo-Tilahun
Chairperson

……………………………..

Mr RL Kubas
Director

Windhoek
Namibia

ANNUAL FINANCIAL STATEMENTS (continued)

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

for the year ended 31 January 2017

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 2017, 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 96 to 156.

Directors' Responsibility for the Financial Statements

The Corporations 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 2017, 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.

Grand Namibia
Chartered Accountants (Namibia)
Registered Accountants and Auditors
Per: Richard Theron
Partner
Windhoek
8 May 2017

ANNUAL FINANCIAL STATEMENTS (continued)

DIRECTORS' REPORT

for the year ended 31 January 2017

The directors have pleasure in presenting their report for the financial year which ended on 31 January 2017.

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 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 or elsewhere to the best advantage of the producers of livestock in Namibia.

ANNUAL FINANCIAL STATEMENTS (continued)

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 and Windhoek;
- the processing of hides and skins at Okapuka Tannery;
- operating a feedlot at Okapuka near Windhoek;
- the marketing of meat, meat products and hides and skins in Namibia and elsewhere;
- the improvement of its plant, production and processing techniques in order to keep pace with technical developments;
- to optimally market the Corporation's products internationally; and
- such other activities as are referred to elsewhere in this report.

Vision of Meat Corporation

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

General review

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

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

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

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

ANNUAL FINANCIAL STATEMENTS (continued)

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

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

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

Operating results

During the financial year under review throughput of cattle supply in the areas south of the Trans Veterinary Cordon Fence decreased to 91 557 (2016: 116 948). The average cold dress weight increased to 238.2 kg (2016: 229.83 kg), resulting in actual throughput of 21 809 tonnes (2016: 26 878 tonnes).

Cattle supply in the areas north of the Trans Veterinary Cordon Fence increased to 755 (2016: nil). The average cold dressed weight increased to 207.2 kg (2016: nil), resulting in actual throughput of 156.4 tonnes (2016: nil).

The revenue for the Group decreased to N$ 1 694.6 million (2016: N$ 1 802.6 million). The net profit for the year after interest and taxation increased to N$ 19.3 million (2016: N$ 13.1 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:

ANNUAL FINANCIAL STATEMENTS (continued)

	2017 N$	2016 N$
Additions for the year	47 818 212	76 413 033
Capital budget for the ensuing year	85 939 333	92 408 119

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

Subsidiaries

Interest of Corporation at 31 January 2017 in:

		Issued share capital	Percentage holding direct/ indirect	Share investment N$	Loans N$
Investments in subsidiaries				**200**	**104 091 209**
Meat Corporation of Namibia (UK) Limited (United Kingdom)	GBP	1 250 000	100 %	--	--
Namibia Meat Importers & Exporters (Pty) Ltd (South Africa)	ZAR	100	100 %	100	10 326 233
Namibia Cattle Procurement (Pty) Ltd (Namibia)	NAD	100	100 %	100	93 764 976
Amounts from/(due) to subsidiaries					**(77 542 738)**
Meat Corporation of Namibia (UK) Limited (United Kingdom)	GBP				(27 638 925)
Namibia Meat Importers & Exporters (Pty) Ltd (South Africa)	ZAR				(9 257 491)
Namibia Cattle Procurement (Pty) Ltd (Namibia)	NAD				(40 646 322)
				200	**26 548 471**

The above debit loans are unsecured, have no fixed terms of repayment and are interest free. The credit loans are unsecured, have no fixed terms of repayment and are interest free.

ANNUAL FINANCIAL STATEMENTS (continued)

Subsidiaries

Interest of Corporation at 31 January 2016 in:

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

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

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

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

	2017 N$	2016 N$
Net profit after taxation	(3 243 267)	5 982 691

ANNUAL FINANCIAL STATEMENTS (continued)

Associates

Interest of Corporation at 31 January 2017 in:

		Issued share capital	Place of business/ Country of Incorporation	Percentage holding direct/ indirect	Share investment N$	Loans N$
Investments in associates					41 918 226	--
GPS Food Group (Holdings) Limited	EUR	244 443	Ireland	25 %	41 701 436	--
GPS Norway AS	NOK	300	Norway	33 %	216 791	--
					41 918 226	--

Interest of Corporation at 31 January 2016 in:

		Issued share capital	Place of business/ Country of Incorporation	Percentage holding direct/ indirect	Share investment N$	Loans N$
Investments in associates					41 918 226	--
GPS Food Group (Holdings) Limited	EUR	244 443	Ireland	25 %	41 701 436	--
GPS Norway AS	NOK	300	Norway	33 %	216 791	--
					41 918 226	--

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

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

ANNUAL FINANCIAL STATEMENTS (continued)

BOARD OF DIRECTORS

The following directors held office during the financial year:

Dr M Namundjebo-Tilahun: Chairperson

Mr RL Kubas

Mr C /Urib

Mr II Ngangane

Ms S Kasheeta

Mr E Beukes – appointed 17 March 2016 (co-opted member)

Mr SJ Oosthuizen – appointed 22 June 2016 (co-opted member)

Audit and Risk Committee

Mr RL Kubas: Chairperson

Mr. E Beukes – appointed 17 March 2016 (co-opted member)

Remuneration and Human Resources Committee

Ms S Kasheeta: Chairperson

Mr C /Urib

Management Support Committee

Dr M Namundjebo-Tilahun: Chairperson

Secretary to the Corporation

Ms EM Tuneeko

Registered address

Business Address:

Meat Corporation Building

Sheffield Street

Northern Industrial Area

Windhoek

Postal Address:

P.O. Box 3881

Windhoek

Namibia

ANNUAL FINANCIAL STATEMENTS (continued)

STATEMENTS OF FINANCIAL POSITION

as at 31 January 2017

	Note	Group 2017 N$	Group restated 2016 N$	Group 2016 N$	Corporation 2017 N$	Corporation restated 2016 N$	Corporation 2016 N$
Assets							
Non-current assets		**709 401 582**	**662 675 461**	**400 044 366**	**685 093 355**	**641 215 081**	**378 583 986**
Property, plant and equipment	5	608 623 012	562 331 380	299 700 285	608 323 519	562 011 726	299 380 631
Investment in subsidiaries	6	--	--	--	11 938 771	11 938 771	11 938 771
Investment in associates	7	77 549 833	74 681 825	74 681 825	41 918 226	41 918 226	41 918 226
Deferred tax assets	8	23 228 737	25 662 256	25 662 256	22 912 839	25 346 358	25 346 358
Current assets		**772 539 143**	**599 852 775**	**599 852 775**	**649 067 870**	**561 530 348**	**561 530 348**
Inventories	9	128 673 612	158 235 028	158 235 028	126 557 054	152 163 303	152 163 303
Biological assets	10	132 581 978	142 415 904	142 415 904	72 792 591	41 091 357	41 091 357
Trade and other receivables	11	292 768 170	228 042 550	228 042 550	146 640 267	201 335 226	201 335 226
Amounts due by subsidiaries	6	--	--	--	93 764 976	108 152 752	108 152 752
Cash and cash equivalents	17.3	218 515 383	71 159 293	71 159 293	209 312 982	58 787 710	58 787 710
Total assets		**1 481 940 725**	**1 262 528 236**	**999 897 141**	**1 334 161 225**	**1 202 745 429**	**940 114 334**
Equity and liabilities							
Capital and reserves		**643 561 495**	**613 351 815**	**407 664 780**	**579 110 516**	**546 138 747**	**340 451 712**
Foreign currency translation reserve	15.6	3 583 439	20 561 145	20 561 145	--	--	--
Revaluation surplus		233 594 937	205 687 035	--	233 594 937	205 687 035	--
Retained earnings		406 383 119	387 103 635	387 103 635	345 515 579	340 451 712	340 451 712
Non-current liabilities		**344 120 021**	**367 395 284**	**310 451 224**	**344 120 022**	**367 395 284**	**310 451 224**
Interest bearing loans and borrowings	13	267 482 160	286 835 224	286 835 224	267 482 160	286 835 224	286 835 224
Post-employment benefits	12	23 015 494	23 616 000	23 616 000	23 015 494	23 616 000	23 616 000
Deferred tax liability	8	53 622 367	56 944 060	--	53 622 368	56 944 060	--
Current liabilities		**494 259 209**	**281 781 137**	**281 781 137**	**410 930 687**	**289 211 398**	**289 211 398**
Bank overdraft	17.3	131 168 184	48 757 135	48 757 135	131 168 184	48 757 135	48 757 135
Interest bearing loans and borrowings	13	73 775 662	79 198 378	79 198 378	73 775 662	79 198 378	79 198 378
Trade and other payables		220 978 267	88 945 770	88 945 770	82 945 468	82 532 087	82 532 087
Provisions	14	67 901 328	52 645 382	52 645 382	45 498 635	12 005 239	12 005 239
Amounts due to subsidiaries		--	--	--	77 542 738	55 098 498	55 098 498
Income tax payable		435 768	614 411	614 411	--	--	--
Financial instrument liability		--	11 620 061	11 620 061	--	11 620 061	11 620 061
Total equity and liabilities		**1 481 940 725**	**1 262 528 236**	**999 897 141**	**1 344 161 225**	**1 202 745 429**	**940 114 334**

ANNUAL FINANCIAL STATEMENTS (continued)

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 January 2017

		Group		Corporation	
	Note	2017	2016	2017	2016
		N$	N$	N$	N$
Revenue	15.1	**1 694 629 749**	**1 802 582 145**	**1 687 459 406**	**1 791 374 167**
Cost of sales		(1 465 512 419)	(1 606 604 868)	(1 477 613 611)	(1 620 803 250)
Gross profit		229 117 330	195 977 277	209 845 795	170 570 917
Other income	15.2	3 505 572	16 519 567	3 504 102	16 503 966
Administrative expenses		(176 122 885)	(160 723 918)	(155 033 817)	(142 945 420)
Operating profit	15.3	**56 500 018**	**51 772 926**	**58 316 080**	**44 129 463**
Interest income		1 926 671	692 191	1 631 602	643 787
Interest expense		(53 379 672)	(51 416 974)	(52 450 296)	(51 416 974)
Share of the profit or loss of associates accounted for using the equity method		17 458 884	12 710 787	--	--
Profit before income tax		**22 505 901**	**13 758 931**	**7 497 386**	**(6 643 724)**
Income tax	16	(3 226 417)	(663 251)	(2 433 519)	1 298 584
Profit/(loss) for the year		**19 279 484**	**13 095 679**	**5 063 867**	**(5 345 140)**
Other comprehensive income for the year, net of income tax		216 617 231	25 941 324	233 594 937	--
Foreign currency translation differences for foreign operations	15.6	(16 977 706)	25 941 324	--	--
Revaluation gain		287 217 304	--	287 217 304	--
Taxation on Revaluation gain		(53 622 367)	--	(53 622 367)	--
Total comprehensive income for the year		**235 896 715**	**39 037 003**	**238 658 804**	**(5 345 140)**
Attributable to:					
Members of the Corporation		235 896 715	39 037 003	238 658 804	(5 345 140)
Total comprehensive income for the year		**235 896 715**	**39 037 003**	**238 658 804**	**(5 345 140)**

ANNUAL FINANCIAL STATEMENTS (continued)

STATEMENT OF CASH FLOWS

for the year ended 31 January 2017

	Note	Group 2017 N$	Group 2016 N$	Corporation 2017 N$	Corporation 2016 N$
Cash flows from operating activities		**139 937 371**	**108 946 821**	**117 671 651**	**79 661 103**
Cash receipts from customers		1 629 904 129	1 739 320 864	1 742 154 365	1 716 533 030
Cash paid to suppliers and employees		(1 438 146 044)	(1 577 594 700)	(1 573 664 020)	(1 586 098 740)
Cash from operations	17.1	**191 758 085**	**161 726 164**	**168 490 345**	**130 434 290**
Interest income		1 926 671	692 191	1 631 602	643 787
Interest expense		(53 379 672)	(51 416 974)	(52 450 296)	(51 416 974)
Income taxes paid	17.2	(367 713)	(2 054 560)	--	--
Cash flows used in investing activities		**(47 225 888)**	**(75 117 529)**	**(47 225 888)**	**(75 049 906)**
Acquisition of property, plant and equipment		(47 818 212)	(76 480 656)	(47 818 212)	(76 413 033)
Proceeds from disposal of property, plant and equipment		592 324	1 363 127	592 324	1 363 127
Associates acquired		--	--	--	--
Cash flows before financing activities		**92 711 483**	**33 829 292**	**70 445 763**	**4 611 197**
Proceeds from interest-bearing loans and borrowings		12 439 267	30 052 209	12 439 267	30 052 209
Repayment of interest-bearing loans and borrowings		(37 215 047)	(34 436 958)	(37 215 047)	(34 436 958)
Funds from subsidiaries		--	--	22 444 240	25 629 205
Net change in cash and cash equivalents		**67 935 703**	**29 444 544**	**68 114 223**	**25 855 653**
Exchange gains/losses on cash and cash equivalents		(2 990 662)	1 737 789	--	--
Cash and cash equivalents at beginning of year		**22 402 158**	**(8 780 174)**	**10 030 575**	**(15 825 078)**
Cash and cash equivalents at end of year	17.3	**87 347 199**	**22 402 158**	**78 144 798**	**10 030 575**

ANNUAL FINANCIAL STATEMENTS (continued)

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 January 2017

	Note	Retained earnings N$	Foreign currency translation reserve N$	Revaluation Surplus N$	Total N$
GROUP					
Balance at 1 February 2015 as Previously stated		**359 426 544**	**9 201 233**	--	**368 627 777**
Effect of the Change in the Accounting Policy		--	--	205 687 035	205 687 035
Restated Opening balance at 1 February 2015		359 426 544	9 201 233	205 687 035	574 314 812
Reclassification	15.6	14 581 412	(14 581 412)	--	--
Total comprehensive income for the year					
Profit for the year		13 095 679	--	--	13 095 679
Other comprehensive income					
(Loss) / Gain arising on translation of foreign operations		--	25 941 324	--	25 941 324
Balance at 31 January 2016		**387 103 635**	**20 561 145**	**205 687 035**	**613 351 815**
Balance at 1 February 2016 Restated		**387 103 635**	**20 561 145**	**205 687 035**	**613 351 815**
Total comprehensive income for the year					
Profit for the year		19 279 484	--	--	19 279 484
Other comprehensive income					
(Loss) / Gain arising on translation of foreign operations		--	(16 977 706)	--	(16 977 706)
Revaluation gain net of tax		--	--	27 907 902	27 907 902
Balance at 31 January 2017		**406 383 119**	**3 583 439**	**233 594 937**	**643 561 495**

ANNUAL FINANCIAL STATEMENTS (continued)

STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

for the year ended 31 January 2017

	Note	Retained earnings N$	Foreign currency translation reserve N$	Revaluation Surplus N$	Total N$
CORPORATION					
Balance at 1 February 2015 As Previously stated		345 796 852	--	--	345 796 852
Effect of the Change in the Accounting Policy		--	--	205 687 035	205 687 035
Restated Opening balance at 1 February 2015		345 796 852	--	205 687 035	551 483 887
Total comprehensive income for the year					
Profit/(loss) for the year		(5 345 140)	--	--	(5 345 140)
Other comprehensive income					
Revaluation gain net of tax (Change in Accounting Policy)		--	--	--	--
Balance at 31 January 2016		340 451 712	--	205 687 035	546 138 747
Balance at 1 February 2016 Restated		340 451 712	--	205 687 035	546 138 747
Total comprehensive income for the year					
Profit/(loss) for the year		5 063 867	--	--	5 063 867
Other comprehensive income					
Revaluation gain net of tax		--	--	27 907 902	27 907 902
Balance at 31 January 2017		**345 515 579**	--	**233 594 937**	**579 110 516**

ANNUAL FINANCIAL STATEMENTS (continued)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 January 2017

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 2017 comprise the Corporation and its subsidiaries (together referred to as the "Group").

2. Significant accounting policies

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

2.1 Basis of preparation

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

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

International Financial Reporting Standards and amendments issued but not effective for 31 January 2017 year-end

Number	Effective date	Executive summary
Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28,' Investments in associates and joint ventures' on sale or contribution of assets	1 January 2016	The IASB has issued this amendment to eliminate the inconsistency between IFRS 10 and IAS 28. If the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business', then the full gain or loss will be recognised by the investor. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.
Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28, 'Investments in associates and joint ventures' on applying the consolidation exemption	1 January 2016	The amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.
Amendment to IFRS 11, 'Joint arrangements' on acquisition of an interest in a joint operation.	1 January 2016	This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.

ANNUAL FINANCIAL STATEMENTS (continued)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 January 2017

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

International Financial Reporting Standards and amendments issued but not effective for 31 January 2017 year-end

Number	Effective date	Executive summary
IFRS 14 – Regulatory deferral accounts	1 January 2016	The IASB has issued IFRS 14, 'Regulatory deferral accounts' specific to first time adopters ('IFRS 14'), an interim standard on the accounting for certain balances that arise from rate-regulated activities ('regulatory deferral accounts'). Rate regulation is a framework where the price that an entity charges to its customers for goods and services is subject to oversight and/or approval by an authorised body.
Amendments to IAS 1, 'Presentation of financial statements' disclosure initiative	1 January 2016	In December 2014 the IASB issued amendments to clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.
Amendment to IAS 16,'Property, plant and equipment' and IAS 38,'Intangible assets', on depreciation and amortisation.	1 January 2016	In this amendment the IASB has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.
Amendments to IAS 16, 'Property, plant and equipment' and IAS 41, 'Agriculture' on bearer plants	1 January 2016	In this amendment to IAS 16 the IASB has scoped in bearer plants, but not the produce on bearer plants and explained that a bearer plant not yet in the location and condition necessary to bear produce is treated as a self-constructed asset. In this amendment to IAS 41, the IASB has adjusted the definition of a bearer plant include examples of non-bearer plants and remove current examples of bearer plants from IAS 41.
IFRS 15 – Revenue from contracts with customers.	1 January 2018	The FASB and IASB issued their long awaited converged standard on revenue recognition on 29 May 2014. It is a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue. Revenue is recognised based on the satisfaction of performance obligations, which occurs when control of good or service transfers to a customer.

ANNUAL FINANCIAL STATEMENTS (continued)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 January 2017

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

International Financial Reporting Standards and amendments issued but not effective for 31 January 2017 year-end

Number	Effective date	Executive summary
IFRS 9 – Financial Instruments (2009 &2010) • Financial liabilities • Derecognition of financial instruments • Financial assets • General hedge accounting	1 January 2018	This IFRS is part of the IASB's project to replace IAS 39. IFRS 9 addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value. 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.
Amendment to IFRS 9 -'Financial instruments', on general hedge accounting	1 January 2018	The IASB has amended IFRS 9 to align hedge accounting more closely with an entity's risk management. The revised standard also establishes a more principles-based approach to hedge accounting and addresses inconsistencies and weaknesses in the current model in IAS 39. Early adoption of the above requirements has specific transitional rules that need to be followed. Entities can elect to apply IFRS 9 for any of the following: • The own credit risk requirements for financial liabilities. • Classification and measurement (C&M) requirements for financial assets. • C&M requirements for financial assets and financial liabilities. • The full current version of IFRS 9 (that is, C&M requirements for financial assets and financial liabilities and hedge accounting). The transitional provisions described above are likely to change once the IASB completes all phases of IFRS 9.

ANNUAL FINANCIAL STATEMENTS (continued)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 January 2017

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

International Financial Reporting Standards and amendments issued but not effective for 31 January 2017 year-end

Number	Effective date	Executive summary
IFRS 5, Non-current assets Held for Sale and Discontinued Operations	1 January 2016	The IASB has issued this amendments clarifying that a change in the manner of disposal of a non-current asset or disposal of a non-current asset or disposal group held for sale is considered to be a continuation of the original plan of disposal, and accordingly, the date of classification as held for sale does not change.
IFRS 7 Financial Instruments: Disclosures	1 January 20	The amendments clarify under what circumstances an entity will have continuing involvement in a transferred financial asset as a result of servicing contracts.
IFRS 16 Leases	1 January 2019	New standard that introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 January 2017

2. Significant accounting policies (continued)

2.2 Consolidation

(a) Subsidiaries

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

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

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

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

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

(b) Transactions and non-controlling interests

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

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 January 2017

2. Significant accounting policies (continued)

2.2 Consolidation (continued)

(c) Associates

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% 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'.

ANNUAL FINANCIAL STATEMENTS (continued)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 January 2017

2. Significant accounting policies (continued)

2.3 Foreign currency translation (continued)

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

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

(c) Group companies

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

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

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

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

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

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

2.4 Property, plant and equipment

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

Land and buildings are carried on the revaluation model and are stated at the revalued amounts less accumulated depreciation and accumulated impairment losses.

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.

ANNUAL FINANCIAL STATEMENTS (continued)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 January 2017

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.

ANNUAL FINANCIAL STATEMENTS (continued)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 January 2017

2. Significant accounting policies (continued)

2.6 Financial assets (continued)

(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, which is the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership.

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

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

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

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

2.7 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.

ANNUAL FINANCIAL STATEMENTS (continued)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 January 2017

2.9 Investments in subsidiaries

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

2.10 Inventories

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

(i) Meat and meat products

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

(ii) Packing materials, consumable stores and spare parts

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

2.11 Biological assets

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

2.12 Trade and other receivables

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

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

2.13 Cash and cash equivalents

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 January 2017

2.14 Trade and other payables

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

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

2.15 Borrowings

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

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

2.16 Current and deferred income tax

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

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

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

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

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 January 2017

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.

(ii) 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

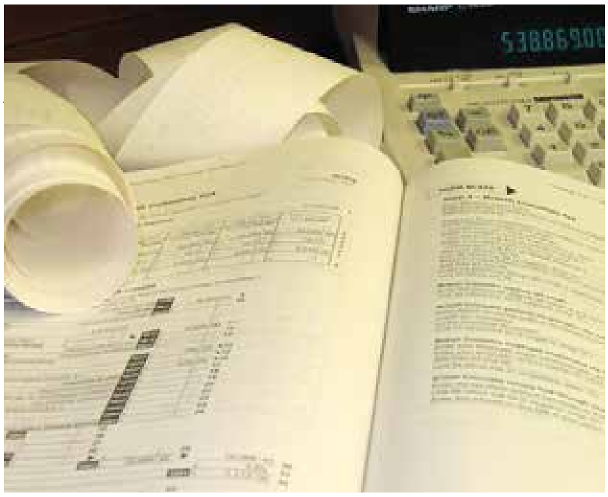
Revenue from the sale of goods and GATT quotas is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible 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.



ANNUAL FINANCIAL STATEMENTS (continued)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 January 2017

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.

ANNUAL FINANCIAL STATEMENTS (continued)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 January 2017

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.

ANNUAL FINANCIAL STATEMENTS (continued)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 January 2017

3. Financial risk management (continued)

Foreign exchange risk (continued)

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

Group – 2017		Foreign currency amount	Reporting date spot rate	N$
Current assets				
Trade and other receivables before impairment	GBP	984 243	16.97	16 703 487
	EUR	2 305 093	14.45	33 317 119
	USD	672 312	13.54	9 101 225
				59 121 831
Cash and cash equivalents	GBP	954 207	16.97	16 193 751
	EUR	7 566 016	14.45	109 356 919
	USD	616 126	13.54	8 340 627
				133 891 297
Current liabilities				
Trade and other payables	GBP	79 746	16.97	1 353 362
	EUR	3 866	14.45	55 872
	USD	-	13.54	-
				1 409 234

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

ANNUAL FINANCIAL STATEMENTS (continued)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 January 2017

3. Financial risk management (continued)

Foreign exchange risk (continued)

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

Corporation – 2017		Foreign currency amount	Reporting date spot rate	N$
Current assets				
Trade and other receivables before impairment	GBP	984 243	16.97	16 703 487
	EUR	2 305 093	14.45	33 317 119
	USD	672 312	13.54	9 101 225
				59 121 831
Cash and cash equivalents	GBP	759 107	16.97	12 882 724
	EUR	7 566 016	14.45	109 356 919
	USD	616 126	13.54	8 340 627
				133 891 297
Current liabilities				
Trade and other payables	GBP	69 285	16.97	1 175 828
	EUR	3 866	14.45	55 872
	USD	-	13.54	-
Amount due to subsidiaries	GBP	1 628 607	16.97	27 638 925
				28 870 625

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

ANNUAL FINANCIAL STATEMENTS (continued)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 January 2017

3. Financial risk management (continued)

Foreign exchange risk (continued)

Sensitivity analysis

A 10% 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 2016.

	Group		Corporation	
	Equity	Profit or loss	Equity	Profit or loss
31 January 2017				
USD	(1 288 439)	(1 744 185)	(1 288 439)	(1 744 185)
GBP	(1 858 704)	(3 154 388)	(1 674 065)	(2 841 038)
EUR	(9 867 243)	(14 261 817)	(9 867 243)	(14 261 817)
31 January 2016				
USD	(364 089)	(364 089)	(364 089)	(364 089)
GBP	(3 716 853)	(3 716 853)	(433 834)	(433 834)
EUR	5 114 882	5 114 882	5 114 882	5 114 882

A 10% 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.

ANNUAL FINANCIAL STATEMENTS (continued)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 January 2017

3. Financial risk management (continued)

Foreign exchange risk (continued)

Derivative Financial Instruments

Forward exchange contracts are entered into with banks for transactions in foreign currency. If contracts rates are more favourable than the spot rate, on the exercise date, they will be used. The maturity date represents the date when the contract must be exercised. As at the end of January 2017, the Corporation had no unutilised forward exchange contracts (2016: N$ 49 104 299). The contracts in the prior year (2016) consisted of EUR 3.15 million and GBP 250 000 at a rate of 14.05 and 19.34.

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

	Group		Corporation	
	Carrying amount		Carrying amount	
	2017	2016	2017	2016
	N$	N$	N$	N$
Fixed rate instruments				
Financial liabilities	--	--	--	--
Variable rate instruments				
Financial assets	218 515 383	71 159 293	209 312 982	58 787 710
Financial liabilities	(472 426 006)	(414 790 737)	(472 426 006)	(414 790 737)
	(253 910 623)	**(343 631 444)**	**(263 113 024)**	**(356 003 027)**

ANNUAL FINANCIAL STATEMENTS (continued)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 January 2017

3. Financial risk management (continued)

Foreign exchange risk (continued)

Cash flow sensitivity analysis for variable rate instruments

A change in 100 basis points in interest rates at the reporting date would have increased or decreased equity and profit or loss by N$ 4 724 260 (2016: N$ 4 147 907) for the Group, and by N$ 4 724 260 (2016: N$ 4 147 907) 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 2016.

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

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 January 2017

3. Financial risk management (continued)

Credit risk (continued)

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.

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		Corporation	
	Carrying amount		Carrying amount	
	2017	2016	2017	2016
	N$	N$	N$	N$
Trade and other receivables	240 175 562	177 589 579	97 344 587	126 863 921
Cash and cash equivalents	218 515 383	71 159 293	209 312 982	58 787 710
	458 690 945	**248 748 872**	**306 657 569**	**185 651 631**

ANNUAL FINANCIAL STATEMENTS (continued)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 January 2017

3. Financial risk management (continued)

Exposure to credit risk (continued)

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

	Group		Corporation	
	Carrying amount		Carrying amount	
	2017	2016	2017	2016
	N$	N$	N$	N$
Namibia, RSA and Botswana	23 986 849	34 888 413	18 950 680	20 241 116
European Union countries	16 191 448	14 351 054	16 191 448	14 351 054
	40 178 297	**49 239 467**	**35 142 128**	**34 592 170**

Included in the balance above is N$ 57 470 652 (2016: N$ 82 820 191) for Group and N$ 57 297 199 (2016: N$ 73 807 072) for Corporation which are insured for risk of loss due to insolvency and / or protracted default.

This insurance covers 90% of the outstanding amount, limited to the agreed credit limit per customer. At the reporting date amounts in excess of credit limits are N$ 40 178 297 (2016: N$ 6 959 945) for Group and N$ 35 142 128 (2016: N$ 6 959 945) for the Corporation.

ANNUAL FINANCIAL STATEMENTS (continued)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 January 2017

3. Financial risk management (continued)

Impairment losses

The aging of trade receivables at the reporting date was:

Group

	Gross 2017 N$	Impairment 2017 N$	Gross 2016 N$	Impairment 2016 N$
Not past due	54 143 802	--	89 246 855	--
Past due 31 – 180 days	43 505 148	10 350 785	43 531 691	718 888
Past due 6 – 12 months	--	--	--	--
More than one year	--	--	--	--
	97 648 950	**10 350 785**	**132 778 546**	**718 888**

Corporation

	Gross 2017 N$	Impairment 2017 N$	Gross 2016 N$	Impairment 2016 N$
Not past due	53 916 488	--	74 013 091	--
Past due 31 – 180 days	38 522 839	5 735 197	35 105 039	718 888
Past due 6 – 12 months	--	--	--	--
More than one year	--	--	--	--
	92 439 327	**5 735 197**	**109 118 130**	**718 888**

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

	Group		Corporation	
	2017 N$	2016 N$	2017 N$	2016 N$
Balance at 1 February	718 888	2 100 475	718 888	1 763 760
Provision raised	10 350 785	--	5 735 197	--
Impairment loss reversed	--	--	--	(29 967)
Impairment loss recognised	(718 888)	(1 381 587)	(718 888)	(1 014 905)
Balance at 31 January	**10 350 785**	**718 888**	**5 735 197**	**718 888**

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 2017 the Group does not have any collective impairment on its trade receivables (2016: Nil).

ANNUAL FINANCIAL STATEMENTS (continued)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 January 2017

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$ 569.4 million (2016: N$ 580.1 million) to finance inventories and trade and other receivables. The borrowings were all short term at interest rates from prime to prime minus 1.5% (2016: prime to prime minus 1.5%).

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

The group has an overdraft facility of N$ 50 million with FNB Namibia Ltd, a contingent facility of N$ 2.7 million for guarantees issued by the bank and a pre-settlement facility of N$ 40 million (N$ 100 million forward exchange contracts margined at 10%), a first card facility of N$ 30 000, as well as a revolving Wesbank facility of N$ 3 million.

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

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

The table on the next page 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.

ANNUAL FINANCIAL STATEMENTS (continued)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 January 2017

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 – 2017	Carrying amount	Contractual cash flows	1 to 12 months	1 to 5 years	More than 5 years
Interest bearing loans and borrowings	341 257 822	475 200 030	73 775 662	217 550 417	49 931 743
Bank overdraft	131 168 184	131 168 184	131 168 184	--	--
Trade and other payables	220 978 267	220 978 267	220 978 267	--	--
	693 404 273	**827 346 481**	**425 922 113**	**217 550 417**	**49 931 743**

Corporation – 2017	Carrying amount	Contractual cash flows	1 to 12 months	1 to 5 years	More than 5 years
Interest bearing loans and borrowings	341 257 822	475 200 030	73 775 662	217 550 417	49 931 743
Bank overdraft	131 168 184	131 168 184	131 168 184	--	--
Trade and other payables	82 945 468	82 945 468	82 945 468	--	--
	555 371 474	**689 313 682**	**287 889 314**	**217 550 417**	**49 931 743**

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

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

ANNUAL FINANCIAL STATEMENTS (continued)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 January 2017

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.

Fair value estimation

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

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

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

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

Levels of fair value measurements

Level 3

		Group		Corporation	
		2017	2016	2017	2016
Recurring fair value measurements	**Note**	**N$**	**N$**	**N$**	**N$**
Foreign exchange contracts		--	(11 620 061)	--	(11 620 061)
Biological assets	10	132 581 978	142 415 904	72 792 591	41 091 357

ANNUAL FINANCIAL STATEMENTS (continued)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 January 2017

4. Critical accounting estimates and judgements

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

4.1 Critical accounting estimates and assumptions:

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

Impairment of trade receivables

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

Impairment of other assets

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

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

Taxation

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

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

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% and 33.3% per annum.

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

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

ANNUAL FINANCIAL STATEMENTS (continued)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 January 2017

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.

	Group		Corporation	
	2017	2016	2017	2016
	N$	N$	N$	N$
5. Property, plant and equipment				
Owned assets				
Land and buildings	394 071 919	96 136 024	393 944 800	96 008 904
At cost	--	126 143 757	--	125 947 487
Less: Accumulated depreciation and impairment losses	--	(30 007 733)	--	(29 938 583)
On the Revaluation method	393 944 800	--	393 944 800	--
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	170 016 181	141 933 165	169 843 806	141 740 631
At cost	324 032 928	278 931 705	323 282 474	278 173 451
Less: Accumulated depreciation and impairment losses	(154 016 747)	(136 998 540)	(153 438 668)	(136 432 820)
Buildings and plant under construction	24 303 856	41 940 565	24 303 856	41 940 565
At cost	24 303 856	41 940 565	24 303 856	41 940 565
Less: Accumulated depreciation and impairment losses	--	--	--	--
Total owned assets	**588 391 956**	**280 009 754**	**588 092 462**	**279 690 100**
Leased assets				
Vehicles and equipment	20 231 056	19 690 531	20 231 056	19 690 531
At cost	30 905 275	26 157 653	30 905 275	26 157 653
Less: Accumulated depreciation and impairment losses	(10 674 220)	(6 467 122)	(10 674 220)	(6 467 122)
Total assets	**608 623 012**	**299 700 285**	**608 323 518**	**299 380 631**

ANNUAL FINANCIAL STATEMENTS (continued)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 January 2017

5. Property, plant and equipment (continued)

Group – 2017	Land and buildings	Plant, vehicles, furniture and equipment	Uncompleted projects	Total
Net book value				
Owned assets	394 071 919	170 509 311	24 303 856	588 885 086
Opening balance	96 136 024	141 933 165	41 940 565	280 009 754
Additions	2 133 904	13 442 267	28 113 912	43 690 084
Projects capitalised	9 381 066	36 369 554	(45 750 620)	--
Revaluation	287 217 305	--	--	287 217 305
Reclassifications	(78 854)	859 449	--	780 595
Disposals	(717 526)	(637 889)	--	(1 355 415)
Depreciation	--	(21 457 235)	--	(21 457 235)
Leased assets	--	19 737 926	--	19 737 926
Opening balance	--	19 690 531	--	19 690 531
Additions	--	4 128 128	--	4 128 128
Projects capitalised	--	--	--	--
Reclassifications	--	(780 591)	--	(780 591)
Disposals	--	--	--	--
Depreciation	--	(3 300 142)	--	(3 300 142)
Total assets	**394 071 919**	**190 247 237**	**24 303 856**	**608 623 012**

Group – 2016	Land and buildings	Plant, vehicles, furniture and equipment	Uncompleted projects	Total
Net book value				
Owned assets	96 136 024	141 933 165	41 940 565	280 009 754
Opening balance	79 335 039	105 814 002	32 625 033	217 774 074
Additions	6 235 726	19 340 688	46 803 876	72 380 290
Projects capitalised	10 565 259	26 923 085	(37 488 344)	--
Reclassifications	--	7 532 196	--	7 532 196
Disposals	--	(936 108)	--	(936 108)
Depreciation	--	(16 740 698)	--	(16 740 698)
Leased assets	--	19 690 531	--	19 690 531
Opening balance	--	26 066 356	--	26 066 356
Additions	--	4 100 366	--	4 100 366
Projects capitalised	--	--	--	--
Reclassifications	--	(7 532 196)	--	(7 532 196)
Disposals	--	(228 874)	--	(228 874)
Depreciation	--	(2 715 121)	--	(2 715 121)
Total assets	**96 136 024**	**161 623 697**	**41 940 565**	**299 700 285**

ANNUAL FINANCIAL STATEMENTS (continued)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 January 2017

5. Property, plant and equipment (continued)

Corporation – 2017	Land and buildings	Plant, vehicles, furniture and equipment	Uncompleted projects	Total
Net book value				
Owned assets	393 944 800	170 336 937	24 303 855	588 585 592
Opening balance	96 008 904	141 740 631	41 940 565	279 690 100
Additions	2 133 904	13 442 267	28 113 910	43 690 084
Projects capitalised	9 381 066	36 369 554	(45 750 620)	--
Revaluation	287 217 305	--	--	287 217 305
Reclassifications	(78 853)	859 449	--	780 595
Disposals	(717 526)	(673 889)	--	(1 355 415)
Depreciation	--	(21 437 076)	--	(21 437 076)
Leased assets	--	19 737 926	--	19 737 926
Opening balance	--	19 690 531	--	19 690 531
Additions	--	4 128 128	--	4 128 128
Projects capitalised	--	--	--	--
Reclassifications	--	(780 591)	--	(780 591)
Disposals	--	--	--	--
Depreciation	--	(3 300 142)	--	(3 300 142)
Total assets	**393 944 800**	**190 074 833**	**24 303 855**	**608 323 518**

Corporation – 2016	Land and buildings	Plant, vehicles, furniture and equipment	Uncompleted projects	Total
Net book value				
Owned assets	96 008 904	141 740 631	41 940 565	279 690 100
Opening balance	79 207 919	105 663 040	32 625 033	217 495 992
Additions	6 235 726	19 273 065	46 803 876	72 312 667
Projects capitalised	10 565 259	26 923 085	(37 488 344)	--
Reclassifications	--	7 532 196	--	7 532 196
Disposals	--	(934 496)	--	(934 496)
Depreciation	--	(16 716 259)	--	(16 716 259)
Leased assets	--	19 690 531	--	19 690 531
Opening balance	--	26 066 356	--	26 066 356
Additions	--	4 100 366	--	4 100 366
Projects capitalised	--	--	--	--
Reclassifications	--	(7 532 196)	--	(7 532 196)
Disposals	--	(228 874)	--	(228 874)
Depreciation	--	(2 715 121)	--	(2 715 121)
Total assets	**96 008 904**	**161 431 162**	**41 940 565**	**299 380 631**

A valuation of property, plant and equipment was performed by Mills Fitchet, professional plant and machinery valuers, on 31 January 2017. The market value of the cost of the property, plant and equipment were fairly assessed at N$ 393 944 800 by the valuator.

ANNUAL FINANCIAL STATEMENTS (continued)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 January 2017

5. Property, plant and equipment (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).
- A 1st Covering Mortgage bond for N$ 31.1 million over portion 3 of Farm Okapuka no 51.

The Windhoek plant has been encumbered by means of a mortgage bond in favour of Development Bank of Namibia as outlined in Note 12. The bank holds the following as collateral:

- A 1st Covering Mortgage bond for N$ 13.9 million over Erf 6564 Windhoek (extension 3).
- A 2nd Continuing Covering Mortgage Bond for N$ 6.2 million on Erf 6564 Windhoek (extension 3).
- A 1st Covering Mortgage bond for N$ 110 million over Erf 7130 Windhoek (extension 6).
- A 2nd Continuing Covering Mortgage Bond for N$ 77.3 million on Erf 7130 Windhoek (extension 6).
- A 1st Covering Mortgage bond for N$ 5.7 million over Farm Annarush No 175 Gobabis.
- A 1st Covering Mortgage bond for N$ 2.9 million over Portion 9, Farm Otavi Pforte 798 Grootfontein.

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

The leased assets are encumbered as outlined in Note 12.

6. Investment in and amounts due to subsidiaries

Details of the investments in subsidiaries and the loans to and from subsidiaries are disclosed in the directors’ report. The loan to Namibia Cattle Procurement (Pty) Ltd has been subordinated in favour of other creditors until the assets of the company, fairly valued, exceed its liabilities.

ANNUAL FINANCIAL STATEMENTS (continued)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 January 2017

7. Investment in associates

Summarised statement of financial position

	GPS Group (Holdings) Limited		GPS Norway AS		Total	
	2017	2016	2017	2016	2017	2016
Non-Current Assets	28 187 953	2 051 698	69 425	82 013	28 269 966	2 133 711
Fixed assets	28 187 953	2 051 698	69 425	82 013	28 269 966	2 133 711

	GPS Group (Holdings) Limited		GPS Norway AS		Total	
	2017	2016	2017	2016	2017	2016
Current Assets	517 304 138	316 444 411	19 972 464	2 704 686	537 276 602	319 149 097
Inventory	100 894 588	45 892 919	6 345 809	(371)	107 240 397	45 892 548
Trade and other receivables	226 790 810	140 572 856	2 908 754	421 067	229 699 564	140 993 923
Cash and cash equivalents	101 879 795	126 985 549	10 717 121	2 283 990	112 596 916	129 269 539
Amounts due from subsidiaries	--	2 993 087	--	--	--	2 993 087
Financial assets	87 738 946	--	781	--	87 739 727	--
Total Assets	545 492 091	318 496 109	20 041 889	2 786 699	565 546 568	321 282 808
Non-Current Liabilities	114 532 232	16 154 706	--	--	114 532 232	16 154 706
Long-term loans	114 532 232	16 154 706	--	--	114 532 232	16 154 706
Current Liabilities	175 630 016	142 498 942	10 015 112	(313 457)	185 645 128	142 185 485
Trade and other payables	175 630 016	142 498 942	10 015 112	(313 457)	185 645 128	142 185 485
Tax payable	--	--	--	--	--	--
Amounts due to related parties	--	--	--	--	--	--
Total liabilities	290 162 248	158 653 648	10 015 112	(313 457)	300 177 360	158 340 191
Net Assets	255 329 843	159 842 461	10 026 777	3 100 156	265 356 620	162 942 617

ANNUAL FINANCIAL STATEMENTS (continued)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 January 2017

7. Investment in associates (continued)

Summarised statement of comprehensive income

	GPS Group (Holdings) Limited		GPS Norway AS		Total	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
Sales	1 834 213 425	1 644 397 581	417 457 937	281 626 253	2 251 671 362	1 926 023 834
Cost of Sales	(1 660 668 800)	(1 480 173 524)	(399 900 169)	(269 917 341)	(2 060 568 969)	(1 750 090 865)
Gross profit	173 544 625	164 224 057	17 557 768	11 708 912	191 102 393	175 932 969
Administrative expenses	(92 423 994)	(103 058 122)	(7 882 023)	(8 614 407)	(100 306 017)	(111 672 529)
Operating profit	81 120 631	61 165 935	9 675 745	3 094 505	90 796 376	64 260 440
Interest expense	(3 212 264)	(764 781)	(126 851)	(153 275)	(3 339 115)	(918 056)
Other income	32 736	862 495	15 780	6 403	48 516	868 898
Profit before tax	77 941 103	61 263 649	9 564 674	2 974 633	87 505 777	64 211 282
Tax	(19 275 810)	(11 955 756)	(2 713 288)	(1 449 441)	(21 989 098)	(13 405 197)
Profit from Associate	2 126 419	--	--	--	2 126 419	--
Profit after tax	60 791 712	49 307 893	6 851 386	1 498 192	67 643 098	50 806 085

RECONCILIATION OF THE SUMMARISED FINANCIAL INFORMATION PRESENTED TO THE CARRYING AMOUNT OF THE INTEREST IN ASSOCIATES

Investment in associates

	GPS Group (Holdings) Limited		GPS Norway AS		Total	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
Group						
Carrying value as at 31 January 2016	73 000 432	44 080 105	1 681 393	475 283	74 681 825	44 555 388
Acquisition during the year	--	--	--	--	--	--
Profit/(loss) for the period	15 197 928	11 842 485	2 260 957	868 302	17 458 884	12 710 787
Foreign exchange differences	(14 088 344)	17 077 842	(502 533)	337 808	(14 590 876)	17 415 650
Carrying value as at 31 January 2017	74 110 016	73 000 432	3 439 817	1 681 393	77 549 833	74 681 825

ANNUAL FINANCIAL STATEMENTS (continued)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 January 2017

	Group		Corporation	
	2017	2016	2017	2016
	N$	N$	N$	N$
8. Deferred tax assets/(liability)				
Balance at the beginning of the year	25 662 256	24 250 594	25 346 358	24 047 774
Current charge (P/L)	(2 433 519)	1 411 662	(2 433 519)	1 298 584
Current charge (OCI)	(53 622 367)	1 411 662	(53 622 367)	1 298 584
	(30 393 630)	25 662 256	(30 709 528)	25 346 358
Comprising of:				
- Capital allowances	(61 802 514)	(52 123 876)	(62 118 412)	(52 109 993)
- Prepayments	(53 622 367)	--	(53 622 367)	--
- Revaluation on land and buildings	(197 536)	(2 330 058)	(197 536)	(2 330 058)
- Provisions	21 890 006	12 962 437	21 890 006	12 632 656
- Tax losses	74 151 250	73 194 252	74 151 250	73 194 252
- Other	(10 812 469)	(6 040 499)	(10 812 469)	(6 040 499)
	(30 393 630)	25 662 256	(30 709 528)	25 346 358
Disclosed as follows:				
Deferred tax asset	23 228 737	25 662 256	22 912 839	25 346 358
Deferred tax liability	(53 622 367)	--	(53 622 367)	--
	(30 393 630)	25 662 256	(30 709 528)	25 346 358

	Group		Corporation	
	2017	2016	2017	2016
	N$	N$	N$	N$
9. Inventories				
Meat and meat products	92 293 663	135 020 708	90 177 105	128 948 983
Cost	92 293 663	135 020 708	90 177 105	128 948 983
Inventories stated at fair value less costs to sell	--	--	--	--
Packing materials, consumable stores and spare parts	36 379 949	23 214 320	36 379 949	23 214 320
	128 673 612	**158 235 028**	**126 557 054**	**152 163 303**

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.

ANNUAL FINANCIAL STATEMENTS (continued)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 January 2017

	Group		Corporation	
	2017	2016	2017	2016
	N$	N$	N$	N$
10. Biological assets				
Livestock cattle	**132 581 978**	**142 415 904**	**72 792 591**	**41 091 357**
Reconciliation of changes in carrying amount of biological assets:				
Carrying amount at beginning of year	142 415 904	197 526 853	41 091 357	59 592 743
Increase due to acquisitions	215 645 234	224 270 402	193 193 339	183 558 257
Net profit arising from changes in fair value	120 575 155	79 446 665	122 231 718	78 430 065
Decrease due to sales	(346 054 315)	(358 828 016)	(283 723 823)	(280 489 708)
Carrying amount at end of year	132 581 978	142 415 904	72 792 591	41 091 357
Number of cattle	19 667	19 720	10 372	6 009
Reconciliation of the changes in the number of cattle:				
At the beginning of the year	19 720	31 875	6 009	8 874
Increase due to acquisitions	19 380	33 165	38 493	34 793
Decrease due to sales	(19 433)	(45 320)	(34 130)	(37 658)
Number of cattle at the end of the year	19 667	19 720	10 372	6 009

	Group		Corporation	
	2017	2016	2017	2016
	N$	N$	N$	N$
11. Trade and other receivables				
Trade receivables in Namibia, South Africa and Botswana	38 527 119	59 716 721	33 317 496	35 907 145
Trade receivables Europe & Norway	59 121 831	72 342 937	59 121 831	72 492 097
Other receivables and prepayments	142 526 611	19 438 597	4 905 261	18 464 678
VAT receivable	52 592 609	76 544 295	49 295 679	74 471 306
	292 768 170	**228 042 550**	**146 640 267**	**201 335 226**

ANNUAL FINANCIAL STATEMENTS (continued)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 January 2017

12. Post-employment benefits

Severance pay benefits

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

An actuarial valuation was performed on 31 January 2016 of the company's liability in respect of the provision for severance pay.

The financial statement effects of the severance benefit liability are illustrated below for the Group and the Corporation.

	Present value of obligation N$	Fair value of plan assets N$	Impact of asset ceiling N$	Total N$
As at 31 January 2015	(21 762 187)	--	--	(21 762 187)
Income statement:				
(Current Service Cost)	(1 706 000)	--	--	(1 706 000)
Interest (expense) / income	(2 044 000)	--	--	(2 044 000)
Cash movements:				
Benefit payments	778 068	--	--	778 068
Remeasurements:				
Return on plan assets	--	--	--	--
Gain / (loss) – change in financial assumptions	(1 027 000)	--	--	(1 027 000)
Gain / (loss) – change in demographic assumptions	1 986 000	--	--	1 986 000
Experience gains / (losses)	159 119	--	--	159 119
Change in asset ceiling	--	--	--	--
As at 31 January 2016	(23 616 000)	--	--	(23 616 000)
Income statement:				
(Current Service Cost)	(1 887 000)	--	--	(1 887 000)
Interest (expense) / income	(2 440 000)	--	--	(2 440 000)
Cash movements:				
Benefit payments	4 927 506	--	--	4 927 506
As at 31 January 2017	(23 015 494)	--	--	(23 015 494)

ANNUAL FINANCIAL STATEMENTS (continued)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 January 2017

12. Post-employment benefits (continued)

Severance pay benefits (continued)

	2017	2016
Discount rate	10.10 % per annum	10.10 % per annum
Salary inflation rate	7.40 % per annum	7.40 % per annum
Long-term inflation rate	7.70 % per annum	7.70 % per annum
Pre-retirement mortality table – male	SA 85-90 (Ultimate)	SA 85-90 (Ultimate)
Pre-retirement mortality table – female	SA 85-90 (Ultimate)	SA 85-90 (Ultimate)

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

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

ANNUAL FINANCIAL STATEMENTS (continued)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 January 2017

	Group		Corporation	
	2017	2016	2017	2016
	N$	N$	N$	N$
13. Interest bearing loans and borrowings				
Secured loans				
Finance lease liabilities:				
Finance lease liabilities - Secured by leased vehicles as set out in Note 5. Repayable in monthly instalments which include interest at a rate of prime less 1.5 % to 2.5% (2016: prime less 1.5 % to 2.5 %) per annum.	14 906 634	16 751 187	14 906 634	16 751 187
Bank borrowings:				
Development Bank of Namibia - Secured by the following properties: Erf 6564 Windhoek, Erf 7130 Windhoek, Farm Annasruh Gobabis and Portion 9, Farm Otavi Pforte Grootfontein as set out in note 5. Interest is payable at prime overdraft rate to prime overdraft rate +1.25% (9.75% - 11%) (2016: prime overdraft rate to prime overdraft rate +0.75% (9.75% - 10.5%)) monthly in arrears. Capital and interest are repayable in 58 (2016: 70) monthly instalments of N$ 1 733 256.05, 90 (2016: 102) monthly instalments of N$ 2 079 935.52 and 104 (2016: 116) monthly instalments of N$ 412 851.40.	233 896 653	257 699 620	233 896 653	257 699 620
Bank Windhoek Ltd - Secured by Okahandja Factory and Okapuka Tannery as set out in note 5. Interest is payable at prime overdraft rate to prime overdraft rate +1.25% (9.75% - 11%) (2016: prime overdraft rate to prime overdraft rate +0.75% (9.75% - 10.5%)) monthly in arrears. Capital and interest are repayable in 76 (2016: 88) monthly instalments of N$ 1 207 407, 32 (2016: 44) monthly instalments of N$ 646 816.	78 671 828	91 582 795	78 671 828	91 582 795
Nedbank Namibia Limited. Interest is payable at 9.75% p.a monthly in arrears. Capital and interest repayable in 50 (2016: nil) monthly instalments of N$ 263 060.61	10 775 367	--	10 775 367	--
Other loans comprises of loans to NCA (Northern Communal Areas) from the Government of N$ 2 536 367 and loan from the Meatco Foundation for the building costs incurred by the Foundation for Meatco of N$ 470 973.	3 007 340	--	3 007 340	--
Total secured loans	**341 257 822**	**366 033 602**	**341 257 822**	**366 033 602**
Less: Current portion of interest bearing loans and borrowings	**(73 775 662)**	**(79 198 378)**	**(73 775 662)**	**(79 198 378)**
Finance lease liabilities	(5 150 975)	(5 559 481)	(5 150 975)	(5 559 481)
Development Bank of Namibia	(45 686 951)	(51 615 568)	(45 686 951)	(51 615 568)
Bank Windhoek	(20 061 446)	(22 023 329)	(20 061 446)	(22 023 329)
Nedbank Namibia Limited	(2 876 289)	--	(2 876 289)	--
Non-current portion	**267 482 160**	**286 835 224**	**267 482 160**	**286 835 224**

ANNUAL FINANCIAL STATEMENTS (continued)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 January 2017

13. Interest bearing loans and borrowings (continued)

Secured loans (continued)

Finance lease liabilities are payable as follows:

	Future minimum lease payments 2017	Interest 2017	Present value of minimum lease payments 2017	Future minimum lease payments 2016	Interest 2016	Present value of minimum lease payments 2016
Group						
Less than one year	6 255 476	1 106 502	5 150 975	6 904 979	1 345 498	5 559 481
Between one and five years	12 532 337	2 774 677	9 755 659	12 600 175	1 408 469	11 191 706
More than five years	--	--	--	--	--	--
	18 787 813	**3 881 179**	**14 906 634**	**19 505 154**	**2 753 967**	**16 751 187**
Corporation						
Less than one year	6 255 476	1 106 502	5 150 975	6 904 979	1 345 498	5 559 481
Between one and five years	12 532 337	2 774 677	9 755 659	12 600 175	1 408 469	11 191 706
More than five years	--	--	--	--	--	--
	18 787 813	**3 881 179**	**14 906 634**	**19 505 154**	**2 753 967**	**16 751 187**

ANNUAL FINANCIAL STATEMENTS (continued)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 January 2017

14. Provisions

	Provision for profit share	Other provisions	Total
Group 2017			
Opening balance	46 219 759	6 425 623	52 645 382
Additional provisions	34 286 123	33 615 205	67 901 328
Utilised during the year	(46 219 759)	(6 425 623)	(52 645 382)
Balance as at 31 January 2017	**34 286 123**	**33 615 205**	**67 901 328**
Group 2016			
Opening balance	42 727 025	5 094 452	47 821 477
Additional provisions	46 219 759	6 425 623	52 645 382
Utilised during the year	(42 727 025)	(5 094 452)	(47 821 477)
Balance as at 31 January 2016	**46 219 759**	**6 425 623**	**52 645 382**
Corporation 2017			
Opening balance	5 579 616	6 425 623	12 005 239
Additional provisions	11 883 430	33 615 205	45 498 635
Utilised during the year	(5 579 616)	(6 425 623)	(12 005 239)
Balance as at 31 January 2017	**11 883 430**	**33 615 205**	**45 498 635**
Corporation 2016			
Opening balance	5 302 955	5 094 452	10 397 407
Additional provisions	5 579 616	6 425 623	12 005 239
Utilised during the year	(5 302 955)	(5 094 452)	(10 397 407)
Balance as at 31 January 2016	**5 579 616**	**6 425 623**	**12 005 239**

ANNUAL FINANCIAL STATEMENTS (continued)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 January 2017

	Group 2017 N$	Group 2016 N$	Corporation 2017 N$	Corporation 2016 N$
15. Additional disclosure				
15.1 Revenue				
Sales of goods	1 694 629 749	1 802 582 145	1 687 459 406	1 791 374 167
Total revenue	**1 694 629 749**	**1 802 582 145**	**1 687 459 406**	**1 791 374 167**
15.2 Other income				
Other income	8 589 928	28 015 616	8 588 458	28 000 015
Net unrealised foreign exchange gain/(loss)	3 821 790	(11 388 272)	3 821 790	(11 388 272)
Net realised foreign exchange gain/(loss)	(8 906 146)	(107 777)	(8 906 146)	(107 777)
Total other income	**3 505 572**	**16 519 567**	**3 504 102**	**16 503 966**
15.3 Operating profit before financing costs is stated after taking into account:				
Depreciation of property, plant and equipment	24 757 378	19 455 819	24 737 219	19 431 380
- Machinery, vehicles, furniture equipment	24 757 378	19 455 819	24 737 219	19 431 380
- Buildings and plant under construction	--	--	--	--
Auditors' remuneration	2 381 302	2 946 076	1 190 651	2 805 376
Local – for services as auditors	1 190 651	2 805 376	1 190 651	2 805 376
- Current year audit fees	1 008 300	2 484 636	1 008 300	2 484 636
- Over-provision previous year	--	--	--	--
- Other services	182 351	320 740	182 351	320 740
Subsidiaries - for services as auditors	--	140 700	--	--
Subsidiaries - for other services	--	--	--	--
Net (profit)/loss on disposal and scrapping of property, plant and equipment	763 091	(199 072)	763 091	(199 757)
Rentals under operating leases for land and buildings	459 535	1 773 086	459 535	1 773 086

ANNUAL FINANCIAL STATEMENTS (continued)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 January 2017

	Group		Corporation	
	2017	2016	2017	2016
	N$	N$	N$	N$
15. Additional disclosure (continued)				
15.4 Northern Communal Areas				
Loss included in operating profit	(6 990 823)	(13 787 252)	(6 990 823)	(13 787 252)
15.5 Personnel expenses				
Salaries and wages	221 119 547	218 508 534	220 020 790	207 504 741
Contributions to defined contribution plans	22 454 974	23 009 038	22 296 771	23 072 868
	243 574 521	**241 517 572**	**242 317 561**	**230 577 609**

The group salaries and wages include a severance pay provision charge of N$ 4 327 000 (2015: N$ 3 750 000). The Corporation provides retirement benefits for all its permanent employees through a defined contribution pension fund which is subject to the Pension Funds Act of 1956 as amended. The fund is appraised every year by an independent actuary. At 30 June 2015, the date of the most recent appraisal, the fund was found to be in a sound financial position.

	Group		Corporation	
	2017	2016	2017	2016
	N$	N$	N$	N$
15.6 Foreign currency translation reserve	3 583 439	20 561 145	--	--

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

	Group		Corporation	
	2017	2016	2017	2016
	N$	N$	N$	N$
15.7 Other disclosures				
- Non executive directors of the Corporation for services as directors	1 304 916	1 132 405	1 304 916	1 132 405
Profit arising from changes in fair value less estimated point of sale costs attributable to livestock	120 575 155	79 446 665	122 231 718	78 430 065
Impairment (loss)/reversal on trade and other receivables, including amounts written off during the year, net of recoveries	5 016 309	1 381 587	5 016 309	1 044 872

ANNUAL FINANCIAL STATEMENTS (continued)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 January 2017

	Group		Corporation	
	2017	2016	2017	2016
	N$	N$	N$	N$
16. Income tax				
Normal income taxation				
- Foreign tax	(792 898)	(2 074 913)	--	--
Deferred taxation				
- Current year	(2 433 519)	1 411 662	(2 433 519)	1 298 584
	(3 226 417)	**(663 251)**	**(2 433 519)**	**1 298 584**
	%	%	%	%
Reconciliation of tax rate				
Current year charge as a percentage of income before taxation	17	3	45.2	19.5
Effect of subsidiaries being taxed at rates different to the Corporation's standard rate	30	25	--	--
Prior period adjustment	--	0.7	--	1.5
Tax rate change for deferred tax	--	5.8	--	11
Capital profits and exempt income not subject to tax	--	--	--	--
Unrecognised tax asset on calculated tax losses	(1.8)	(2.4)	--	--
Non-deductible expenditure	(13.2)	(0.1)	(13.2)	--
Standard tax rate	**32.00**	**32.00**	**32.00**	**32.00**

Provision has not been made for the Corporation's normal income taxation as the Corporation has a calculated tax loss of N$ 231 722 655 (2016: N$ 228 732 039) which is available for set off against future taxable income.

ANNUAL FINANCIAL STATEMENTS (continued)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 January 2017

	Group 2017 N$	Group 2016 N$	Corporation 2017 N$	Corporation 2016 N$
17. Notes to the cash flow statement				
17.1 Cash from operations				
Operating profit before financing costs	56 500 018	51 772 926	58 316 080	44 129 463
Adjustments for non-cash flow items:				
- Depreciation	24 757 378	19 455 819	24 737 214	19 431 380
- (Profit)/Loss on disposal and scrapping of property, plant & equipment	763 091	(198 146)	763 091	(199 757)
- Changes in fair value of livestock	(120 575 155)	(79 446 665)	(122 231 718)	(78 430 065)
- Provision for severance pay	(600 506)	1 853 813	(600 506)	1 853 813
- Financial instrument asset / liability	(11 620 061)	16 646 462	(11 620 061)	16 646 462
- Provisions	15 255 946	4 823 905	33 493 396	1 607 832
- Prior year adjustment	--	--	--	(2 954 231)
- Movement in FCTR - subsidiaries	--	6 787 886	--	--
	(35 519 289)	21 696 000	(17 142 504)	2 084 897
Decrease/(increase) in working capital	227 277 374	140 030 164	185 632 849	128 349 393
Inventories and biological assets	159 970 497	210 163 305	116 136 733	171 562 674
Trade and other receivables	(64 725 620)	(63 261 282)	54 694 959	(74 841 137)
Trade and other payables	132 032 497	(6 871 859)	413 381	(3 862 576)
Investment in subsidiaries	--	--	14 387 776	35 490 432
	191 758 085	**161 726 164**	**168 490 345**	**130 434 290**
17.2 Income taxes paid				
Amounts outstanding at beginning of year	(614 411)	(594 058)	--	--
Income statement charge	(189 070)	(2 074 913)	--	--
Amounts outstanding at end of year	435 768	614 411	--	--
	(367 713)	**(2 054 560)**	--	--
17.3 Cash and cash equivalents				
Cash and cash equivalents	218 515 383	71 159 293	209 312 982	58 787 710
Bank overdrafts	(131 168 184)	(48 757 135)	(131 168 184)	(48 757 135)
	87 347 199	**22 402 158**	**78 144 798**	**10 030 575**

ANNUAL FINANCIAL STATEMENTS (continued)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 January 2017

17. Notes to the cash flow statement (continued)

17.3 Cash and cash equivalents (continued)

N$ 2.5 million of the balance above is restricted cash which was received from the Government for projects in the NCA.

The overdraft facilities have been secured as follows:

- A 1st Covering Mortgage bond for N$ 64.5 million over Erf 479 and 480 Okahandja (extension 2).
- A 1st General Notarial Covering bond for N$ 68.5 million covering loose assets on Erf 479 and 480 Okahandja (extension 2).
- A 1st Covering Mortgage bond for N$ 31.1 million over portion 3 of Farm Okapuka no 51.

Pledge and cession of VAT claims amounting to N$ 74.5 million (2016: N$ 74.5 million) has been ceded to Nedbank Namibia Ltd.

RSA debtors have been ceded to FNB Namibia Ltd.

Namibian debtors have been ceded to Bank Windhoek Ltd.

Foreign debtors (excluding RSA debtors) have been ceded to Nedbank Namibia Limited.

A General Notarial Bond of N$ 50 million over inventory located in Namibia (including beef, sheep, biological assets, hides and cans, but excluding consumables and stock in transit) is registered in favour of Nedbank Namibia Ltd. Other securities provided to Nedbank Namibia Ltd include:

- Pledge and cession of the Santam Policy in respect of foreign Book Debts.
- Pledge and cession of Alexander Forbes Open Marine Policy covering stock within the borders of Namibia and South Africa. Policy underwritten by Mutual and Federal.
- Pledge and cession of Marine Insurance Policy Insured by Bannerman Rendell Lloyd's Insurance Brokers.
- Unlimited suretyship by Namibia Cattle Procurement (Pty) Ltd supported by a cession of all VAT refunds and various underlying assets.

Negative pledge in favour of Nedbank Namibia Ltd over all moveable assets of Meatco. The movable assets include the following: Bonanza Butchery, Katima Mulilo Abattoir, Okapuka Feedlot, Okapuka Tannery, Oshakati Abattoir and Windhoek Abattoir.

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

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

First National Bank total facilities details are as follows:

- Direct Overdraft Facility N$ 50 million
- Contingent Facility N$ 2.7 million (guarantees issued by the Bank)
- Pre-settlement Facility N$ 40 million (N$ 100 million forward exchange contracts margined at 10%).

ANNUAL FINANCIAL STATEMENTS (continued)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 January 2017

18. Financial instruments

Exposure to currency, interest rate and credit risk arises in the normal course of the Group's business. Derivative financial instruments are used as a means of reducing exposure to fluctuations in foreign exchange rates and interest rates, when deemed necessary.

18.1 Fair values of financial assets and liabilities

The fair values of all financial instruments are substantially identical to carrying values reflected in the statement of financial position. The fair value of financial assets is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. The fair value of financial liabilities is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. These fair values are determined for disclosure purposes.

18.2 Categories of financial assets and liabilities

The following tables reconcile the statement of financial position to the categories of financial instruments:

	At fair value through profit or loss	At amortised cost	Financial liabilities at amortised cost	Non-financial assets and liabilities	Total
Group – 2017					
Assets					
Property, plant and equipment	--	--	--	608 623 012	608 623 012
Investment in associate	--	77 549 833	--	--	77 549 833
Inventories	--	--	--	128 673 612	128 673 612
Biological assets	--	--	--	132 581 978	132 581 978
Trade and other receivables	--	97 648 950	--	195 119 220	292 768 170
Deferred tax asset	--	--	--	23 228 737	23 228 737
Cash and cash equivalents	--	218 515 383	--		218 515 383
Cash and cash equivalents	--	218 515 383	--		218 515 383
	--	**393 714 166**	--	**1 088 226 559**	**1 481 940 725**
Liabilities					
Non – current interest bearing loans and borrowings	--	--	267 482 160	--	267 482 160
Post-employment benefit	--	--	--	23 015 494	23 015 494
Bank overdraft	--	--	131 168 184	--	131 168 184
Current interest bearing loans and borrowings	--	--	73 775 662	--	73 775 662
Deferred tax liability				53 622 367	53 622 367
Provisions	--	--	67 901 328	--	67 901 328
Income tax payable	--	--	435 768	--	435 768
Financial instrument liability	--	--	--	--	--
	--	--	**761 741 369**	**76 637 861**	**838 379 230**

ANNUAL FINANCIAL STATEMENTS (continued)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 January 2017

18. Financial instruments (continued)

18.2 Categories of financial assets and liabilities (continued)

The following tables reconcile the statement of financial position to the categories of financial instruments:

Corporation – 2017	At fair value through profit or loss	At amortised cost	Financial liabilities at amortised cost	Non-financial assets and liabilities	Total
Assets					
Property, plant and equipment	--	--	--	608 323 519	608 323 519
Investment in subsidiaries	--	11 938 771	--	--	11 938 771
Investment in associate	--	41 918 226	--	--	41 918 226
Inventories	--	--	--	126 557 054	126 557 054
Biological assets		--	--	72 792 591	72 792 591
Trade and other receivable	--	92 439 327	--	54 200 940	146 640 267
Deferred tax asset				22 912 839	22 912 839
Amounts due by subsidiaries		93 764 976			93 764 976
Cash and cash equivalents	--	209 312 982	--	--	209 312 982
	--	**449 374 282**	--	**884 786 943**	**1 334 161 225**
Liabilities					
Non – current interest bearing loans	--	--	267 482 160	--	267 482 160
Post-employment benefit	--	--	--	23 015 494	23 015 494
Current interest bearing loans and borrowings	--	--	73 775 662	--	73 775 662
Deferred tax liability				53 622 368	53 622 368
Trade and other payables	--	--	82 945 468	--	82 945 468
Provisions	--	--	45 498 635	--	45 498 635
Amounts due to subsidiaries	--	--	77 542 738	--	77 542 738
Bank overdraft	--	--	131 168 184	--	131 168 184
Financial instrument liability	--	--	--	--	--
	--	--	**678 412 847**	**76 637 862**	**755 050 709**

ANNUAL FINANCIAL STATEMENTS (continued)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 January 2017

18. Financial instruments (continued)

18.2 Categories of financial assets and liabilities (continued)

The following tables reconcile the statement of financial position to the categories of financial instruments:

Group – 2016	At fair value through profit or loss	At amortised cost	Financial liabilities at amortised cost	Non-financial assets and liabilities	Total
Assets					
Property, plant and equipment	--	--	--	299 700 285	299 700 285
Deferred tax assets	--	--	--	25 662 256	25 662 256
Investment in associate	--	74 681 825	--	--	74 681 825
Inventories	--	--	--	158 235 028	158 235 028
Biological assets	--	--	--	142 415 904	142 415 904
Trade and other receivables	--	132 059 658	--	95 982 892	228 042 550
Taxation	--	--	--	--	--
Cash and cash equivalents	--	71 159 293	--		71 159 293
Financial instrument asset	--				
	--	**277 900 776**	--	**721 996 365**	**999 897 141**
Liabilities					
Non – current interest bearing loans and borrowings	--	--	286 835 224	--	286 835 224
Post-employment benefit	--	--	--	23 616 000	23 616 000
Bank overdraft	--	--	48 757 135	--	48 757 135
Current interest bearing loans and borrowings	--	--	79 198 378	--	79 198 378
Trade and other payables	--	--	88 945 770	--	88 945 770
Provisions	--	--	52 645 382	--	52 645 382
Income tax payable	--	--	614 411	--	614 411
Financial Instrument liability		**11 620 061**	--	--	**11 620 061**

ANNUAL FINANCIAL STATEMENTS (continued)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 January 2017

18. Financial instruments (continued)

18.2 Categories of financial assets and liabilities (continued)

The following tables reconcile the statement of financial position to the categories of financial instruments:

Corporation – 2016	At fair value through profit or loss	At amortised cost	Financial liabilities at amortised cost	Non-financial assets and liabilities	Total
Assets					
Property, plant and equipment	--	--	--	299 380 631	299 380 631
Investment in subsidiaries	--	120 091 523	--	--	120 091 523
Investment in associate	--	41 918 226	--	--	41 918 226
Deferred tax assets	--	--	--	25 346 358	25 346 358
Inventories	--	--	--	152 163 303	152 163 303
Biological assets		--	--	41 091 357	41 091 357
Trade and other receivable	--	108 399 242	--	92 935 984	201 335 226
Cash and cash equivalents	--	58 787 710	--	--	58 787 710
		329 196 701	--	**610 917 633**	**940 114 334**
Liabilities					
Non – current interest bearing loans	--	--	286 835 224	--	286 835 224
Post-employment benefit	--	--	--	23 616 000	23 616 000
Current interest bearing loans and borrowings	--	--	79 198 378	--	79 198 378
Trade and other payables	--	--	82 532 087	--	82 532 087
Provisions	--	--	12 005 239	--	12 005 239
Amounts due to subsidiaries	--	--	55 098 498	--	55 098 498
Bank overdraft	--	--	48 757 135	--	48 757 135
	--	--	**564 426 561**	**23 616 000**	**588 042 561**

ANNUAL FINANCIAL STATEMENTS (continued)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 January 2017

19. Change in Accounting Policy

There has been a change in the accounting policy of the group for the land and building during the current period. The land and building have been previously accounted for on the cost model and the accounting policy was changed from the cost model to the revaluation model during the current period. The effect was retrospectively accounted for in the financial statements.

The change in accounting policy results in adjustments as follows:

	Note	2016 N$
Statement of Financial Position		**205 687 035**
Increase in Land and Building		262 631 095
Increase in Deferred Tax liability		(56 944 060)
Statement of Comprehensive Income		**205 687 035**
Increase in revaluation gain (OCI)		262 631 095
Increase in the Tax on the revaluation gain (OCI)		(56 944 060)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 January 2017

20. Related parties

20.1 Identity of related parties with whom material transactions have occurred

The subsidiaries of the Group are listed in the directors' report. All of these entities are related parties of the Corporation.

20.2 Types of related party transactions

The Corporation paid commission of N$ 13 831 793 (2016: N$ 14 198 326) to Meat Corporation of Namibia (UK), a wholly owned subsidiary, incorporated in the United Kingdom.

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

Sales to Namibia Meat Importers & Exporters (Pty) Ltd amounted to N$ 233 583 453 (2016: N$ 331 410 719).

The directors' remuneration is reflected in note 15.7.

Sales to GPS Norway AS amounted to N$ 137 355 828 (2016: N$ 63 319 324).

The Corporation paid commission of N$ 38 154 500 (2016: N$ 32 819 513) to GPS Food Group (UK) Ltd.

Sales to Namibia Cattle Procurement (Pty) Ltd amounted to N$ nil (2016: N$ nil).

Purchases from Namibia Cattle Procurement (Pty) Ltd amounted to N$ 62 261 590 (2016: N$ 77 224 951).

21. Contingent liabilities

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

- A guarantee of N$ 1 000 000 (2016: N$ 1 000 000) is supplied to Customs and Excise.
- A guarantee of N$ 91 000 (2016: N$ 91 000) is supplied to NamPower for the purchase of electricity for Okapuka Tannery and Feedlot.
- A guarantee of N$ 67 566 (2016: N$ 67 566) is supplied to the Municipality of Windhoek for the monthly water and electricity account of Windhoek Factory.

NOTES

Contact us

TEL. +264 (61) 321 6000/6400 (Switchboard)

FAX +64 (61) 321 6401

EMAIL CAffairs@meatco.com.na

WEBSITE www.meatco.com.na

SMS 40402

Follow us

Meatco Namibia

Meatco_Namibia

Produced by Virtual Marketing