# ANNUAL REPORT
# 2021/22

Meatco's Annual Report

www.meatco.com.na
1 Sheffield Road, Northern Industrial Area, Windhoek

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# ABOUT THIS **REPORT**

This report, covering the financial period from 1 February 2021 to 31 January 2022, contains information on the Meat Corporation's (Meatco) governance, strategies, performance and prospects and is designed to provide a balanced overview of key developments for the period under review.

The report aims to provide a greater understanding of Meatco's business, our social and environmental impact and provide insight into how we manage our business. We see this report as an evolving process and undertake to provide further enhanced reporting each year, where deemed appropriate.

The Annual Financial Statements, as presented in Meatco's Annual Report for 2021/22, were approved by the Board of Directors on 12 September 2022.

**Financial period covered**

This report covers the financial period from 1 February 2021 to 31 January 2022.

**The aim of this report**

This report aims to provide an understanding of Meatco's business, our social and environmental impact and providing insight into how we manage our business.

# ABOUT **MEATCO**

The Meat Corporation of Namibia was established, and is regulated, by the Meat Corporation of Namibia Act (Act 1 of 2001), hereafter referred to as the Meatco Act. The mandate of the Corporation as per the Act includes serving, promoting and coordinating the interests of livestock producers in Namibia, while striving for the stabilisation of the red meat industry of Namibia in the national interest.

## THE MEATCO GROUP

The Meatco Group consists of Meatco and its four subsidiaries, namely the Meat Corporation of Namibia (UK) Ltd, based in the United Kingdom, Namibia Meat Importers & Exporters (Pty) Ltd (NMIE), based in South Africa, Namibia Cattle Procurement (Pty) Ltd (Namibia), previously known as the Namibia Allied Meat Company (Pty) Ltd, based in Namibia, and the Meatco Northern Communal Area (Pty) Ltd, based in Namibia. In addition, Meatco owns 33.3 per cent in Global Protein Solutions (GPS), Norway AS, based in Norway. The Annual Financial Statements reflect both Meatco's and the Meatco Group's financial position.

**Meatco's vision**

**01**

Meatco's vision is to be a World-Class Meat Brand, Creating Sustainable Wealth for all Namibians.

*Meatco is a meat-processing and meat-marketing entity. Cattle are purchased from all Namibian farmers who are committed to the specific livestock farming practices that give Meatco's end products their unique, sought-after characteristics. The historical relationship with Namibian cattle producers is at the heart of Meatco's operations and success.*

We act as a value-adding and marketing entity, passing the value gained from various markets back to our producers through the producer price paid for cattle.

Our Windhoek Abattoir is compliant with British Retail Consortium Global Standards (BRC) and FSSC 2200 (Food Safety Stem Certification), which sets out the requirements for a food safety management system, and also includes Hazard Analysis and Critical Control Points (HACCP) 1033:2007.

**Meatco's mission**

## 02

The mission is to improve the Namibian Socio-Economic Environment, through Maximising Producer Returns.

**Meatco's values**

## 03

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

# CHAIRPERSON'S **REPORT**

*Dear Stakeholders*

**The Meat Corporation of Namibia (Meatco) remains a strategic catalyst in the livestock sector and meat industry of Namibia. Our mandate is to serve, promote, and coordinate the interests of livestock producers in Namibia, and to strive for the stabilisation of the meat industry of Namibia in the national interest, as well as to market products in Namibia and elsewhere to the best advantage of livestock producers in Namibia.**

Adolf Muremi
Interim Chairperson

The year under review was indeed a very challenging year, with the 2019 drought resulting in farmers needing to restock their herds post 2019, which lead to the unavailability of raw material during the current, as well as the past financial years. Furthermore, the COVID-19 pandemic had also severely affected the way business is conducted in our markets.

As an organisation, we had to reconfigure our dynamic capabilities to remain agile amid the numerous external forces continuously affecting the business. In order to keep the Corporation afloat, we have been making continued efforts to deliberately align the key activities in our value chain, namely livestock procurement, production, agro-processing, value addition, marketing and compliance, cash flow management, and human resources to improve efficiency in the business operations and provide world-class products to our key customers locally, regionally, and globally.

Equally, our strategic intent and foresight have been aligned to national objectives such as the "Growth at Home" Strategy, Namibia's Industrial Policy, and the Economic Advancement Pillar under the Harambee Prosperity Plan II. In terms of being a catalyst for fostering a rapid and sustainable growth trajectory in the livestock sector, we believe Meatco can attain this, given our statutory mandate to coordinate all livestock marketing activities for Namibian farmers, both North and South of the Veterinary Cordon Fence.

In order for Namibia's meat industry to survive and thrive, it is essential that all sectors converge to harmonise and work together for the betterment of all Namibians who are dependent on the agriculture sector for their livelihoods in terms of food, income, and employment. It is important for the agricultural industry to remain united and put its weight behind Meatco's export abattoir in order to leverage on this important sector of the economy to the best advantage of our stakeholders, rather than the alternative, which is the polarisation of Namibia's meat industry that may have unintended consequences in the coming years.

Namibia has vast raw material of 1.2 million cattle in the Northern Communal Area (NCA), and it is vital that the potential of this area is unlocked by mainstreaming it into the Namibian economy through improved animal husbandry practices, livestock marketing infrastructure, the application of the Commodity-Based Trade (CBT) protocol, as well as access to viable markets in Africa, the Middle East, and South-East Asia.

During the current Board's tenure we have seen the re-opening of the Katima Mulilo Abattoir, while the Rundu Abattoir is scheduled to be operational in the next financial year. The Oshakati Abattoir is currently operated by a private company, and Meatco is working closely with that operator to develop modalities for rendering technical assistance, as directed by Cabinet.

During the period under review, we experienced a challenge to market meat products from the NCA, mainly due to the restrictions on the movement of livestock, meat, and meat products that were imposed by the Directorate of Veterinary Services (DVS) following an outbreak of Foot-and-Mouth Disease (FMD) in the FMD-infected zone (mainly Zambezi Region) during May 2021. However, thanks to the support and cooperation of stakeholders, the restrictions were lifted by DVS in February 2022, and consequently market access conditions have improved locally and made shipments to regional markets possible.

The CBT protocol allows eligible meat products from the NCA to be marketed in the area South of the VCF (SVCF). Furthermore, Meatco signed a Distributorship Agreement for the West Africa Region with a key customer in Ghana, following a market exploration mission to that region during April 2021, while other African countries such as Congo Brazzaville are also coming on board.

The availability of funds from the Eleventh European Development Fund (EDF 11) to assist farmers in the NCA to market their cattle will also add substantial impetus to our efforts to mainstream the NCA producers and to address the challenges experienced in the livestock value chain in the NCA.

In order to unleash the potential of the livestock sector and meat industry in Namibia, Meatco has been engaging with key stakeholders, especially the Government of the Republic of Namibia, on priority-pertinent policy and regulatory matters that, if streamlined, will significantly contribute to increased primary production in livestock farming, improved throughput at export abattoirs, agro-processing and value addition, employment creation in the agricultural sector, downstream industrial development, economic growth, and improved overall market realisation.

Meatco has submitted its 5-Year Integrated Strategic Business Plan (ISBP) to the portfolio Minister for consideration and approval. We would like to thank the Ministry of Public Enterprises, which has been incorporated into the Ministry of Finance, for the technical review and moral support during the execution of the ISBP.

The Board of Directors continuously exerts strategic oversight on the Corporation and can attest that the business is solvent and remains sustainable. For the reporting period, the Meatco Board of Directors passed a total of 59 unanimous decisions, which speaks to the effective in-depth deliberation of matters before collective decision-making.

In conclusion, I would like to extend our gratitude and sincere appreciation to the Honourable Ministers of Agriculture, Water and Land Reform, Public Enterprises, and Finance for their transformational leadership and unwavering support during the reporting year. In the same spirit, a word of thanks goes to my fellow Board Members for their resilience, commitment, and strategic foresight. Last but not least, I wish to express my profound appreciation to the Management and staff of Meatco for their loyalty, sacrifice, and hard work throughout the year.

**Adolf Muremi**

**INTERIM CHAIRPERSON OF THE BOARD OF DIRECTORS**

# OPERATING CONTEXT

## Perspective on the global red meat industry

*Feeding the world in a sustainable manner is one of the most pressing challenges the world faces in the coming years. Meat will continue to play a pivotal role in this endeavour.*

According to the United Nation's Food and Agriculture Organisation, the global cattle population amounted to about one billion head in 2022, up from approximately 996 million in 2021. India and Brazil has the largest cattle inventory in the world, followed by China and the United States of America. India has 303 million cattle (30 per cent of all cattle globally) and Brazil has 197 million cattle (25 per cent of all cattle globally), in comparison to Namibia's 2.5 million (0.25 per cent of all cattle).

The United States is the largest producer, accounting for roughly 20 per cent of the world's beef production.

Meat remains an important source of nutrition for many people around the world. Worldwide, cattle meat production has more than doubled since 1961 – increasing from 28 million tonnes per year to 61 million tonnes in 2020. The United States was the largest producer of beef in the world in 2020 followed by Brazil and the European Union. The United States accounted for roughly 20 per cent of the world's beef production in 2020. Together, the United States, Brazil and the European Union accounted for roughly 50 per cent of the world's beef production.

After poultry and pig meat, red meat remains one of the strongholds in the meat industry. Consumption trends vary significantly across the world. In China, pig meat accounts for approximately two-thirds per capita meat consumption. In Argentina, beef and buffalo meat dominates, accounting for more than half of consumption. New Zealanders have a much stronger preference for mutton and goat meat relative to the global average.

But the production of meat has large environmental impacts – increasing greenhouse gas emissions, agricultural land and freshwater use. One of the world's most pressing challenges is to produce and consume meat, dairy and other protein products in a way that reduces its environmental impacts.

## Global concerns

Beef is one of the most consumed meat in the world after pork and chicken, as it is a source of high-quality protein and essential nutrients. There are a number of supply chain issues facing the beef industry globally, which is discussed below.

**SUSTAINABILITY OF BEEF PRODUCTION**

A growing world population and increasing affluence are driving demand for red meats and animal proteins. However, consumers are also increasingly wary of the impact of beef production on the environment. Globally, the sector is faced with the dilemma of reducing each animal's environmental farm-to-fork 'hoof-print', without compromising the quality or quantity of beef.

Through various exercises, Meatco managed to obtain an environmental clearance certificate. Sustainability is only possible through taking into account the 3 Es namely: Environment, Ethics and Economics.

**TRANSBOUNDARY ANIMAL DISEASES**

Transboundary animal diseases such as Bovine Spongiform Encephalopathy (BSE, better known as mad-cow disease), Foot-and-Mouth Disease (FMD) and lung sickness are highly contagious diseases that can spread rapidly across the borders of neighbouring countries. While not directly affecting human health, they can cause high rates of deaths and diseases in animals, and thereby have serious socio-economic consequences.

**GLOBAL UNCERTAINTIES**

Global political and economic uncertainties further contributed towards instability in the global agriculture sector. The COVID-19 pandemic has impacted upon the logistics value chain, further eroding stability.

**ANIMAL WELFARE**

Numerous animal welfare organisations worldwide, such as People for the Ethical Treatment of Animals (PETA), have consistently promoted curtailing the consumption and production of meat. Their media campaigns have heightened awareness of animal welfare, which impacts the standards expected in farming practises and slaughter processes. The growing trend of vegetarianism and veganism in the developed countries has also shown a negative trend towards beef consumption.

**CLIMATE CHANGE**

Climate change can disrupt food availability, reduce access to food, and affect food quality. For example, projected increases in temperatures, changes in precipitation patterns, changes in extreme weather patterns, and reductions in water availability may all result in reduced agricultural productivity. Meatco is aware of the need to collaborate on regenerative farming practices and to assist in addressing growing concerns regarding the environment we live in.

## The Namibian context

*In the global context, Namibia's red meat industry is the proverbial grain of sand in the desert.*

The 2.5 million cattle in Namibia's herd represents only 0.25 per cent of the global herd, which is estimated to amount to 1 billion in 2022.

According to the Meat Board of Namibia, the production of meat worldwide is estimated to amount to 335 million tonnes, compared with Namibia's meat production of 49,444 tonnes and Meatco's 8,845 tonnes of meat processed in 2021/22. Due to Namibia's insignificance in the global environment, it is imperative for Meatco to focus on selected niche or premium markets for its products.

Even though agriculture's contribution to GDP (excluding fishing sector) over the last five years has been just under four per cent, it remains one of Namibia's most important sectors, as the majority of Namibia's population is dependent directly or indirectly on the agricultural sector for their livelihoods.

Livestock farming contributes to approximately two-thirds of agricultural production, with crop farming and forestry making up the remaining one-third (excluding fishing sector). Meat processing (which the Government accounts for under manufacturing) contributes to another 0.2-0.4 percent of GDP. (Source: NSA (2017-2020), BoN (2021-2023))

Worth N$6.3 billion, Namibia's livestock farming sector is in dire need of growth. Growth starts at farm level, but will only happen when it is profitable to producers. Only a conducive policy and regulatory environment, as well as a common vision for the red meat industry, will enable substantial growth to take place.

## Meatco's role in Namibia's meat industry

*Meatco plays a vital role in Namibia's red meat industry. It is the single biggest player in terms of approved slaughter capacity with international export certification, enabling livestock producers to access lucrative international markets.*

The Corporation stabilises the industry in the national interest and plays a leading role in setting the domestic price for beef, using South African prices as the benchmark. This is despite the fact that production systems and marketing conditions are different in Namibia from those prevailing in South Africa.

It is evident that the Namibian producers continue to receive best prices just as their international counterpart farmers in Australia, USA and EU where they are subsidised by their governments.

Without Meatco's involvement, Namibia's red meat industry will revert back to being a commodity-driven industry, which will result in producers receiving much less for their cattle.

Meatco stabilises the meat industry in the national interest and plays a leading role in setting the domestic price for beef, using South African prices as the benchmark.

Of the 2.5 million cattle in Namibia, 1.3 million are found in the areas South of the Veterinary Cordon Fence (SVCF). Cattle sourced from SVCF can be exported to international markets, supporting the Namibian Government's development aims and policies, while maximising return to the producers and building credible premium brands for Namibian beef.

A total of 1.2 million cattle in Namibia are found in the areas North of the Veterinary Cordon Fence (NVCF). Meatco's role in the NVCF is to assist Government in stabilising the red meat industry, more specifically with the aim to provide assistance to NVCF farmers and the operators of those abattoirs.

# OUR BUSINESS MODEL

## How we create value

### RESOURCES AND RELATIONSHIPS

**NATURAL CAPITAL**
- Sustainable, reliable throughput of slaughter animals, energy, fuel and water.

**HUMAN RESOURCES**
- Experienced, diverse leadership team and skilled employees.

**SOCIAL AND RELATIONSHIP CAPITAL**
- Positive relationships with all our stakeholders.

**AGRO-PROCESSING CAPITAL**
- Integrated, optimised value chain, including abattoir and processing plant, cold storage and logistics capabilities.

**INTELLECTUAL CAPITAL**
- Trusted brands, reputation and quality assurance systems to retain confidence in product integrity and safety.

**FINANCIAL CAPITAL**
- Optimised financial management and access to financial capital.

VALUE IN

### OPERATING CONTEXT

**ISSUES IMPACTING VALUE**
- COVID-19 pandemic impact on consumption patterns
- Global market downturn and challenging economic outlook
- Policy issues impacting our operations
- Concerns about animal welfare and climate change
- Reducing national herd size and throughput challenges

**RELATIONSHIP MANAGEMENT**
- Strong focus on restoring and building trusted relationships with all critical stakeholders with active engagement and participation.

**AGRO-PROCESSING**
- Maintaining a productive and innovative work environment and culture
- Efficient and safe processing operations
- Adhere to strict traceability and product quality and safety standards

**PROCURE EFFICIENTLY**
- Procure directly from producers
- Enhance backgrounding
- Enhance innovative procurement initiatives

## OUR STRATEGY

1. Stive towards corporate profitability and financial viability.
2. Enhance stakeholder engagement and build the Meatco brand.
3. Embrace and promote good corporate governance.
4. Optimise Meatco's competitiveness across the value chain.
5. Build a high performance culture for Meatco.

## OUR STAKEHOLDERS

1. Government ministries
2. Communal and commercial cattle producers
3. Industry regulators
4. Farmers' unions
5. Customers - wholesalers and retailers
6. Employees
7. Media and general public

**MATERIAL RISKS**

- Environmental/climate change risks
- Infrastructural risk
- Production resource risk
- Information technology risk
- Safety, health and environmental risk

**OUR PRODUCTS AND OUTPUTS**

- Frozen and chilled vacuum-packed cuts
- Manufactured meat products
- Wet blue hides
- Canned products

**PRODUCT BRANDING & MARKETING**

**STORAGE AND DISTRIBUTION**

- Managed owned and leased cold storage and logistics operations, supported by effective supplier relationships
- Deliver products to wholesalers, exporters, restaurants and food producers in diversified markets in consumer segments

- Ensure competitive pricing, continuity in supply, appropriate product information, and healthy, quality, safe, branded products

**VALUE OUT**

## IMPACTS (OUTCOMES)

**NATURAL CAPITAL**

- Stability in the red meat industry
- A thriving industry, benefiting all Namibians

**HUMAN RESOURCES**

- Skilled, motivated employees and contractors, operating in a safe working environment

**SOCIAL AND RELATIONSHIP CAPITAL**

- Strong, mutually-beneficial relationships with all stakeholders, built on trust and respect

**MANUFACTURED CAPITAL**

- Sustainable, optimised, scalable operations

**INTELLECTUAL CAPITAL**

- Consumer confidence in and sustainable demand for our products and brands
- Good reputation in the market place

**FINANCIAL CAPITAL**

- Consistent delivery of producer returns
- Sustained confidence by the industry in Meatco

# HOW MEATCO IS **MANAGED**

## 01 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. Meatco's values form the foundation for its interactions with stakeholders by informing our business principles and policies, and offering guidance on how to apply them.

## 02 Governance

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

## 03 Risk management

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

## 04 Remuneration

Meatco's philosophy is to use remuneration as one of the tools with which to attract and retain human resources of the highest calibre. The aim is to ensure that performance levels are measured against key performance indicators. Remuneration is subjected to ministerial guidelines and directives.

# BOARD OF DIRECTORS

**ADOLF MUREMI**

*Interim Chairperson*

**MESAG MULUNGA**

*Director*

**CLORETHA GARISES**

*Director*

**USIEL KANDJII**

*Director*

**MARY KABUKU**

*Director*

**HELENA MAVETERA**

*Director*

**SILAS-KISHI SHAKUMU**

*Co-opted Member*

**SHIWANA NDEUNYEMA**

*Co-opted Member*

**NDEUHALA LEWIS**

*Co-opted Member*

# MEET OUR EXECUTIVE **TEAM**

*All the Executive and Middle Management Members are suitably qualified.*

Meatco's Executive Management Team is responsible for the detailed planning and implementation of Meatco's strategies, as determined by the Board of Directors. After the realignment of Meatco's organisational structure, the Executive and Management Team is comprised of the CEO, Executives and Middle Management who are collectively responsible for the portfolios that constitute the heart of Meatco's operations.

## Angus Claassen

Executive

- Finance & IT -

Joined Meatco in 2019

Qualifications:
MBA Finance, University of Namibia
PG Dip Business Administration, University of Namibia
B-Tech Accounting & Finance, Polytechnic of Namibia
Certificate Investment Management, University of Cape Town, RSA

## Isaac Nathinge

Executive

- Strategy and Business Development -

Joined Meatco in 2019

Qualifications:
MSc Agriculture Economics, University of Agricultural Sciences, Bangalore, India
BSc Agriculture (Economics and Extension), University of Namibia
Management Development Programme, University of Stellenbosch Business School

## Johan Goosen

Executive

- Agro-processing and Value Addition -

Joined Meatco in 1993

Qualifications:
Senior Management Development Programme, University of Stellenbosch Business School
Senior Management Development Programme, Africa Institutional Management

## Patrick Liebenberg

Executive

- Livestock Procurement and Production -

Joined Meatco in 2007

Qualifications:
BA Ed (LO), University of Pretoria
Senior Management Diploma, University of Stellenbosch Business School

## Mwilima Mushokabanji

Chief Executive Officer

Joined Meatco in 2020
Qualifications:
Masters of Philosophy in Cooperate strategy, University of Pretoria
Masters of Management in Governance and Public Leadership, Witwatersrand University, School of Governance
Postgraduate Diploma in Leadership Development, University of Stellenbosch
Bachelors of Public Administration (Honours degree), University of Stellenbosch
Bachelors of Arts in Communication, Namibia University of Science and Technology
National Diploma Agriculture, University of Namibia

## Anselma Kunyanda Haushiku

Executive

- Human Resources -

Joined Meatco in 2022
Qualifications:
MBA in Innovation and Leadership- University of Mauritius, in collaboration with Ducere Global Business School, Australia
Masters in Management, STADIO

## Dr Adrianatus Maseke

Executive

- Marketing, Sales, Logistics and Compliance -

Joined Meatco in 2018
Qualifications:
Master of Business Administration in UNIMarconi, Italy
Master of Science in Veterinary Epidemiology and Public Health, University of London
Bachelor of Veterinary Medicine and Surgery, Medical University of Southern Africa

## Kingsley Kwenani

CEO: Meatco NCA

- Acting Executive Officer- Meatco Foundation -

Joined Meatco in 2013
Qualifications:
Master's Degree, University of Pretoria
BAgriculture (Hons), University of Pretoria
Diploma Agric Extension and Rural Development, University of Pretoria
Diploma in Agriculture, Neudamm, Agricultural College, Namibia

# SCOPE OF MEAT **PROCESSING**

*Meatco's Strategic Pillars are aimed at positioning Meatco in a manner that allows the Corporation to carry out its mandate efficiently, effectively and to secure Meatco's sustainability for the future.*

Meatco has gone beyond the scope of meat processing by embarking on a feed-supply initiative. This meant sourcing and subsidising maize bran when feed for cattle was extremely scare and expensive.

Essentially, Meatco is a link between producers and wholesalers. It goes without saying that strong, trusting relationships with producers are vital to us achieving our mandate. As such, building resilient relationships with producers was a top priority during the reporting period.

As Meatco work towards its vision of being a world-class meat brand creating sustainable wealth for all Namibians, we operated along our five strategic pillars principal to the realisation of our Integrated Strategic Business Plan.

The 2021-2024 Strategic Plan was reviewed, which forms the basis of the 2022-2026 Integrated Strategic Business Plan.

## 01

Strive towards corporate profitability and financial viability.

## 02

Enhance stakeholder engagement and build the Meatco brand.

## 03

Embrace and promote good corporate governance.

## 04

Optimise Meatco's competitiveness across the value chain.

## 05

Build a high performance culture for Meatco.

# CEO'S
# REPORT

*Agriculture – and in particular Namibia's beef industry – remains the backbone of the Namibian economy.*

**Namibia's beef industry holds endless possibilities and has the potential to uplift more than 70 per cent of Namibia's population that is both directly or indirectly dependent on subsistence agriculture for a livelihood, out of poverty.**

**While in general investment needs to be made in agriculture in order to stabilise food security for the nation, the significant impact that the beef industry has on the Namibian economy means that investment in it is a matter of utmost urgency and importance.**

## Challenges

Over the past ten years, the global agriculture sector in general, Africa and Namibia in particular, was hit by a threefold epidemic of challenges, the first among which was climate change. Namibia had ongoing droughts for a seven-year period, and the drought experienced in 2019 resulted in many cattle having to be slaughtered, drastically reducing Namibia's national herd.

The second challenge related to the availability of raw material. The effect of a depleted national herd on the agro-processing industry in which Meatco operates was substantial. Meatco requires that good quality throughput into the abattoir be sustainable. During the previous financial year when the country experience good rainfall, Meatco manage to slaughter 36,074 cattle. Meatco anticipated lower throughput due to herd re-building. This herd building continued in the year under review, resulting in only 35,127 cattle being slaughtered and processed against a budgeted number of 40,000.

The third challenge experienced was the outbreak of Foot-and-Mouth Disease (FMD). Outbreaks of FMD in the northern parts of the Communal Area have increased due to climate change. As stipulated in our emerging market trade agreements, such as the agreement we have with China, we are required to notify them of a

FMD outbreak in the NCA, and the immediate result is the halting of trade. Automatically our volumes and revenue are affected, which negatively impacts Meatco's performance.

These challenges together resulted in a critical hindrance in terms of operating a competitive, sustainable, and profitable agro-processing company during the past two years.

## Operations

To remain competitive and sustainable, Meatco needed to revisit its strategy to cope with a VUCA world. We operate in a world of Volatility, Uncertainty, Complexity, and Ambiguity (VUCA), both upstream and downstream. Upstream is the supply side, which is affected by drought, disease outbreaks, the number of weaners leaving Namibia into South Africa, as well as the scarcity of raw materials. Downstream, we suffered deeply because we could not meet our supply agreements in the US, China, Europe, and the UK, because of the low volumes that we were producing out of the abattoir.

This resulted in a situation where Meatco needed to do transitional scenario planning in turbulent times, which is a strategy that will enable us to remain competitive, sustainable, and profitable in the VUCA space in which we have to operate.

The action we took to mitigate these challenges was, firstly, to realign the business, as the cost of production, logistics, sales, marketing, and wages were extremely high.  One cannot operate the abattoir in 2019/20 or 2020/21 slaughtering 36,074 and 35,127 cattle respectively with the same number of people and the same operational costs as we did two years ago when we were slaughtering approximately 120,000 cattle.

As part of the process, we crafted Meatco's new vision, where we wanted to build an agile, more dynamic commercial public enterprise that is resilient, competitive, profitable, and sustainable. Knowing that we have to steer this ship under very stormy conditions, we wanted to make sure we put up strategies and interventions that can foster resilience, so that in the next few years, Meatco is able to survive.

We undertook a retrenchment exercise, focusing on people who were older than 55 years, as they are experienced in their areas and will be able to survive, rather than retrenching our younger employees who are in the early stages of their careers.

Afterwards we conducted a skills audit to determine the experience and skills available in the organisation and we are satisfied that we did the right thing.

In this way we were able to align the human resources, the structure, the systems, the logistics, the markets, the outsourced services, and the processes to the available raw material to be a leaner, more agile business that needed to remain not only relevant, but that can still meet and exceed the expectations of its stakeholders. These stakeholders are our producers, the suppliers of Meatco's raw material.

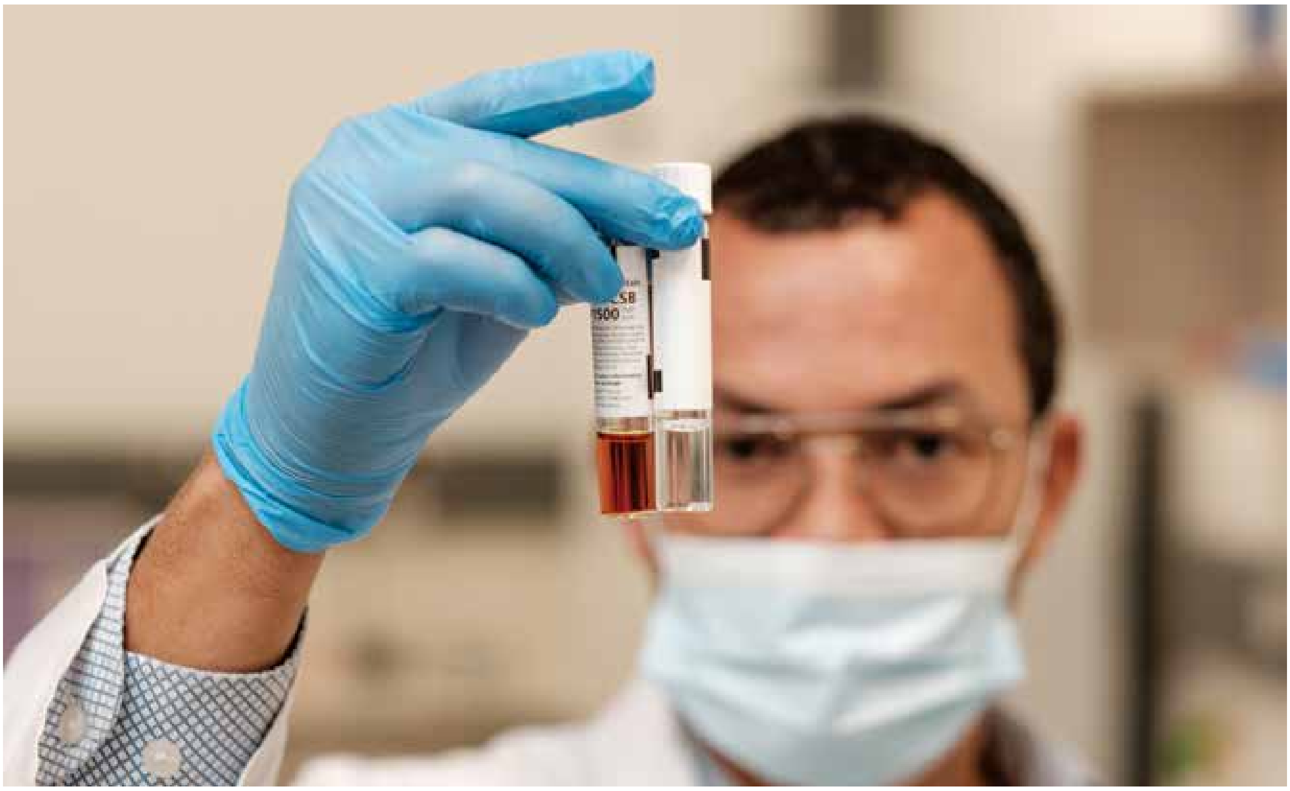
Due to the severe drought of 2019/20 and herd re-building in 2021/22, we implemented the block slaughter principle by scheduling two days for slaughter and another two days for deboning on a weekly basis.

We continued to process almost 100 per cent of the animal slaughtered. We processed carcasses into various products according to client specifications in standard primal cuts, round cuts, steaks, bone-in cuts, manufacturing beef ,as well as products developed specifically for some of our global clients under the Natures Reserve brand.

The primal cuts such as rib-eye, striploin, fillet, rump, and sirloin are also available locally through selected restaurants and retailers to accord Namibian consumers the same quality that Meatco produces for international markets.

In our strategic actions, we ensured that we sustained the appetite of producers to provide us with raw material. We take our mandate from the Meatco Act that stipulate that we need to stabilise Namibia's meat industry, and therefore have a moral obligation to pay producers a good price for their cattle, and also to

Due to the severe drought of 2019/20 and herd re-building in 2021/22, we continue to block slaughter.



pay them on time. Even though we received criticism that we should first sustain ourselves, we took the strategic decision to put the producers first to prevent the whole industry from being destabilised, because if the producers suffer, then so will Meatco in the long term.

During the year under review, we also added another offering in our bouquet to the producers, namely the provision of agricultural advisory extension services to the farmers, while simultaneously intensifying research and development to the farming community in collaboration with universities and other research institutions. In the harsh environments in which we operate, decisions need to be based on evidence, not opinion. After all, agriculture remains a science.

Furthermore, it was our responsibility to make sure that we mainstream the communal farmers North of the Veterinary Cordon Fence, because ultimately Meatco is a commercial public enterprise, and our established legislation gives us both the commercial and the public policy mandate. We need to manage an institution in a profitable manner, but at the same time we need to make sure that we reach out to all Namibians, especially economically vulnerable Namibians.

Meatco NCA will be used as a vehicle to bring the producers in the NCA into the mainstream of Namibia's industry.

By setting up Meatco NCA, we used it as the vehicle that can bring the producers in the NCA into the mainstream. This subsidiary will operate as an independent agency of Meatco to drive primary production, agro-processing, as well as access to lucrative markets for the abundant resources in the NCA.

The current data shows that out of the 2.5 million head of cattle that we have in Namibia, 1.2 million are found in the NCA. In our strategy, we wanted to make sure that we capitalise on that raw material, because our goal is to maximise Meatco's contribution to the country's GDP, as well as to maximise the dynamic capability of Meatco to mobilise and generate foreign exchange earnings, more so than if Meatco only exported raw material from SVCF.

Meat from the NCA could find its space in markets in the southern part of Namibia, as well as in the rest of Africa. That is why we visited potential markets in West Africa, such as Ghana, Uganda, and the DRC. We live in the Twenty-First Century whereby, unlike in the Fourteenth Century where production determined the markets, now markets inform and shape production.

Therefore, Meatco first has to find lucrative markets that will allow us to pay the NCA farmers a better price, so that they evolve from being cattle keepers to becoming Agripreneurs.

This transformation needs a pulling factor, whereby you give those farmers the best price, so that ultimately they can operate as Agripreneurs in primary production, thereby mainstreaming the NCA producers in a competitive, sustainable, and profitable manner. This approach has not been taken before, and it has the potential to be one of Meatco's greatest successes.

Another strategic intervention that we needed to achieve, was to renew Meatco's relationship with Government. Government legislates and creates a conducive environment in which commercial public enterprises need to excel, so that in return they can be sustainable, profitable, and competitive. The role of Government is to develop the market, which they have historically assisted Meatco to do, to the extent that today Meatco is the only commercial public enterprise in Africa, both in developing or transitioning economies, that is able to export its beef into both the advanced and developing economies. The advanced economies include the USA, Europe, the United Kingdom, and Asia. Other African countries do not have the dynamic agro-processing facilities that we have.

A positive relationship with Government will make it easier for us to penetrate niche markets, as it will allow us to operate on country-to-country level and open up more sustainable and lucrative markets. Therefore, in our new strategy, Namibia's embassies and ambassadors in other countries are playing a critical role in enabling markets, unlike in the past.

Hard experience has taught us the importance of diversified markets. If one were to rely solely on the traditional European markets, events such as the Ukrainian war can destabilise the value chain and damage our business. However, Meatco could still export to the US, UK, and China, as well as to South Africa, creating a resilience that is most beneficial in these turbulent times.

Critical in our market diversification strategy is our reliance on the African Continental Free Trade Area (AfCFTA) agreement, which came into place in January 2021. By promoting more intra-Africa trade amongst Africans, huge markets will open up for Namibia.

Another strategic partner is the Meatco employees. We were very clear in our strategic intent — we needed to build an organisation

## Group revenue

The Group generated N$752 million of revenue in 2021/22 compared with N$873 million in 2020/21.

## Corporation revenue

The Corporation generated revenue of N$735 million against the budget of N$1 billion versus revenue of N$864 million during the prior year.

with a technically sound, highly experienced, well equipped, healthy workforce that is digitally savvy, with dynamic capabilities to address the Twenty-First Century challenges that Meatco faces. We are competing with big economies such as the US, China, Europe, and Brazil. For example, Brazil is slaughtering 10,000 cattle per day, which takes Meatco three to four months to slaughter.

We now have a team of executives that are younger, experienced, educated, and passionate and that are prepared to give their best to Namibia's meat industry. We have a very competent middle management team with clear succession planning in place, and we are busy investing in capacity building. We are building, and will continue to build, a human resources contingent that is worthy and capable to turn Namibia's meat industry around, because we are competing with advanced and emerging economies with more complex technologies.

The last stakeholder of importance is our customers, namely those who are buying our products. These include clients in the US, Norway, Greece, Portugal, China, and South Africa, as well as our domestic clients in Namibia. Our aim at Meatco is to produce the most sought-after beef. Our beef is unique, firstly because it is organic, and secondly, because we have embedded a sustainability strategy that builds confidence in Meatco and our clients, especially in those in lucrative markets who are sensitive to climate change issues.

We have one of the most modern and competent quality assurance systems to make sure that we comply with all the required standards, especially the standards from advanced economies such as Europe and the US. It is our goal to make sure that we do not only comply, but we exceed the expectations of our clientele globally.

## Financial performance

The Group generated N$752 million in revenue (2020/21: N$873 million) and incurred a loss before tax of N$206 million (2020/21: N$119 million loss).

The Corporation generated revenue of N$735 million against the budget of N$1 billion versus revenue of N$864 million during the prior year.
In 2021/22, we focused on securing consistent supply of good quality cattle and production inputs for our production facilities. The average producer price increased from N$44.74/kg in 2020/21 to N$54.54/kg in 2021/22 financial year. In total, Meatco paid N$492 million to producers, which include a premium of N$146 million above the South African parity price. These competitive prices are measured against Uruguay, Argentina, and Brazil. This was confirmed by Meat Board statistics that Namibian producers continue to receive competitive prices just like producers in Australia, the European Union, and the USA, where producer prices are subsidised by their respective governments.

It is evident that due to best producer prices paid by Meatco, there has been an improvement in the average carcass weight from 242 kg in 2020/21 to 252 kg in 2021/22 at the Windhoek Abattoir.

The average cold dress weight SVCF increased from 242 kg in 2020/21 to 252 kg in 2021/22.

**Producer price**

The average producer price increased from N$44.74 per kg in 2020/21 to N$54.54 per kg in 2021/22 financial year.

**Average carcass weight**

There has been an improvement in the average carcass weight from 242 kg in 2020/21 to 252 kg in 2021/22 at the Windhoek Abattoir.

In the areas NVCF, the average cold dress weight remained unchanged at 210 kg during the reporting year.

Throughput in tonnes increased from 8,718 tonnes SVCF to 8,845 tonnes, while NVCF it increased from 262 tonnes to 489 tonnes.

After the 2019/20 drought, it became clear to the Meatco management that being profitable in 2020/21 and 2021/22 was going to be impossible; due to low cattle numbers, Meatco was going to incur losses. That was very clear, but management's role was to make sure that Meatco survives the harsh times ahead, so the focus shifted to reducing debt, whilst still remaining relevant in the industry. We initiated a debt reduction strategy, specifically to reduce our debt with the commercial banks, and our primary strategy was to ensure the safekeeping of our assets, which are tied up with debt.

Meatco's working capital remained relatively stable although it was not sufficient to procure raw material.

We managed to reduce our main overdraft facilities which stood at over N$500 million, by 85 per cent within a year, an uncommon achievement in terms of commercial public enterprises during the challenging COVID-19 times in Namibia.

Although Meatco does not receive any subsidy, Government ontinues to play a critical role by guaranteeing most of Meatco's loans. The past ten years have been critical for the organisation as a lot of debt has been incurred, and as such the focus is on a debt reduction strategy, which requires responsive support from our shareholder, the Government of Namibia.

Meatco's management is prioritising expenditure on essential goods and services and is focusing on producers and key suppliers to ensure that operations in the production business units flow seamlessly. Furthermore, cost-cutting measures were implemented throughout the organisation to generate savings, improve efficiency, and increase productivity.

## Looking ahead

Looking ahead, we are excited with what the 2022/23 financial year will bring. We are targeting to slaughter 60,000 cattle procured from SVCF and 10,000 from NCA producers.

## In conclusion

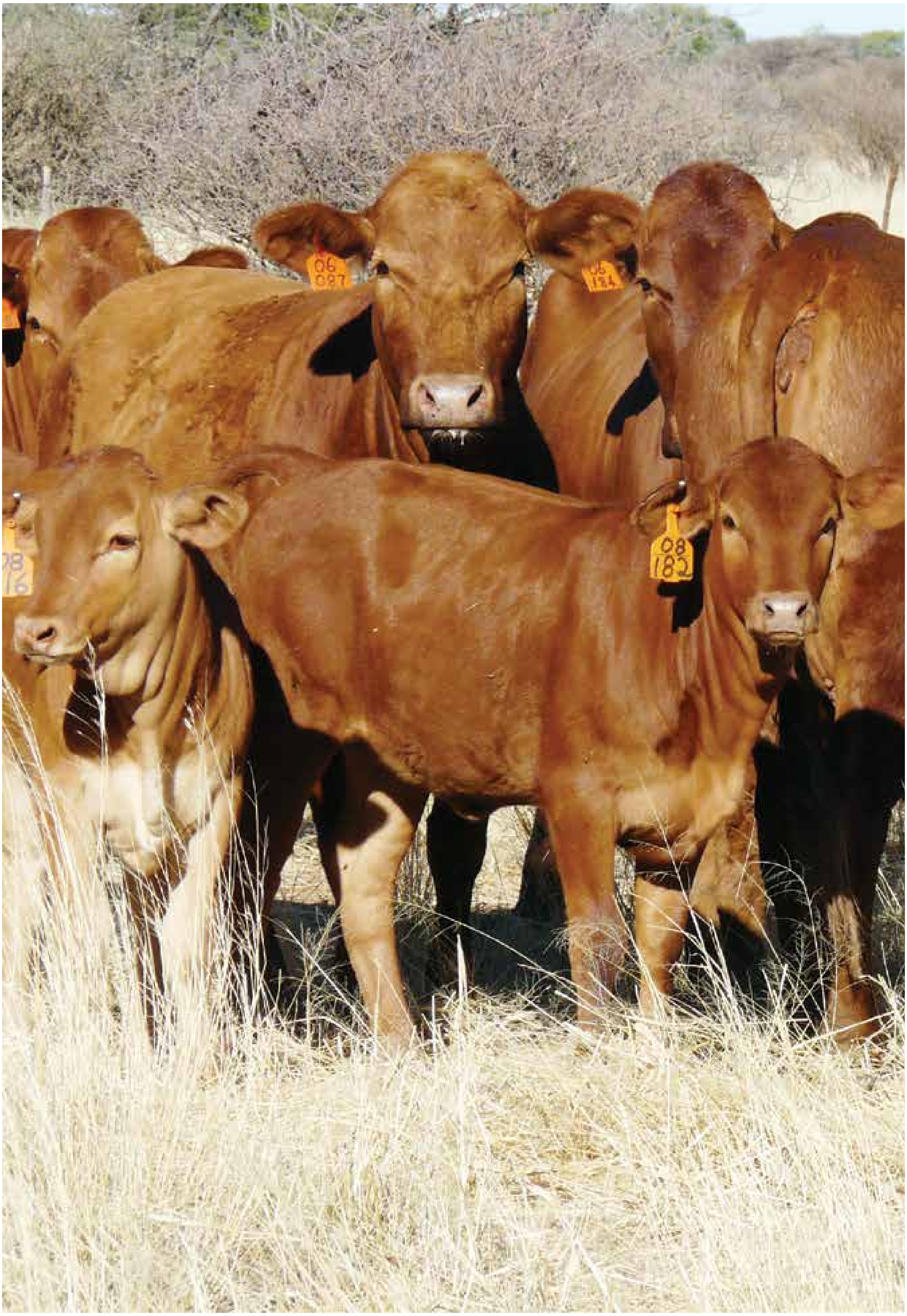
The possibilities for Meatco are endless. We will have to make sure that we prepare ourselves for the future and to continue to be ready to operate in a VUCA environment. Meatco continues striving to achieve its long-term vision, namely to create a world-class meat brand creating sustainable wealth to all Namibians.

We wish to thank all members of the Board, our management, and our employees for their hard work, dedication and loyalty, without which we would not thrive or even survive.

We look forward to serving all of Meatco's stakeholders to the best of our abilities.

**Mwilima Mushokabanji**

CHIEF EXECUTIVE OFFICER



# MANAGING OUR **STAKEHOLDERS**

*Understanding and being responsive to the interest of our stakeholders through effective dialogue and engagement is critical to delivering on our core purpose.*

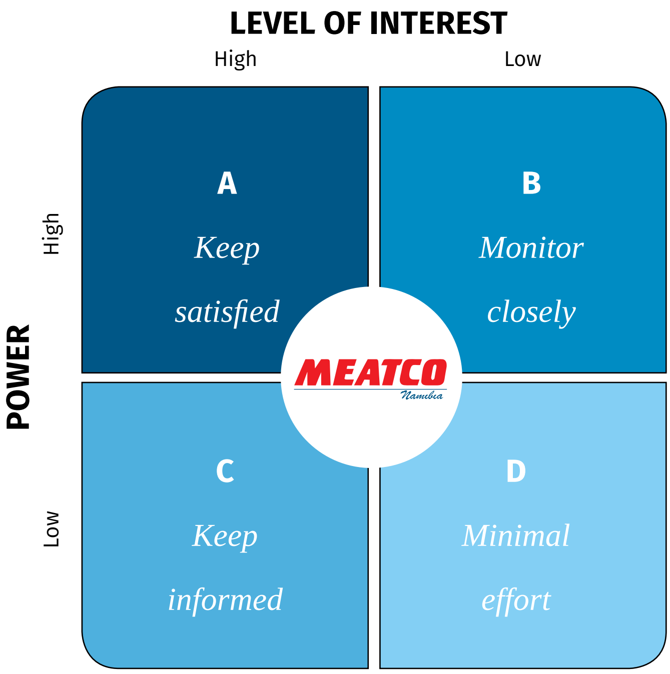
Across our operations, the focus of our engagement continues to be with stakeholders who have the most significant impact on our business and its ability to create value.

Stakeholder mapping was used to identify Meatco's stakeholders and their expectations, determine the power and interest of each stakeholder group and the extent to which that impacts on Meatco's chosen strategy. Both factors are critical in determining the nature of engagement Meatco should have with each individual stakeholder group.

The identified stakeholders are further classified based on their level of power and interest in Meatco's strategies, using the power/interest matrix below.

The table on the next page provides a brief review of our key stakeholder groups, their needs and issues of interest, and the key messages communicated to each. We recognise that there is significant diversity within each group, with individual stakeholders often having very different interests.

The priority interests listed in the table are a broadly indicative reflection of each stakeholder group's priorities as assessed by the management team on the basis of our ongoing engagements.



| STAKEHOLDER GROUP | ISSUES AND NEEDS | KEY MESSAGES |
|---|---|---|
| GOVERNMENT MINISTRIES:<br>Ministry of Agriculture, Water and Land Reform<br>Ministry of Public Enterprises<br>Ministry of Industrialisation and Trade<br>Ministry of Finance | Financial stability<br>Operational efficiency<br>Inclusivity in the supply chain – the NCAs<br>Contribution to national strategy of growth at home<br>Adherence to the requirements of PEGA<br>Market positioning – local and international<br>Development of downstream industries | Sustainability of livestock Industry<br>Policy issues<br>Integrated Strategic Business Plan<br>Industry cohesion and competitiveness |
| CATTLE PRODUCERS in the COMMUNAL farming sector<br>COMMERCIAL farming sector<br>EMERGING commercial farmers | Access to market<br>Information and capacity building<br>Pricing structure<br>Involvement in decision making<br>Information on markets and the business<br>Operational efficiency<br>Trust<br>Communication<br>Export market requirements<br>Politics | Daily issues affecting business<br>Price stabilisation<br>International Beef News<br>Animal Health Regulations<br>Late /erratic rain<br>Drought<br>Unstable market<br>Outbreak of animal diseases<br>Outdated agricultural technologies and uncertainties |
| INDUSTRY REGULATORS consisting of:<br>Meat Board of Namibia<br>Namibian Standards Institute<br>Directorate of Veterinary Services | Multi-stakeholder engagement of policy/regulatory reforms<br>Distribution channels for export quality products in the local market<br>Growth opportunities for the NCAs<br>Producer returns<br>Operational efficiency | Policy issues<br>Strategic communications shaping livestock industry |
| FARMERS UNIONS, consisting of:<br>Namibia Agricultural Union (NAU)<br>Namibia National Farmers' Union (NNFU)<br>Livestock Producers Organisation (LPO), and<br>Namibia Emerging Commercial Farmers' Union (NECFU) | Policy and legislative reform<br>Live exports<br>Supply<br>Slaughter facilities | Policy issues<br>Strategic communications shaping livestock industry<br>Meatco's operations<br>Stabilising the livestock industry |
| CUSTOMERS<br>Wholesalers and Retailers | Direct communication<br>Pricing<br>Supply | Meatco products<br>MeatMa products<br>Export local quality |
| EMPLOYEES, consisting of:<br>Permanent employees, and<br>Fixed-term contract employees | Organisational culture/management-employee relations<br>Corporate governance and leadership<br>Learning and development<br>Internal communication<br>HR policies and employee benefits<br>Job security | Daily issues affecting business and operations<br>Staff engagement |
| MEDIA AND GENERAL PUBLIC | Newsworthy information | Positive stories to enhance Meatco's brand<br>Regular business updates |

# MANAGING OUR MATERIAL RISK

*Change and uncertainty exist in any business environment and create risks and opportunities, which can either erode or enhance value for an organisation.*

Meatco must manage these risks consistently, comprehensively, and economically, within its risk tolerance. This will assist the Board and management in achieving its business strategies and objectives.

The fundamental objective of a risk management process is to establish an integrated and effective risk management culture where all risks are continually identified, analysed, and managed to achieve an optimal risk/reward profile for Meatco and its stakeholders.

Meatco's intent and commitment is to practise effective risk management in all aspects of its business. The effectiveness of risk management depends on its integration into the governance of Meatco, and the degree it influences decision-making.

The key strategic risks highlighted are those that may have a possible impact on the attainment of Meatco's strategic objectives. These risks are tracked throughout the year and mitigating actions are implemented as per Meatco's governance principles. The high-impact risks are listed in the table on the next page.

## Role of the Board and the Audit and Risk Committee

The Board provides oversight over Meatco's risk framework, policies, and processes. While it delegates these matters to the Audit and Risk Committee, it remains ultimately responsible for the development and implementation of the Risk Management Strategy and Plan.

The Meatco Risk Management Policy and Framework aims to provide stakeholders with the assurance that all material risks have been identified, assessed, mitigated, tolerated, and monitored.

## Internal audit

The Internal Audit function aims to provide independent, objective assurance, and consulting services designed to add value and improve Meatco's operations.  The function assists the organisation to accomplish its objectives by:

- Independently and objectively identifying the risk(s) in processes that could prevent achieving Meatco's business objectives.
- Evaluating the design and testing the effectiveness of current internal controls that mitigate the identified risk(s); and
- Assessing and advising on governance processes in general.

All internal audit activities are risk-based and performed by qualified and experience employees. The Internal Audit function reports to the Audit and Risk Committee.

Internal audit engagements are executed as per the approved annual internal audit plan and progress of completion of the plan is monitored and reported accordingly to the Audit and Risk Committee.

| # | Risk | Description | Current mitigation actions in place | Additional actions |
|---|---|---|---|---|
| 1 | Environmental/ climate changes risks | Presence of environmental challenges, e.g. droughts. | • The merit point system is used to effectively manage the high flow of cattle to Meatco, because of national droughts and to ensure that new producers to not gain advantage over existing loyal producers in times of emergency marketing.<br>• Meatco has feeder contracts with producers to ensure the predetermined quality cattle will be received at the abattoir, even during the drought periods.<br>• Many of the feeders have their own on-farm capacity to produce their own fodder under irrigation, thus they do not depend on rain as the primary catalyst to produce sufficient fodder year-on-year. | • Promote ox production.<br>• Provide producers with long term slaughter contracts to ease planning for both abattoir and producer.<br>• Activate the Agriculture Extension department to enhance producer capacity to plan during the drought periods. |
| | | Insufficient volumes and quality of cattle available to procure, resulting to exclusive reliance on external parties to provide raw material; reduction in national cattle production due to producers' profitability; long-term impact of drought on the national herd; cattle producers change production model due to producer cash flow; cost of production (EU regulations, traceability); and inadequate drought mitigation initiatives. | • Prepare the procurement plan as per the annual budget.<br>• Participate on Industry forums to influence decision-making.<br>• Utilise third party feedlots and fixed-term contracts to supply off seasons.<br>• The pricing policy governs the producer's price setting processes, and the Pricing Committee ensures that while prices are set to keep Meatco reasonably competitive in order to secure animals, while still sensitive to the financial impact of a high producer price.<br>• Utilise Meatco's feedlots to supply cattle to ensure throughput.<br>• Maximise the procurement of weaners in pick weaner seasons. | To address insufficient volumes, livestock procurement has put the following strategies in place:<br>a. Feeders contracts:<br>• The focus is to secure a minimum number of cattle monthly per contract from producers throughout Namibia, both communal and commercial, with sufficient capacity and capability to produce quality-driven, market-ready cattle mainly from privately-owned feedlot and backgrounding facilities.<br>• Feeders' contracts for large and small feeders, to deliver animals monthly. The feeders' contracts have a built-in quality requirements per grade.<br>• At farmers' liaison meetings, Meatco aims to provide formal industry-related training to farmers, with the ultimate goal being to enhance quality of the animals.<br>b. Cattle procurement from Botswana:<br>• Meatco has worked to open a marketing stream from Botswana for slaughter cattle coming directly from communal and commercial producers in the green zone of Botswana to the Meatco Abattoir.<br>c. Focus and continuous communal procurement:<br>• Procuring of feedlot and slaughter cattle on a continuous basis from all communal areas in Namibia.<br>d. Fixed contract offered to all producers to deliver cattle against set quality parameters. |

| # | Risk | Description | Current mitigation actions in place | Additional actions |
|---|---|---|---|---|
| 2 | Infrastructural risk | Impact of ageing facilities resulting in cost of increased mechanical breakdowns, catastrophic failures of major components and future suitability of facilities in terms of technical specifications and efficiencies. | • Preventative maintenance plan, limited inventory of critical spare parts and stand-by equipment.<br>• Maintenance audits.<br>• Equipment that becomes unreliable and too expensive to maintain is replaced.<br>• Annual inspection on all pressure vessels by AIA and/or Government.<br>• Transformers and substation by high tension service providers.<br>• 5-year Capital Replacement Plan.<br>• International best practices benchmark.<br>• Build reserves and 5-year strategic plan where capex is planned and budgeted for to fund critical relocations when it becomes inevitable.<br>• Scalability of plant activities to match supply. | • Replacement policy for equipment to be drafted. |
| 3 | Production resource risk | Shortage and quality of supply by main suppliers (e.g. packaging, transport, coal, etc.) and loss of access to decrease in availability of other raw materials (e.g. fodder for feedlots, hides, etc. | • Feed stock level management to procure stock in block for cattle to ensure that the feed does not run out.<br>• Provide the procurement plan to Procurement Management Unit to ensure that consumable stock is procured timely. | • Source for additional suppliers of raw materials to ensure continued supply.<br>• Develop capacity of small-scale suppliers to increase competitiveness. |
| 4 | Information technology risk | Loss, failure and security of IT systems. | • New IT equipment was included in the budget.<br>• Infrastructure department is suitably staffed and skilled to manage infrastructure and there are also a few companies in town that can provide support to IT if needed.<br>• From a data security point-of-view, all data is backed up daily, on and off site, which will allow for recovery of services in case of technical failures. | • Identify and develop "power users" in the organisation to offer first line, non-technical support to end users regarding the usage of specific systems. A power user of a system will have deep knowledge on how to use the system and understand the business rules associated with the system to help and direct other users on how to use the system effectively and efficiently. Only when system failures occur, or new functionality is required in a system, will the help be requested of the IT Department, therefore allow the IT Department to focus on systems' development and improvement. |

| # | Risk | Description | Current mitigation actions in place | Additional actions |
|---|---|---|---|---|
| 5 | Safety, health and environmental risk | Non-compliance to health status and compliance to market requirements. | • Traceability system are in place to identify and separate affected animals.<br>• Stay up-to-date with definitions/ requirements of the health status.<br>• Feedlots have on-site vet to monitor animal health status.<br>• Close communication with DVS to be informed on animals' health status.<br>• National contingency plan.<br>• Crisis management plan.<br>• A quality management system is implemented and is audited by international bodies. Food safety certifications are obtained and maintained.<br>• Legal office subscribes to relevant regulatory bodies/ publications for updates.<br>• SHEQ also subscribes to USDA and EU sites.<br>• Regular country audits.<br>• Current industry platforms (Animal Health Consultative Forum, Livestock Marketing Forum etc.), to address the issue.<br>• Participating in the Manufacturing Association and Abattoir Association.<br>• Meatco is providing extension services to the producer where detail educational information is given regarding the preferred cattle for marketing purposes and ensuring compliance to our various markets. The Procurement offices also communicate such information to producers.<br>• Producer sales advice contains all up-to-date requirements (e.g., 90/40 days rule). | • Advocate for adequate funding of DVS.<br>• Develop capacity for value added cooked products.<br>• Promote Commodity-based Trade. |
| | | Quality Assurance failures in terms of biological pathogen counts, cold chain systems, and undetected prolonged non-conformance. | • Formal Quality Management System in place according to all relevant laws and regulations that ensures that policies, procedures, work instructions, relevant inspections, remedial relevant actions are covered.<br>• Reporting to relevant management levels and authorities.<br>• Continuous (external and Internal) audits and certified against independent international standards. | • Intensified staff Induction and training.<br>• Improve sanitary controls.<br>• Execute preventative maintenance plan. |

# CORPORATE GOVERNANCE AT MEATCO

*Meatco embrace and promote good corporate governance.*

Meatco subscribes to principles of corporate governance as enshrined within the NamCode and the King IV Code on Corporate Governance, as well as the directives and regulations on good corporate governance and practices issued from time to time in terms of Sections 4 and 38 of the Public Enterprises Governance Act, Act 1 of 2019 (PEGA).

For the reporting period (1st February 2021 to 31st January 2022), the Corporation's strategic direction has been steered by a Board of Directors constituted as follows:

| | | |
|---|---|---|
| Mr J Hamman | Chairperson | (Resigned during May 2021) |
| Ms C Bohitile | Vice-Chairperson | (Resigned during May 2021) |
| Mr A Muremi | Director | (Appointed as Interim Chairperson as of 4th June 2021) |
| Mr M Mulunga | Director | |
| Mr U Kandjii | Director | |
| Mr K-D Rumpf | Director | (Resigned during May 2021) |
| Ms C Garises | Director | |
| Ms M Kabuku | Director | |
| Ms H Mavetera | Director | |
| Mr S-K Shakumu | Co-opted Member of the Board | (Appointed 1st March 2021) |
| Mr S Ndeunyema | Co-opted Member of the Board | (Appointed 1st March 2021) |
| Mr F Tjivau | Co-opted Member of the Board | (Appointed 1st March 2021) (Deceased May 2021) |
| Ms N Lewis | Co-opted Member of the Board | (Appointed 25th November 2021) |

## Board composition, independence, skills and knowledge

The current Board of Directors comprises six Directors with full voting powers; five of whom are Non-executive Directors, thus asserting the Board's independence. The Board of Directors has further appointed three co-opted members who are respectively competent in finance, legal (PEGA) and human resources. Three Director positions (Director representing the interests of commercial farmers and two technical experts) have been vacant on the Board since May 2021, awaiting on the portfolio Ministry to fill the positions as per the provisions of the PEGA.

*Directors and staff pledge their respective allegiance to the ethos of good corporate governance.*

## The Corporate Governance Code of Namibia (NamCode)

The Corporation's deviations from the NamCode are listed in the table below.

| NAMCODE GUIDELINES | MEATCO DEVIATIONS |
|---|---|
| Shareholders should approve the company's remuneration policy. | Remuneration is aligned to PEGA remuneration guidelines and is reviewed in detail by Human Resources and Remuneration Committee and approved by the Board. |
| As a minimum the NamCode guides that two Executive Directors should be appointed to the Board being the Chief Executive Officer and a Director responsible for the finance function. | Composition of the Meatco Board membership is by virtue of statute. As such the law makes no provision for the appointment of an Executive Director. However, the CEO and the CFO are available for the Board at all times and for purposes of all Board meetings to answer questions and make presentations to the Board. |

## Conflict of interest

The Corporation's directors and personnel are under both statutory and contractual obligation to avoid situations in which their personal interests may directly or indirectly conflict with the interests of the Corporation.

As such, directors and staff pledge to uphold Meatco's ethos of good corporate governance through annual, as well as continuous declaration, disclosure, and management of interests. In such regard, the Corporation's Anti-Bribery and Corruption Policy, the Meat Corporation of Namibia Act, Act 1 of 2001, the PEGA, and other relevant national legislation finds application.

## Board structure

The Board governs the affairs of the Corporation as prescribed by Section 5(6) of the Meat Corporation of Namibia Act. Act 1 of 2001, with the assistance of the Management Support Committee, Audit and Risk Committee as well as the Human Resources and Remuneration Committee, each of which operates within a clearly defined charter that has been approved by the Board. Committee Chairpersons report to the Board on proceedings of their respective Committees at each subsequent meeting of the Board.

Overall, the Board's skills and knowledge base comprise agriculture, economics, law, accountancy, communal farming, public relations and education. The Corporation remains committed to the continuous development of its Directors through specialised training as necessary in the interest of enabling the Board to effectively execute its mandate.

The composition of the Committees as at the end of the Financial Year is depicted below:

**Members of the Audit and Risk Committee**: Mr I Mulunga (Chairperson), Mr. U Kandjii, Ms. M Kabuku, Ms. N Lewis.
**Members of the Human Resources and Remuneration Committee**: Mr I Mulunga (Chairperson), Ms C Garises, Mr U Kandjii, Mr. S Ndeunyema, Mr. S-K Shakumu.
**Members of the Management Support Committee:** Mr A Muremi (Chairperson), Mr I Mulunga.

## Board meetings

Board meetings are held in compliance with the Board Charter and allow for robust, constructive discussion and debate amongst the members.

The Board met eleven (11) times between February 2021 and January 2022, of which four meetings were ordinary meetings, while the remainder of the meetings were held on an *ad hoc* basis.

The record of the Board members' attendance at Board and Committee meetings is depicted in the table below.

**BOARD MEMBERS ATTENDANCE: MEETINGS OF THE BOARD & COMMITTEES (February 2021 - January 2022)**

| Director | Board Meetings | Ad hoc Board Meetings | Audit and Risk Committee Meetings | Ad hoc Audit and Risk Committee Meeting | Human Resources Committee Meetings | Management Support Committee Meetings |
|---|---|---|---|---|---|---|
| Mr AM Muremi: Interim Chairperson | 4 | 6 | - | - | 3 | - |
| Mr JN Hamman: Former Chairperson | 2 | 1 | - | - | - | - |
| Ms CG Bohitile: Former Vice-Chairperson | 2 | 1 | 2 | 1 | - | - |
| Mr K-D Rumpf: Former Director | 2 | 1 | 2 | 1 | 1 | |
| Ms C Garises | 4 | 7 | - | - | 4 | 1 |
| Mr U Kandjii | 4 | 6 | 1 | - | 4 | 1 |
| Mr M Mulunga | 4 | 6 | 3 | 1 | 4 | 1 |
| Ms MM Kabuku | 4 | 6 | 4 | 1 | - | 1 |
| Ms H Mavetera | 4 | 6 | - | - | - | 1 |
| Mr F Tjivau: Former Director | 2 | 2 | 1 | 1 | - | - |
| Mr S-K Shakumu | 4 | 4 | - | - | 2 | 1 |
| Mr S Ndeunyema | 4 | 4 | - | - | 3 | 1 |
| Ms N Lewis | n/a | n/a | n/a | n/a | n/a | n/a |

## Audit and Risk Committee

During the year under review, the Audit and Risk Committee (ARC) was chaired by Ms C Bohitile (until May 2021) and Mr. I Mulunga (from May 2021) respectively and convened five times.

The ARC meetings were attended by the CEO, the Executive: Finance & IT, the Internal Auditor, the Internal Audit consultant, as well as the External Auditor. Other members of the management team attended upon request as required. The Committee reports on its activities and makes recommendations to the Board of Directors. The Committee's responsibilities entail, among others, oversight over:

- safeguarding the Corporation's assets;
- operation of adequate and effective systems and control processes;
- reviewing fairly presented financial statements in compliance with regulatory requirements and accounting standards;
- external and internal audit appointments, functions and services; and
- risk management.

For the reporting period, the Corporation's Internal Auditor, as well as the Internal Audit consultant, continuously reported to the Audit and Risk Committee on internal audit's key activities and findings.

## Human Resources and Remuneration Committee

The Human Resources and Remuneration Committee (HRRC) was chaired by Mr I Mulunga for the reporting period and convened five times.

The Committee's meetings were attended by the CEO, the Executive: Finance & IT and the Senior Manager: Human Resources. Other members of the management team attended on invitation as required. The HRRC is in principle responsible for: succession planning for critical and key positions; executive appointments; compensation policies and programmes; and employee relations and ethics. The Committee reports and makes recommendations to the Board of Directors.

## Management Support Committee

The Management Support Committee renders support to the Corporation's CEO and  management as required. For the reporting period, the committee was not required to meet. The Committee has no decision-making powers and reports to the Board of Directors.

## Company Secretary

For the reporting period, the Board of Directors was served by Ms N. Mhanda on the role of Advisor: Legal and Compliance/Company Secretary.

As such, the Company Secretary provides support and guidance to the Board on matters relating to governance and compliance practices. All Directors have unrestricted access to the Company Secretary's expertise.

For the period under review, the Board had attained a quorum at all its meetings.  Declarations of interests and the management thereof remained a standing agenda item at the Board and its Committees. Equally, a proper record of all decisions and any dissenting views placed on record at both the Board and Committee meetings is in place.

## Independence of external auditors

The Corporation's Annual Financial Statements for the reporting period (2021/22) were audited by the external auditors, Grand Namibia, whose independence in the performance of their duties has been confirmed for the reporting period.

## Financial statements

The Corporation's Annual Financial Statements are prepared by Management 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 consistently applied, and which are supported by reasonable and prudent judgement and estimates.

The Board of Directors approved the Corporation's Annual Financial Statements, assuring that such financial statements fairly reflect the Corporation's affairs, and profits or losses at the end of the financial year. External auditors are charged with making statements on the degree to which financial statements correlate with the Corporation's actual financial position.

## Areas of responsibility

In terms of the Integrated Strategic Business Plan and official Delegation of Authority Framework, the Board of Directors establishes the strategic objectives of the Corporation (subject to appropriate risk parameters), and delegates to Management the detailed planning and implementation of the Annual Business Plan; the latter plan is a cascade of the Integrated Strategic Business Plan.

The Board monitors the implementation of the Corporation's strategic objectives and holds Management accountable for its implementation through bi-monthly updates and quarterly reporting at meetings..

The Board is responsible for, amongst others, the approval of the Corporation's Annual Financial Statements, endorsement of the Corporation's overall business strategy and related budget, prior to its approval by the portfolio Minister in accordance with Sections 13 and 14 of the Public Enterprises Governance Act, Act 1 of 2019.

## IT governance

The Information Technology Department provides the tools and systems that enable the Corporation to operate optimally, to scan the internal and external environments and make it possible for Meatco to respond effectively and efficiently to the changing conditions. IT governance in Meatco is managed by the Production Systems, Infrastructure, Enterprise Systems and Software Development units.

### Production Systems

IT Production is responsible for all the production-related software and hardware across the plants, namely Windhoek, Wholesale, MeatMa, Canning, Bonanza and Katima Mulilo. These plants are running the Emydex Production Management System. In addition, IT Production is also responsible for the Beeftech system that is running at the Okapuka feedlot. This incorporates the Processing of Cattle, Ration mixing as well as Precision feeding.

### Enterprise Systems

IT Enterprise Systems is responsible for all the enterprise systems within Meatco. These include:

- Sage Enterprise Management (Sage X3);
- Orion Point of Sale;
- Plant Maintenance Management (On-key/Pragma);
- Payroll and HR Management;
- Data Warehouse (Pentaho); and
- Quality Management System (HQMS).

The unit caters for stakeholders across the company. The data warehouse allows Meatco to have information from all systems in one place. The raw data from different productions and enterprise systems are converted into management information for decision-making purposes. The unit provides accurate, real-time information to line managers and executives to make decisions quickly. It also provides in-house support to all systems before external service providers are involved, thus cutting down on unnecessary expenditure.

## IT Infrastructure

IT Infrastructure is responsible for all computer-related hardware, including, but not limited to, computer hardware and network connectivity across the plants, namely Windhoek Head Office, Windhoek Factory, Wholesale, MeatMa, Canning, Bonanza and Katima Mulilo. These plants are all reliant on infrastructure to connect to Head Office, which enabling them to utilise production and business-related software such as Sage X3 and Emydex Production Management System.

The unit is also responsible for the upkeep and maintenance of Active Directory, enabling infrastructure to put a layer of security into all the production and business applications through the power of single sign-on and authentication, utilising one account that is managed by Active Directory.

It is also responsible for the upkeep, maintenance, backup and security of all Meatco-related computer hardware, network and the data centres.

## Knowledgeable team

The IT Department has a highly knowledgeable and skilled team with in-depth knowledge of the organisation's processes. The IT team is small and agile and is kept busy with providing support for existing systems and processes. The challenge is the team has a minimal amount resources to focus on the continuous improvement of the existing systems and processes.

The COVID-19 pandemic came with its own unique challenges, which the IT Department had to manage to keep the business operational under difficult conditions. The department had to be agile by reallocating under-utilised resources from different business units to where it can better serve the organisation.

During the pandemic, staff had to work from home to minimise infections. The Enterprise Systems unit proved that Meatco's systems are resilient to operate in any working environment. The unit had a 99 per cent up-time during the period under review.

## Way forward

Infrastructure projects are being implemented in a phased approach to replace its ageing IT equipment with more modern solutions to reduce its technical debt.

The IT Department will be capacitated with the appropriate number of staff to match the needs of the organisation. The department must have enough capacity to provide support for the existing systems and processes, to keep all IT systems secure and up-to-date, while also have enough surplus capacity to participate in continuous improvement initiatives throughout the organisation.

The strategic objective is to streamline the administrative and production processes and automate as much as possible to be more efficient and effective. This will reduce the cost of operations; cost of goods produced and maximise returns.

## Procurement Management Unit

The Procurement Management Unit (PMU) strategy is aligned with its strategic focus of moving toward a centralised procurement function that supports and enhances exchange, collaboration, and partnership.

The unit has since its inception initiated processes of submitting and uploading Meatco's Annual Procurement Plan and ensuring that the relevant internal structures have been established in accordance with the requirements of Public Procurement Act 15 of 2015, taking into consideration the flexibility required to respond to the rapidly-changing environment and to learn from our own experiences and the experiences of others. The percentage of institutional expenditure on bought-in goods and services will vary within Meatco from year-to-year. Rarely will it be less than 20 per cent of total gross expenditure; more often it will be between 25 per cent and 30 per cent.

The unit has delivered its common goal by setting up frameworks during the past financial period through policies and procedures that guides the procurement of goods and services, contract management, stores management, procurement card, and asset disposal.

Furthermore, the unit also establishes a centralised systematic workflow that governs the procurement of goods and services. Part of the successes of the unit is that Meatco was granted an indefinite exemption for the procurement of livestock from the Public Procurement Act, which was motivated by the informal nature of how cattle have been, and are procured.

The pandemic outbreak in 2020 has presented enormous challenges globally. The impact of the COVID-19 pandemic continues to evolve and presents challenges to Meatco's operations and its suppliers. Recent events have highlighted the fragility of international supply chains and it is evident that the current economic turbulence could have a long-term impact on businesses and their associated supply chains. The PMU has continued to monitor the risks and support our stakeholders, as well as our suppliers throughout these economic changes.

Supplier engagement is key to the development of the Procurement Strategy and will continue as the foundation for assessing our regulatory compliance, the constant pursuit of value for money in all that we do, and delivery against our strategic aims and objectives, in line with Meatco's five-year strategy.

Each year, the unit focus on key procurement activities, which are aligned to a number of the main strategic themes identified as part of its core strategy. Procurement's strategic focus has been planned in alignment with the procurements roadmap, geared towards achieving 85 per cent contract coverage and functional excellence.

For the year under review, the unit advertised bids in the local media with a combined contract value of more than N$50 million, which constitutes 30 per cent of Meatco's procurable spend. This commitment reflects the increasingly important role that strategic procurement plays in enabling Meatco to deliver economic benefits to our farmers.

# REVIEW: FINANCIAL PERFORMANCE

*For the past three years, Meatco fulfilled one of its main objectives, namely to strive and achieve stabilisation of the meat industry of Namibia in the national interest.*

During the year under review, Meatco weathered the storm during the second year of herd rebuilding where we slaughtered only 35,127 cattle, which is 3 per cent less than the previous financial year. The period under review was the second year after the severe drought of 2019 when Meatco slaughtered 116,304 animals.

For the period under review, Meatco remained in a loss-making position. It, however, managed to pay producers N$492 million in order to protect primary livestock production in the national interest of Namibia. This impact of Meatco's intervention could be seen during the first quarter of 2022 calendar year where the livestock and meat industry recorded an overall positive performance. During the first four months of 2022 the cattle sector recorded a 19 per cent growth from what was observed during the same period of 2021.

The Group generated N$752 million in revenue (2021: N$873 million) during the reporting year. The Group incurred a loss before tax of N$206 million (2020/21: N$119 million).

# ECONOMIC OUTLOOK

## Global overview

At the beginning of the year, global growth was projected to rebound to 5.5 per cent in 2021 and to 4.2 per cent in 2022, from an estimated contraction of 3.5 per cent in 2020. According to the Economic Outlook Update published by the Bank of Namibia in February 2022, an estimated growth of 5.9 per cent is expected in 2021 and 4.4 per cent in 2022. The global growth was possibly due to multiple vaccine approvals, the launch of vaccinations in some countries and additional stimulus policy measures in a few large economies.

## Sub-Saharan Africa overview

Based on the IMF's World Economic Outlook (WEO) date for January 2021, Sub-Saharan Africa was expected to strengthen to 3.2 per cent in 2021, from a contraction of 2.6 per cent in 2020. The WEO update for January 2022, however, shows that the growth in Sub-Saharan Africa for 2021 is expected to be 4 per cent and 4 per cent in 2022.

## Namibian overview

Namibia's economic performance was expected to improve during 2021, following what is estimated to be Namibia's deepest contraction in 2020. Real GDP growth was projected to increase to 2.7 per cent in 2021 from an estimated contraction of 7.3 per cent in 2020. The growth would have been led by improved growth rates for the agriculture, forestry and fishing, diamond mining and metal ores sectors. However, Bank of Namibia in February 2022 states that Namibia's real GDP growth is only estimated at

Factors that contribute to performance include the exchange rate, procurement prices, volume sold and cattle procured. These factors are elaborated below.

## Cattle procurement

Meatco slaughtered 35,127 (2020/21: 36,074) SVCF and 2,348 (2020/21: 1,258) NVCF. The average cold dress weight SVCF increased from 242 kg in 2020/21 to 252 kg in 2021/22. NVCF, average cold dress weight incrremained unchanged at 210 kg during the reporting period. SVCF throughput in tonnes increased from 8,718 tonnes to 8,845 tonnes, while NVCF increased from 262 tonnes to 489 tonnes.

## Pricing

The average producer price increased from N$44.74/kg (2020/21) to N$54.54/kg (2021/22). This increase was largely driven by competition for limited supply of slaughter cattle. Export abattoirs had a high demand to export beef to Norwegian and European markets and local butchers for domestic demand.

The average international realisation increased from €5.8 (2020/21) to €6.11 (2021/22). Namibia and South African average realisation increased from N$26.14 in 2020/21 to N$33.36 in 2021/22. Average exchange rate in Euros/NAD exchange rate reduced from 19 (2020/21) to 17.42 (2021/22). The depreciation of the Namibia Dollar to the Euro had a direct impact on the reduction in the overall realisation from N$87 (2020/21) to N$84 (2021/22).

From the 7,657 tonnes of beef and bone-in products available to sell, Meatco allocated 62 per cent of the volume to export markets, which generated 80 per cent of total beef and bone-in product revenue.

0.9 per cent for 2021 and is further expected to accelerate to 3.4 per cent in 2022.

## Primary industry overview

Primary industries were expected to grow by 5 per cent; however, it only experienced a 0.9 per cent growth in 2021. The Bank of Namibia projects the primary industries to grow by 9.6 per cent in 2022. The projected improvement is expected to come from the mining industry.

The agriculture, forestry and fishing sector were projected to grow by 4.4 per cent in 2021, which was an improvement from an estimated contraction of 1.4 per cent in 2020. The recovery was supposed to come from better performances in livestock farming, as well as fishing and fish processing. Bank of Namibia's December 2021 Economic Outlook projected primary industries to grow by 0.3 per cent and 7.1 per cent in 2021 and 2022, respectively.

The subdued growth in Namibia's economic performance was driven by mobility restrictions, border closures, and health impacts from the spread of the Omicron variant.

Overall, better performances in livestock farming is expected due to the return of production to normal levels after a reduction in beef production that surfaced during the herd-rebuilding season.

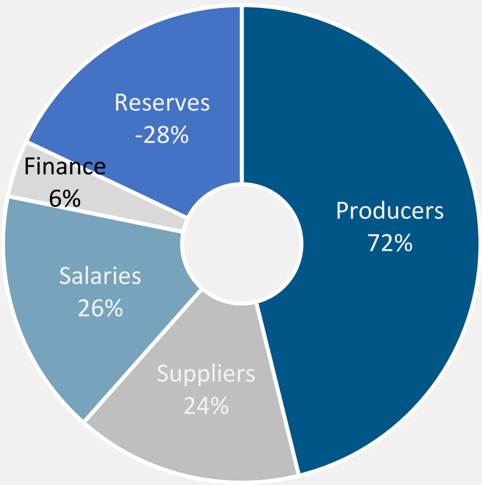
## Value-added statement

Due to the lower cattle numbers, Meatco sold 930 tonnes less beef than prior year. The value added to producers amounted to 72 per cent (2020/21: 57 per cent), employee costs 26 per cent (2020/21: 24 per cent), suppliers 24 per cent (2020/21: 29 per cent) and finance charges 6 per cent (2020/21: 5 per cent).

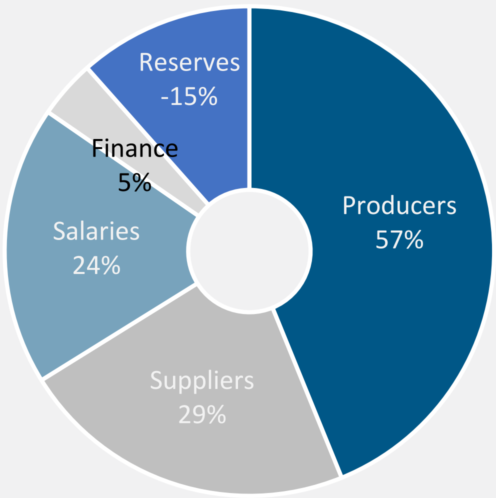
During the reporting period, Meatco allocated 21 per cent more to producers than the previous year – a total of N$492 million (2020/21: N$405 million), despite lower throughput and sales volumes. Meatco continued to add value to primary production despite harsh economic conditions.

Employee cost as a percentage of beef revenue increased by 2 per cent; however, the actual salary cost reduced by N$15 million for the year under review. Interest expense remained unchanged at N$47 million year on year.

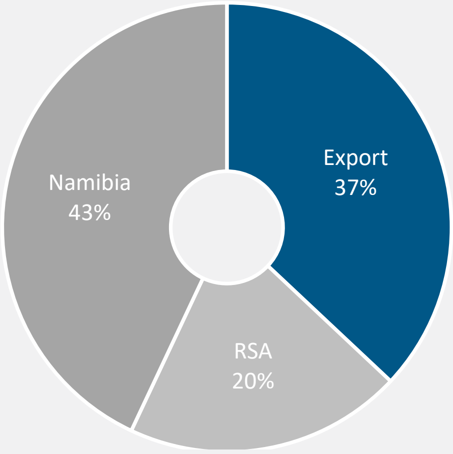
Value-added Statement FY 2022



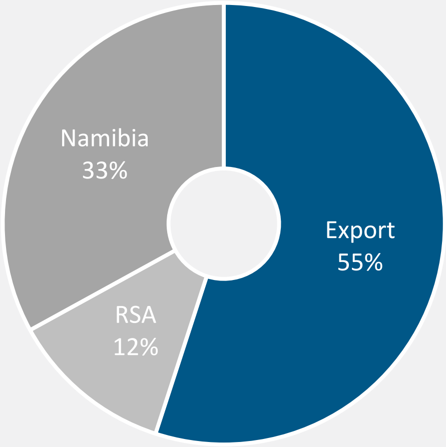

Value-added Statement FY 2021




Market share in Volume FY 2022




Market share in Value FY 2022



## Long-term debt

Meatco's long-term debt consists of three loans from the Development Bank of Namibia (DBN) and Bank Windhoek (BWHK). As per Note 14 in the Annual Financial Statements, BWHK has an outstanding balance of N$8 million (2020/21: N$21 million), DBN Loan 1 has an outstanding balance of N$147 million (2020/21: N$159 million), DBN Loan 2 has an outstanding balance of N$284 million (2020/21: N$171 million).

DBN Loan 2 was secured during the 2020/21 financial year. The N$250 million from the DBN was to settle the N$100 million bridge finance facility with First National Bank and the balance of N$150 million to procure cattle both SVCF and the NVCF. This loan had a 24-month grace period on interest and capital. Capitalised interest for the period under review amounted to N$34 million. The first instalment will commence in May 2022.

## Working-capital facility

Meatco had an initial working capital facility with First National Bank of Namibia (FNB) amounting to N$520 million. This facility was secured by biological assets, international, monthly VAT returns and first bond of N$40 million over Farm Okapuka No 51.

For the period under review, as per Note 13 in the Annual Financial Statements, the FNB working capital facility has an outstanding balance of N$69 million (2020/21: N$102 million).

Meatco continues its debt reduction strategy, as can be seen in the reduction of the Bank Windhoek loan from N$21 million to N$8 million, DBN Loan 1 from N$159 million to N$147 million and FNB working capital facility from N$102 million to N$69 million.

## Foreign exchange

The annual average EUR/ZAR exchange rate for the period under review was approximately 17.4 (2020/21: 19.0). Meatco generates the bulk of its foreign exchange earnings in Euros.

Meatco took a cautionary approach to hedging and foreign exchange risk. The Group managed to achieve a net foreign exchange profit of N$11 million (2020/21: N$9 million) (see Note 22 in the Annual Financial Statements) in a volatile year that continues to struggle under the effects of COVID-19 and BREXIT.

## Impact of COVID-19

Globally, exporting countries have been negatively affected by the COVID-19 pandemic. China is a major producer and consumer of global commodities and agricultural products. Due to the lock-downs experienced in China, disruptions in China rippled through global supply chains, which resulted in cargo being backlogged at China's major container ports. This caused a shortage of containers from China. According to an IFC report on the Impact of COVID-19 on logistics, weak demand for goods affected routes between Asia and Europe, the United States of America (USA), and Latin America.

According to a UNICEF report titled 'COVID-19 Impact Assessment on Global Logistics and Supplies', shipping capacities will remain under pressure, with sea carriers preferring to position as many available containers and equipment as possible on the more highly profitable sea lanes between Asia-Europe and Asia-USA.

In order to mitigate the impact of reduced shipping capacity, Meatco will continue to apply flexible and agile strategies to overcome the difficulties, while it continues to identify alternative solutions.

## Efficiencies

The Corporation is committed to ensuring prudent expenditure throughout all its business units to improve efficiency. Expenditure management involves managing administrative costs, internalising outsourced services, managing overtime in the production facilities through a block-slaughter system, right-sizing and alignment of the organisational structure.

During the reporting period, Meatco continued to prioritise its cost-cutting measures to improve financial prudence and cost efficiency in the business. As a result, total administration expenditure for the Corporation during 2022 financial year amounted to N$138 million (2020/21: N$159 million) and for the Group to N$163 million (2020/21: N$167 million). This represents a saving of N$22 million at Corporation and N$4 million at Group level.

## Ratios

The ratios reflect the difficult year Meatco endured. Lower cattle numbers slaughtered, lower beef volumes sold, lower foreign exchange rates and higher producer prices were contributors towards the lower ratios reflected in the table below.

| Ratios | 2022 | 2021 |
|---|---|---|
| Gross Profit Margin | -0.4% | 9% |
| EBIT Margin | -21% | -8% |
| Current Ratio | 0.75 | 1.23 |
| Quick Ratio | 0.33 | 0.67 |
| Debt to Equity ratio | 4.34 | 1.55 |
| Return on Capital Employed | -21% | -8% |
| Asset Turnover ratio | 0.72 | 0.70 |
| Cash Conversion Cycle | 15 | 86 |
| Cash Conversion Cycle Biological Assets | 17 | 105 |
| Supplier Payment | 25 | 32 |
| Debtor collection Period | 16 | 31 |
| Stock Days- Including Biological Assets | 30 | 100 |

# REVIEW: STRATEGY AND BUSINESS DEVELOPMENT

The Strategy and Business Development Department is mainly responsible for Strategy Planning and Monitoring, Business Performance Review, Industry Analysis, Competitor Benchmarking, Innovation, Networking and Risk Management. The department is also responsible for coordinating all aspects relating to:

- Shaping the Corporation's overall business strategy;
- Development and reviewing of company policies and procedures;
- Developing strategic plans and assessing Corporation's performance;
- Conducting research and data analysis to inform business decisions;
- Managing and retaining relationships with existing and new stakeholders;
- Developing and diversifying business activities to maintain the Corporation's sustainable competitive advantage;
- Advising on optimal allocation of the Corporation's resources; and
- Advancing the interests of the Corporation in trade negotiations.

## Achievements

The main achievement during the year under review was to present the Meatco Business Model and Strategic Intent to key Government institutions that are mandated to create a conducive policy and regulatory environment that will enable the meat industry to be competitive, profitable, and sustainable.

The department also engaged key strategic partner institutions that have committed to cooperate with Meatco on livestock procurement, agricultural extension and advisory services, as well as logistics through the signed agreement.

In addition, the department developed the corporate alignment map, an organisational information radiator that helps demonstrate the alignment of ongoing work with business outcomes.

Furthermore, it also compiled a traceability matrix to monitor the implementation of the cost-cutting measures (quick wins) for execution by the business units.

## Progress

Partial progress was made in modernising the dashboards to a business intelligence dashboard, with a customisable interface to accelerate the design process and the ability to pull in both historical and real-time data on the status of key performance indicators and other important business metrics and data points for decision making at all levels. Previously, the key performance indicators were assessed on a weekly basis through management meetings, which were time consuming.

## Looking ahead

Looking ahead, the department will continue to participate in ongoing trade negotiations and reviews to ensure that Meatco's trade interests are considered.

Networking with key stakeholders to promote Meatco's business model and strategic intent will also continue.

The department will conduct policy development and review sessions to align business processes and procedures.

In addition, the department will analyse business performance and monitor the risks affecting optimal throughput, operational efficiency and market realisation.

Lastly, the department will compile the annual execution plan and monitor key performance indicators through the digitalised dashboard.

# REVIEW: LIVESTOCK PROCUREMENT AND PRODUCTION

*The Livestock Procurement and Production Department optimises Meatco's competitiveness across the value chain.*

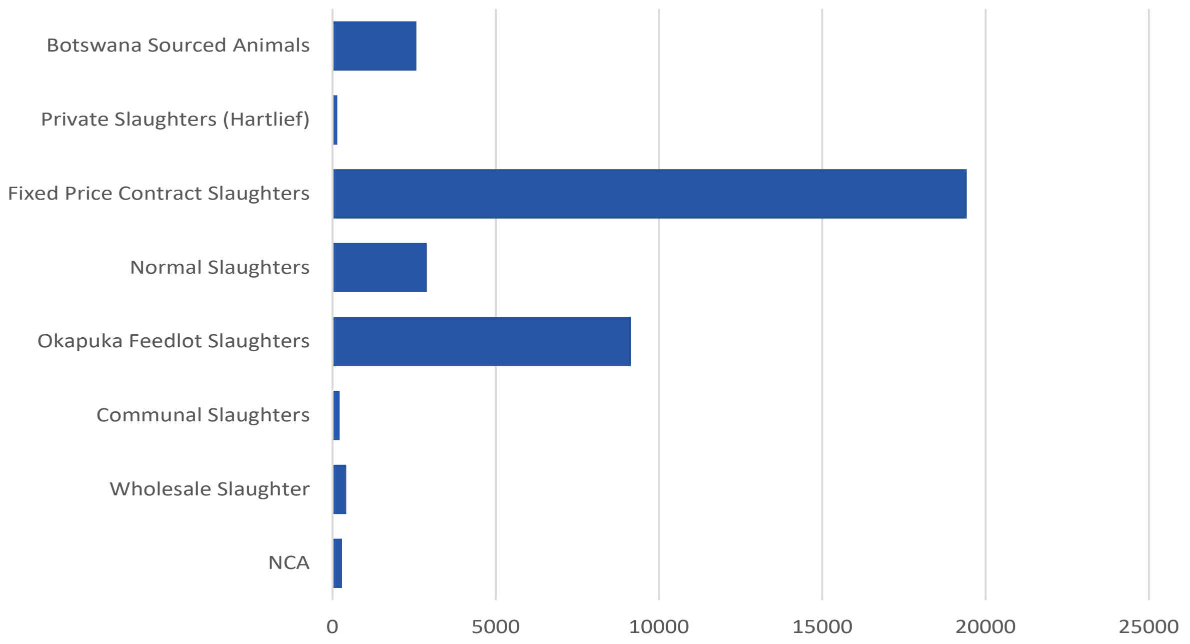
## General overview

The Meat Board of Namibia reported that in 2021, cattle marketing declined and so did beef exports, despite an annual increase in the number of cattle slaughtered by export-approved abattoirs. Improved prices paid by export abattoirs resulted in a slight reduction in the live export market share, while at the same time, live cattle imports from Botswana increased, aiding export abattoirs on the local market.

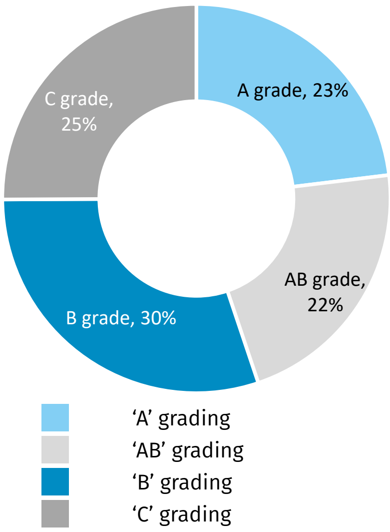
The Meat Board reported that a total of 225,734 cattle were marketed in 2021. While export abattoirs and live exports recorded improvements of 15.80 per cent and 4.08 per cent quarterly, the negative performance of butchers (45.50 per cent) was too steep, resulting in an overall negative quarterly performance of 2.65 per cent. The annual decline in cattle sector performance stood at 9.87 per cent by the end of the year. This performance is 41 per cent lower than the five-year average.

In 2021, cattle marketing and beef exports declined despite an increase in the cattle slaughtered at export-approved abattoirs.

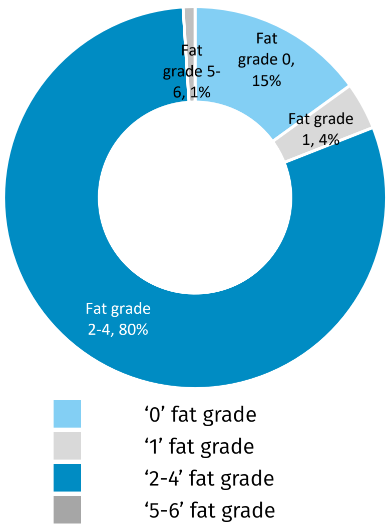
**Sources of Cattle Slaughtered at Meatco, 2021/22**



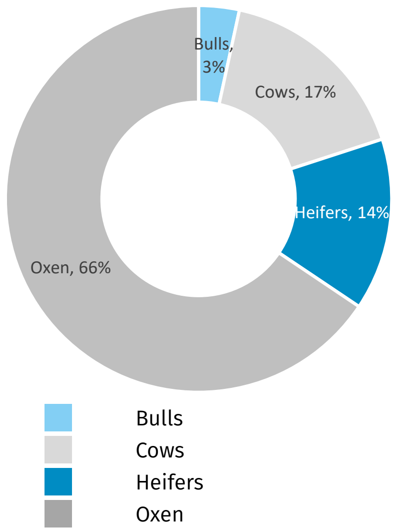
### Grade distribution




### Fat grade distribution




### Gender distribution




## The annual B2 cattle slaughter producer price increased by 20.2 per cent.

The Namibian B2 cattle slaughter producer price averaged N$58.02/kg during the fourth quarter, registering a 33.69 per cent increase compared to the same quarter in 2020.

The annual B2 average also increased by 20.20 per cent, from N$45.50/kg in 2020 to N$54.69/kg in 2021, moving the weaner/B2 ratio from 76.97 per cent to a relatively favourable N$72.76/kg. This resulted in a reduction of live exports market share from 63.36 per cent in 2020 to 60.56 per cent in 2021.

During the reporting year, there was a notable increase in the ratio of imported cattle slaughtered at the Namibian export facilities, from 2.41 per cent of total slaughtering to 7.00 per cent on an annual basis, while this ratio was 8.80 per cent in the fourth quarter of 2021 (Q4 2020: 3.58 per cent).

Cattle imports from Botswana assisted export abattoirs in supplying the local market, while concentrating local cattle into lucrative export markets, given a general shortage of slaughter cattle.

Beef exports during quarter four totalled 2,096 tonnes increasing significantly by 70 per cent in comparison to the fourth quarter of 2020.

Due to the inability of Botswana to fully utilise its portion of the lucrative Norway quarter, Namibian export facilities moved in aggressively to close the gap during the fourth quarter.

## Effect of climate change on livestock procurement strategies

Studies by the World Bank and the United Nations indicate that the effects of global warming in Namibia could range from devastating economic effects to the annihilation of the beef industry. Policy research papers by the World Bank predict that Sub-Saharan Africa, and in particular countries such as Namibia which already have harsh climatic conditions, shall be hit harder by the effects of climate change.

Farmers specialising in large-scale beef production are predicted to suffer greater impacts of climate change than communal farmers that can switch to alternative economic activities such as the rearing of drought-resistant goats. Due to climate change, Namibia is prone to recurrent droughts. The most recent series of drought years extended over a seven-year period, which though partly broken in 2020 and by the good rains at the start of 2021, resulted in low cattle and sheep numbers for slaughtering, and brought about high procurement prices for abattoirs.

## Contribution of agriculture to national GDP

The performance of the agricultural sector has declined over the years with the overall contribution to GDP dropping from 8.0 per cent in 1981 to 3.4 per cent in 2015 and 2016. About 60 per cent of agriculture GDP is attributed to the livestock sub-sector, and 40 per cent to the crop and forestry sectors (Mendelsohn, 2006). Between 2001 and 2007, the contribution of agriculture to national GDP was an average of 5.6 per cent. From 2012 to 2016, the agricultural sector contracted the most, by 1.8 per cent on average compared to other sectors (NPC, 2018). Figures for 2019 indicate a relatively high contribution

*Contract Feeders Farmers engagement meeting held at Otjiwarongo.*

*Various Ministries such as the Ministry of International Relations and Cooperation consultations were held.*

of 6.61 per cent, while preliminary data from the first quarter of 2021 show a proportion of 5.3 per cent.

## Departmental goals and actions

Meatco's Livestock Procurement and Production Department has envisioned and implemented operational actions to ensure that Meatco once again becomes the preferred livestock marketing partner of all livestock producers and enhances the livelihoods of all the producers in Namibia.

The strategies and actions contained in this departmental business plan focused on six core basic principles, namely:

1. To take the livestock procurement service back to producers at an on-farm level to establish a long-term working relationship, rebuild trust, and pre-select cattle before delivery to any Meatco facility.

2. To enlarge the Meatco procurement base with 80-100 new or currently non-active Meatco producers over the next three years through innovative and welcoming introductory procurement plans.

3. To ensure that Meatco takes ownership of the supply of raw material (cattle) continuously through the implementation of back-grounding and other strategic partnership plans. Never again should Meatco find itself in a situation such as it is currently where the variance in supply of raw material threatens the existence of the company.

4. The department should regain the ability to control carcass purchase prices and quality through forwarding price contracts and still have the ability to be competitive at all marketing platforms within Namibia throughout the year.

5. The department should develop the ability over the next three to five years on an operational level to procure whatever animal is available from a producer and to internally sort and distribute cattle through various marketing channels and Meatco facilities to extract maximum value from all the cattle procured for Meatco.

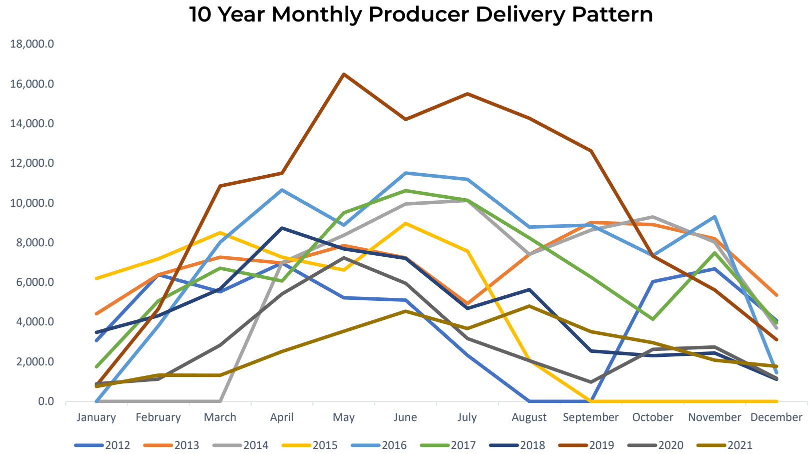
6. To address, debate, and remove internal operational inefficiencies and industry-related (mainly Directorate of Veterinary Services) restrictive policies related to livestock procurement within the free zone of Namibia.

In the short term, the department's management team will have to ensure that systems and checks are in place to ensure:

- Maximum efficient effort per employee within the team per area to reach short-term critical procurement targets;

- Encourage and support teamwork through group goal-setting; and

- Put in place a production bonus system for all technical advisors and supportive administration personnel.




The four main key performance indicators show a positive trend over the last three-year period. In general, it can be noted that the department procured better quality cattle year-on-year.

The graph above highlights the historical problem for livestock procurement, namely inconsistency in supply (numbers through the abattoir every month), a definite peak and off-season, and no momentum going into the following year in terms of cattle being slaughtered from October to January every year.

Livestock Procurement management has worked towards the implementation of strategies to:

- Secure constant supply month to month;
- Focus on quality of carcasses per grade; and
- Focus on providing producers with forwarding fixed pricing mechanisms.

## Meatco feedlots

Meatco's intention to focus on its core business of slaughtering has brought about a change in the procurement of cattle for the feedlot. The reporting year 2021/22 saw a drastic reduction in the number of cattle going through Meatco's facilities. The focus is to empower producers to take care of primary production, and for Meatco to use the feedlots as a limited backup to ensure constant throughput to the Windhoek Abattoir.

## Annasruh feedlot

Annasruh feedlot was not in operation during 2021/22. The farm and facilities were used as a buying point and sorting station for the period.

## Buying points

Meatco established and operationalised the Annasruh buying point in November 2020. Operations at the facility increased dramatically throughout 2021 to the point whereby Meatco decided to duplicate the concept at Klein Hamakari Farm, seven kilometres outside Okakarara. This buying point is completely constructed, and will be fully operationalised in 2022.

## In conclusion

The Livestock Procurement and Production Department has transformed its products and services to producers in such a way so as to be aligned with the changing business environment. This positive enhancement in terms of the livelihood of the Namibian producer is key to the strategies and plans implemented by the department.

Fundamental changes to the core strategies within the department will ensure that Meatco stays relevant and competitive and the backbone of the Namibian livestock industry for many years to come.

*The focus is to empower producers to take care of primary production and Meatco to use the feedlots as a limited backup for constant throughput to the Windhoek Abattoir.*

| Annual Averages | 2021/22 | 2020/21 |
|---|---|---|
| Producer price (N$/kg) | N$54.54 | N$44.74 |
| Weight (kg/carcass) | 252 kg | 242 kg |
| Live weight | 452.68 kg | 442.03 kg |

| Producer Prices (N$/kg) | 2021/22 | 2020/21 | Difference |
|---|---|---|---|
| 'A'-grade | N$56.42 | N$46.50 | 21.29% |
| 'AB'-grade | N$55.24 | N$46.31 | 19.28% |
| 'B'-grade | N$54.93 | N$46.06 | 19.25% |
| 'C'-grade | N$52.24 | N$42.61 | 22.64% |
| **Average** | **N$54.54** | **N$44.74** | **22.26%** |

| Grading Distribution | 2021/22 | | 2020/21 | |
|---|---|---|---|---|
| | Number | % | Number | % |
| 'A'-grade | 8,216 | 23% | 6,011 | 17% |
| 'AB'-grade | 7,335 | 21% | 6,615 | 18% |
| 'B'-grade | 10,438 | 30% | 9,121 | 25% |
| 'C'-grade | 9,138 | 26% | 14,327 | 40% |
| **Total** | **35,127** | **100%** | **36,074** | **100%** |

# REVIEW: AGRO-PROCESSING AND **VALUE ADDITION**

*The department focused on optimising Meatco's competitiveness across the value chain.*

Meatco has two primary processing factories, namely the Windhoek and Okahandja factories, although the Okahandja factory is currently closed due to low throughput. The function of Windhoek factory is for Meatco to slaughter cattle, debone and pack meat cuts and offal products according to client specification for both the global and local markets.

Meat is processed into frozen or vacuumed products, depending on the clients needs, while offal products are packed frozen or sold fresh. By-products are produced of all other raw materials.

## Meatco's operations

The Agro-Processing and Value Addition Department's strategic plan articulates interventions to achieve Meatco's mandate and objectives for the strategic planning cycle. The strategic plan is aimed at positioning the department to carry out its mandate efficiently and effectively and to secure Meatco's sustainability for the future with the strategic intent for operations to be affordable, effective, flexible, and scalable. The department's strategic plan is aligned with the strategic goals of Meatco.

As required by our clients, we need to operate to the highest levels of product safety, reliability, hygiene, and product traceability.

**Complying to all product standards**

Our world-class processing facility is EU, BRC, USA, China, FSSC 22000 and HALAAL approved.

**Fat grade distribution**

A total of 80.2 per cent of the animals were in the fat distribution class of 2, 3 and 4 grades.

Our world-class processing facility is EU, BRC, USA, China, FSSC 22000 and HALAAL approved. The aim is to maximise the yield of raw material received and to minimise waste.

In 2021/22, the strategy for the department was to:

- Extract maximum value of raw material received;
- Create an empowered and participative workforce;
- Remain market-led, and producer and customer service driven;
- Flexible, adaptable and continuous improvement; and
- Maximise the lifespan and return-on-investment of assets.

## Total of 35,127 cattle slaughtered

During the reporting year, a total of 35,127 cattle were slaughtered and processed against a revised budgeted number of 40,000 from the 70,000 in the original budget. This is in line with the 36,074 slaughtered cattle in the previous financial year.

Producers were still in a herd-rebuilding phase and made fewer cattle available to Meatco.

The focus for management was to optimise plant utilisation (throughput) per production day, per month and year. This enabled Meatco to align its human resources to the available slaughter requirements per month. During the low throughput period, the Windhoek factory introduced block slaughtering to contain costs as part of operational flexibility and cost containment. Block slaughtering means that animals are slaughtered for two days and the next two days the carcasses are deboned. The same staff is used for both processes, which results in a cost saving on staff salaries.

Currently, we are operating with ageing infrastructure. Therefore, the preventative maintenance plan and investment in new efficient infrastructure is paramount in the uptime strategy for operations, and to assure that the infrastructure and equipment are ready and compliant with international standards.

The quality of the cattle slaughtered has increased in comparison with the previous year. During the reporting year 66 per cent of all animals slaughtered were slaughter oxen compared with 51 per cent the previous year. The number of female animals slaughtered dropped from 33 per cent to 17 per cent during the year under review, proving that farmers are withholding their female animals and rebuilding their herds.

A total of 80 per cent of the animals were in the fat distribution class of 2, 3 and 4 grades compared with 77 per cent the previous year, confirming the increase in quality.

It was critical for Meatco to be competitive in terms of determining a producer price, particularly when taking into account what our competitors in South Africa were offering. We therefore offered producers a better price, and as a result fewer weaners were exported compared with the previous financial year. However, the better prices did not increase the cattle numbers offered to Meatco due to herd rebuilding.

## Factory utilisation

To guide operational efficiencies in the local and global markets, the operational strategy was to use global benchmarks, production yield norms, and international standards to make sure that we remain competitive in the meat industry, since we can only be competitive if we build capacity through specialised skills, depth, and competencies in our labour force.

The factory is utilised 78 per cent when doing block slaughtering, which is a major achievement. Another achievement was the fact that we had a 98 per cent microbiological compliance to client specifications, and a 99 per cent factory up-time.

The Okahandja factory/cold storage was closed and will remain as such with the current low cattle numbers. All exports were handled with direct containers from Windhoek Abattoir to Walvis Bay harbour. Only Reunion and Norwegian clients were serviced through Table Bay Cold Storage, in Cape Town, South Africa. Going forward, the strategy will be to minimise costs at the Okahandja factory, though basic maintenance will continue to make sure the infrastructure and facility is functional when required.

Meatco's technical department maintains all Meatco assets and equipment. During the reporting year, the focus was on the execution of a proactive maintenance plan, appointment of skilled and qualified technicians to ensure continuous improvement in efficiencies, as well as to reduce Meatco's environmental footprint.

## Health and safety performance

Meatco's safety performance is an important management tool to ensure compliance and the safety of our employees. Safety performance is reviewed on a monthly basis to pick up early warning signs and act rapidly, if necessary to ensure the identification of corrective action measures to meet organisational objectives and targets.

The Disabling Incident Frequency Rate (DIFR) is a measurement used which quantifies the number of lost hours incurred. The calculation is as follows: the number of lost-time cases multiplied by 200,000 and divided by the number of man-hours worked. Ultimately it was calculated that in every 100 employees, four of them had suffered lost time due to their injuries.

2021's overall safety performance is one of exceptional standard and is commendable. The practice of continuous improvement is an ever-challenging effort that reflects Meatco's commitment to maintain a safe working environment for all.


# Cannery

## Value addition

Production at the cannery was still on hold for the financial year 2021/22, as the economies of scale did not justify remaining open. With the cannery closed, Meatco can financially concentrate on the core business of slaughter cattle and ensure financial stability in this challenging times. The objective is to revamp the cannery once the finances have stabilised, as the cannery brands is well establish and can add value to the 'Growth at Home' strategy of Namibia.

# Wholesale

## Value addition/distribution

The wholesale division is doing well, producing value-added products that are mainly marketed under the MeatMa brand.

The department has invested in new technology and production processes to increase capacity and product quality. It is also in the process of producing a business plan to erect a fully-fledged, value-addition hub to increase the product basket, not only offering beef, but also pork and sheep, as well as adding new products such as goulash, mince, meatballs and hamburger patties, thereby increasing volumes and expand the MeatMa brand. Part of this is investigating the possibility of utilising the Okahandja factory as a value-addition plant.

Going forward, Meatco aims to grow its local market presence with 20 per cent through local production, portioning and new products to ensure a well establish MeatMa brand within the local market for Namibians.

A total of 913,456 kg of meat products were sold during the reporting year, generating revenue of N$28.9 million with a profit of N$5.4 million.

## Looking ahead

Going forward, we foresee the low number of cattle available for slaughter to continue in the next year, although there is improvement in the off-take cattle numbers.

Therefore, we will continue with block slaughtering, utilising only fixed-term contractors whenever the number of available cattle increases in specific months.

We budget to slaughter 60,000 cattle in the next financial year. An increase in cattle numbers is expected during the middle of the next financial year, in which case a second team of fixed-term contractors will be brought in to deal with the higher cattle numbers.

Cattle that can be sourced from Botswana will assist Meatco in increasing the volumes for the local market with the MeatMa brand. This will enable us to not only focus on the international markets where we maximise returns, but also provide the Namibian market with affordable meat products.

Our challenge will remain to be flexible and scalable, to reduce our costs and maximise our facilities, while ensuring our infrastructure is on par with the rest of the world, thereby enabling us to adhere to our clients' specifications.

# REVIEW: MARKETING, SALES, LOGISTICS & COMPLIANCE

*The Marketing, Sales, Logistics and Compliance Department is striving towards corporate profitability and financial viability.*

## Marketing

### Global market overview

The global market has been under significant strain due to increased freight costs and delays at major harbours and ports around the world. Due to the new Omicron variant of the COVID-19 virus, global manufacturers and processors have lost significant numbers of their human resources with concomitant losses in production and productivity.

Globally, transboundary animal diseases such as African Swine Fever (ASF) and Avian Influenza (AI) recorded several global outbreaks, which resulted in a decline in the production of pork and poultry in key global markets and thus a global shortage for animal-derived protein.

The global market has been under significant strain due to increased freight cost and delays at ports around the world.

**01**

**Emergence from COVID-19**

The emergence from COVID-19 impacted on the higher demand for export-quality beef.

**02**

**Emergence from drought**

The emergence from the drought was a major factor that influenced marketing activities.

**03**

**Botswana cattle**

We resumed the importing of Botswana cattle quite strongly.

*With fewer cattle slaughtered, we could not satisfy the demand of all our clients.*

World food prices in 2021 reached a ten-year high, with an annual increase of 28.1 per cent, according to the Food and Agriculture Organization of the United Nations (FAO). The meat price index averaged 111.3 points in December, a marginal variation compared with November, but 16.5 points (17.4 per cent) above its value the previous year. In 2021, the FAO Meat Price Index averaged 107.6 points, 12.1 points (12.7 per cent) more than in 2020.

## Factors influencing marketing

Two main factors that influenced the department's activities during the reporting year were the country's emergence from the drought that Namibia had experienced, and the relaxation of the Government's COVID-19 mitigation measures.

The good rains in 2021 and at the beginning of 2022, which broke the severe drought that Namibia had been experiencing, meant that producers were able to rebuild their herds, which resulted in low throughput in the Windhoek Abattoir. This impacted on the availability of products to our markets, especially our international markets. We slaughtered only 35,127 cattle, which hampered the availability of our beef products.

As the world returned to a 'new normal' after COVID-19 mitigation measures were scaled down, restaurants were once again opening up, which resulted in a bigger demand for our products. However, with fewer cattle slaughtered, we could not satisfy all our customers' needs, and we had to part ways with some of them. Our focus continues to be on the customers in our niche markets with whom we can build long-term relationships, as well as on maximising realisation — what we can make per kilogramme from a cut. We needed to ensure that we get the best returns from the market to ensure that we can get through the herd-rebuilding phase in the country and give the producer a competitive price, but also ensure that there is consistent throughput through the abattoir.

A big achievement from a marketing perspective was that for the first time we signed an agreement with our international agent in terms of the minimum prices that could be guaranteed to us, going forward. This would obviously determine the level of producer prices we could pay and the sustainability of Meatco.

Therefore, the department's focus was on aligning our marketing activities to that of our agent, focusing on realisation, and working backwards from the market to the producer price to ensure the sustainability of our business.

**04**

### Local market

Meatco continued to supply our traditional local clients with our export quality brand.

**05**

### Agent agreement

A major achievement was signing a agreement with our agent that guarantees minimum prices.

**06**

### 'A' grading

The abattoir and processing plant once again received an 'A'-grading from the BRC.

We also resumed the importing of Botswana cattle quite robustly. The challenge remains to establish a viable market for Botswana beef. During the reporting period, we did not succeed in exporting the Botswana beef, due to the fact that the relevant authorities could not agree on export conditions. As a result, we had to sell a lot of our Botswana beef in Namibia. However, it did allow Meatco to become competitive in the local market.

Meatco continued to supply our local clients, retailers and restaurants with our export quality brand, enabling the export quality brand to grow strongly in the local market. This enabled Meatco to retain its presence in the local market, as it is vital to be reliable and consistent, which we did achieve during the reporting year.

Towards the end of 2021/22 financial year, we managed to fill our Norwegian quota in terms of the 1,200 metric tonnes that was allocated to Meatco.

We also managed to fill extra tonnage from the Botswana quota to ensure that the quota is not underutilised, because our neighbouring country was struggling to fill their quota. Through this, we managed to fill a further 600 tonnes, which improved our return to our producers and increased revenue for Namibia.

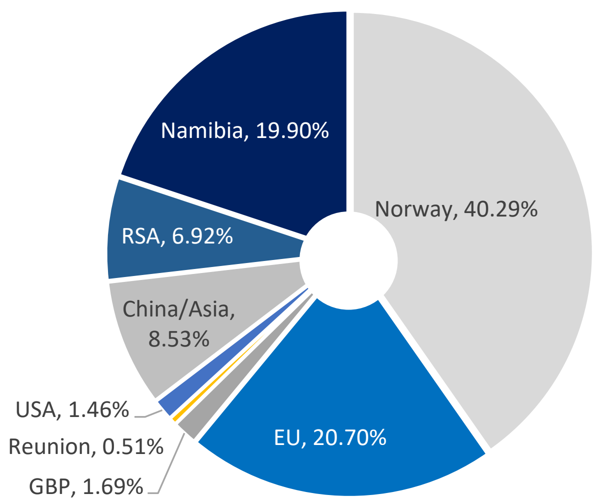
**We sold just under 13,000 tonnes of beef internationally.**

**We were present in all our international markets, especially the European Union, which is our premier market.**

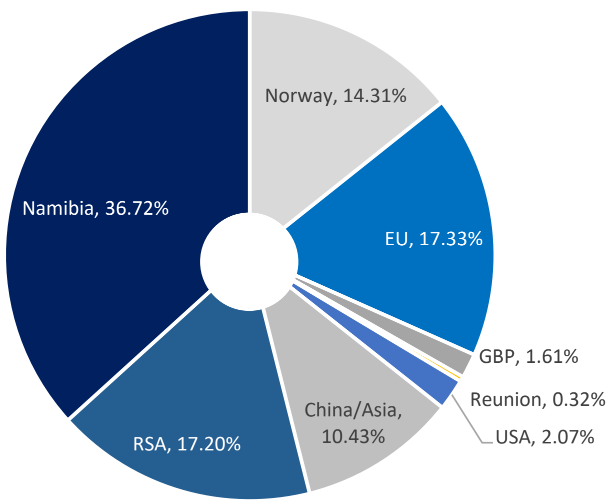
**Meatco was also present in China, although we underperformed in the United States of America due to the challenges that we have with the customer preference of marbling and organic meat.**

**Currently, the organic market as per USA standard is still very small in Namibia.**

**Sales by value (N$), 2021/22**

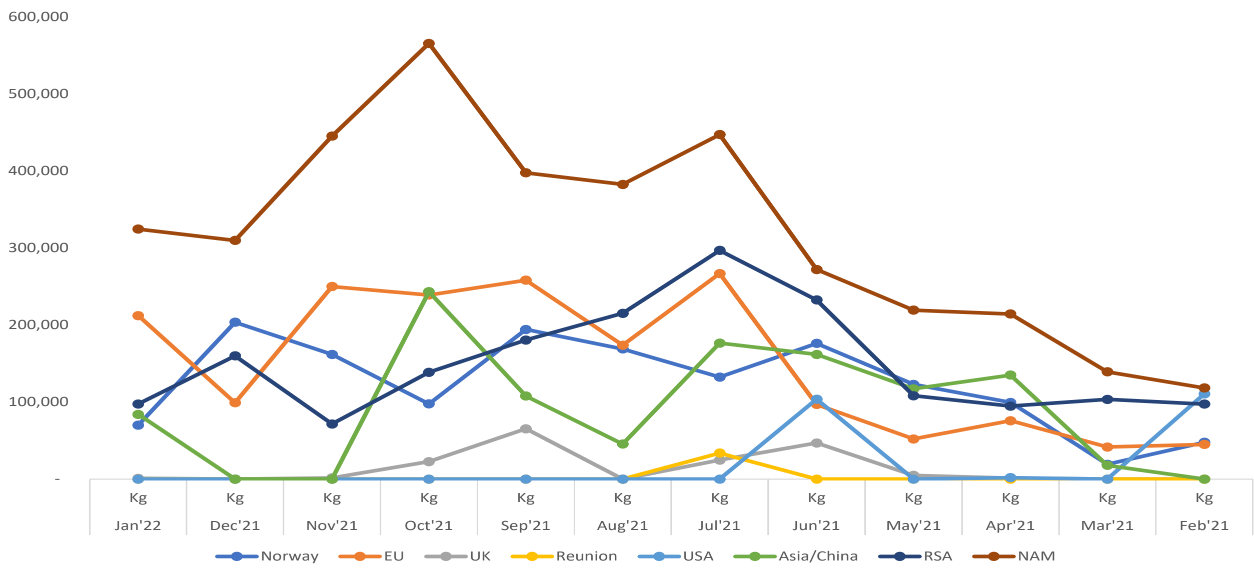



**Sales by volume (kg), 2021/22**




*The importance of the Norwegian quota is illustrated by the fact that only 14.31 per cent of beef sales volume were exported to the country, but it accounted for 40.29 per cent of beef sales value.*

**Monthly sales volume, 2021/22 (kg)**




## Compliance

The Compliance Department focused on optimising Meatco's competitiveness across the value chain.

2021/22 was quite a challenging year for the department, due to the COVID-19 pandemic that required the critical involvement from the department in safeguarding the health of Meatco's employees and to ensure the continuation of its operational activities.

The department put measures in place that are in line with Government-outlined regulations, while also maintaining the standards that were required by Meatco's international trading partners.

### Certification

Meatco's certification is important to ensure uninterrupted access to markets and continued assurance of quality as expected by the clients.

Food safety is a key component for product integrity and is a standard expectation from our consumers. Meatco remained committed to producing meat of the highest quality, because our access to the most lucrative markets depends on it.

Regular stringent quality controls and the knowledge that Meatco conforms to the highest international standards for food safety and quality are at the very heart of our business.

During the reporting year, several remote audits were conducted due to the fact that auditors could not travel because of travel restrictions. The FSSC 22000 (Food Safety Stem Certification) audit was successfully completed.

The abattoir and processing plant once again received an 'A'-grading from the British Retail Consortium (BRC).

The unfortunate outbreak of Contagious Bovine Pleuropneumonia (CBPP) in the Kavango East and West Regions during the last quarter of 2021 resulted in an almost immediate closure of the Chinese market for Namibian beef. Meatco immediately engaged the Ministry of Agriculture, Water and Land Reform (MAWLR) and the Ministry of International Cooperation (MIC), particularly the Namibian Embassy in Beijing, China to engage the relevant authorities and consequently full market access was restored in December 2021 to this important market.

Meatco received positive feedback from the United Kingdom's Chief Veterinary Officer on the import of beef derived from Botswana cattle into the UK market. Unfortunately, bilateral arrangements could not be made between the pertinent authorities of Namibia and Botswana to ensure full traceability of the Botswana cattle and thus gain certification to the UK market.

**A health certificate for the export of Namibian beef to Ghana was issued to Abanga Foods by the Ghanian Minister of Agriculture, opening the way for the export of beef under the Commodity-Based Trade (CBT) protocol from Katima Mulilo Abattoir to Ghana.**

## Looking ahead

The department is looking to the future with excitement. As the country emerged from the drought, we expected to see cattle numbers improving and the markets to respond accordingly.

The local market is quite strong and Meatco is realising good prices for its products locally. Our aim is to expand the local market further, expanding and strengthening the MeatMa brand.

The African market is also promising and Meatco has started to put out feelers in Ghana and the Democratic Republic of Congo. We believe this market has great potential and we will focus on it in the next financial year.

Globally, the situation is improving. In the EU and UK market, we will focus on our agreement with our agent, to ensure that we meet the realisation targets and that we maximise the returns on our products.

The US market remains an important market for Meatco, especially for our fore-quarter cuts. We want to grow strongly in the top retailers for organic products, to get into the premium market.

The Middle Eastern market offers Meatco the opportunity to diversify our market, which we urgently need to capitalise on, because as experience has taught us, a lack of diversified markets puts the Corporation in an exceedingly vulnerable position.

We also need to maintain and expand our footprint in China because we believe that the demand in China is only going to increase, given the global instability.

# NAMIBIA MEAT IMPORTERS **AND EXPORTERS**

*Namibia Meat Importers and Exporters was established in 1989 as a wholly-owned subsidiary of Meatco.*

Namibia Meat Importers and Exporters (Pty) Ltd (NMIE) was established in 1989 as a wholly-owned subsidiary of Meatco, first registered under the name of SWAVLEIS Wholesalers (Pty) Ltd. After Namibia's independence in 1991 and in line with the now separated statutory requirements that were governed by two independent judiciary systems, SWAVLEIS Wholesalers (Pty) Ltd changed its name to Namibia Meat Importers and Exporters (Pty) Ltd in 1992, registered under the Companies Act of RSA.

In line with the Meatco's vision to be a world-class meat brand, creating sustainable wealth for all Namibians, NMIE was tasked with adding down-stream value to Meatco to specifically facilitate, operationalise, and administer the sale and distribution of Meatco's products in the lucrative South African wholesale meat market.

From our proud beginnings and association with the world-class brands that Meatco is recognised for, NMIE strives to be recognised for our commitment to achieving the highest standards and being a supplier of quality Halaal products, with emphasis on the values inherited from Meatco in the sourcing and distribution of ethically sourced, hormone- and antibiotic free, high-quality beef.

Our focus is on building positive and ethical long-term partnerships with our customers and our suppliers, who share the same objectives and values.

The true test of any organisation is the degree to which they can satisfy their customers' needs and contribute to a sustainable ethical business environment, while providing a world-class service.

Aligned with Meatco's marketing, sales, and distribution strategy, NMIE is tasked with providing such support in order to manage a diversified market portfolio and identify opportunities that will benefit all of its stakeholders. It is also tasked to understand our clients' needs, while providing transparent and valuable insight to the global strategy of Meatco, creating a high degree of awareness, promoting business continuity, social responsibility, and therefore contribute to the long-term sustainability of the business environment.

It is all about quality and positive long-term relationships.

In 2021/22, NMIE was tasked and mandated with a cost savings exercise to incorporate all RSA marketing and sales as an in-office function. The departure from our GPS RSA marketing agency were finalised in August 2021, after which all further sales into RSA where managed through NMIE itself.

The low availability of stock volumes had the greatest impact on NMIE's performance. However, as availability normalises, our objective remains to ensure our competitiveness, while still contributing directly to the Corporation's ability to maintain a global presence and operate at sustainable levels. In so doing, we aim to still provide the best returns to the producers of Namibia.

# REVIEW: MEATCO NCA

*The areas North of the Veterinary Cordon Fence (NVCF) of Namibia comprise 43 per cent of Namibia's total area and support approximately 60 per cent of the country's population.*

Of the 2.5 million cattle in Namibia, 1.2 million cattle (48 per cent) are found North of the Veterinary Cordon Fence (NVCF).

The success of Meatco NCA subsidiary is driven by optimal throughput, operational efficiency, and the maximising of market returns. This business model requires further development and support from all stakeholders in the livestock sector in the Northern Communal Areas (NCA). Conducive policy and a supportive legislative environment for Meatco to operate competitively, profitably, and sustainably is vital for the sustainability success of the Meatco NCA subsidiary operations.

Meatco NCA increased its footprint in the NCA through the Ministry of Agriculture, Water and Land Reform to operationalise the Katima Mulilo Abattoir, while providing capacity building to ZAMCO.

The Meatco NCA subsidiary increased its footprint in the NCA through operationalising the Katima Mulilo Abattoir.

Operations at the Katima Mulilo Abattoir commenced in May 2021 and are on-going. The operation was, however, faced with different challenges since the facility had been standing idle for a long time. The quarantine facilities were in dilapidated state, which continues to hamper a smooth operationalisation of the CBT protocol.

Foot-and-Mouth Disease (FMD) remained a challenge in the area and hence efforts to contain and eliminate these sporadic outbreaks need to be enhanced and require the involvement of all stakeholders in the livestock sector.

The emergency of the new FMD variant Serotype O impacted the business, as all products that were produced at the abattoir through the commodity-based trade approach could not be released by Directorate of Veterinary Services (DVS) to clients SVCF, due to the perceived risk by DVS.

## Marketing of NCA cattle a challenge

Marketing of North of the Veterinary Cordon Fence (NVCF) cattle has been a challenge for many years, as the carcasses could not be sold South of the Veterinary Cordon Fence (SVCF). NVCF producers therefore continue to miss out on the more lucrative export markets, especially for hind-quarter cuts. The Mobile Slaughter Unit (MSU) was introduced as an alternative to the three abattoirs NVCF (Oshakati, Rundu and Katima Mulilo); however, following a cabinet directive, it was decided to re-enter the NVCF market to assist farmers, and to reopen the Rundu Abattoir and Katima Mulilo abattoir. (The Oshakati Abattoir was taken over by new private-sector operators.)

When Meatco made the decision to go back to the NCA, we developed a strategy for entering and operating in the NCA. It was clear that a new way of doing business in the NCA had to be found. A separate subsidiary, the Meatco NCA subsidiary, was therefore established with the aim of ensuring the NCA can operate in a sustainable manner and that funds generated in the NCA can remain available for the benefit of the NCA producers.

Currently, the MSU operates under Meatco NCA. The revamp of the Katima Mulilo Abattoir is nearly completed and it is expected to operate early in the next financial year. The abattoir in Rundu requires more upgrading and is expected to become operationalised towards mid-2022.

## Operations and agro-processing

Operations at the Katima Mulilo Abattoir commenced in May 2021 with preparations of the abattoir, cattle intake and quarantine, and recruitment of staff members.

Slaughtering started on 9 June 2021 and continued until August 2021 when the MAWLR put a ban on the movement of cattle in the region due to FMD. The situation resulted in no cattle available to be slaughtered as the quarantine was closed and hence the closure of slaughtering at the abattoir.

A total of 2,348 cattle were slaughtered in the NCA operations versus a budget of 10,000. This represents 24 per cent utilisation of available NCA capacity of the Katima Mulilo Abattoir and MSU slaughter capacity.

The average live weight was 416 kg against a budget of 373 kg. The average carcase weight archived at year end was 210 kg which is above budget of 190 kg.

The average price per kg achieved for the NCA is N$33.17/kg for Katima Mulilo Abattoir and N$36.22/kg for MSU.

**Age Distribution:** As expected, more 'C' grades animals have been slaughtered at 84 per cent as compared to the 15.6 per cent of 'A', 'AB' and 'B' grades combined. This was to be expected as the facility is still being tested.

The increase in 'C' grades is a result of the region not having a substantive market for livestock and resulted in farmers keeping more cattle which ought to have been marketed. It is expected that the situation will normalise, and more younger animals will be slaughtered from next year onwards.

# REVIEW: HUMAN RESOURCES

*The Human Resources Department focus on building a high performing culture for Meatco.*

Meatco's people strategy during these challenging times is to continue developing all its employees to enable them to contribute effectively to the strategy.

This entails the successful and consistent implementation of strategies, policies and plans that are aligned to the overall business strategy to enable Meatco to achieve its objectives through its human resources.

In short, the Human Resources strategy is all about creating alignment around an organisation's people, processes, and operating philosophies. Meatco values and recognises that its employees' efforts are one of the key drivers for its success.

Therefore, Meatco endeavours to:

- Attract a sustainable talent pool to create a solid talent pipeline to supply current and future employment demand;
- Manage the retention and development of talent;
- Drive a performance culture across the organisation;
- Develop the required leadership skills;
- Institute succession planning for key positions and critical skills; and
- Developing a competitive and fair compensation package for employees.

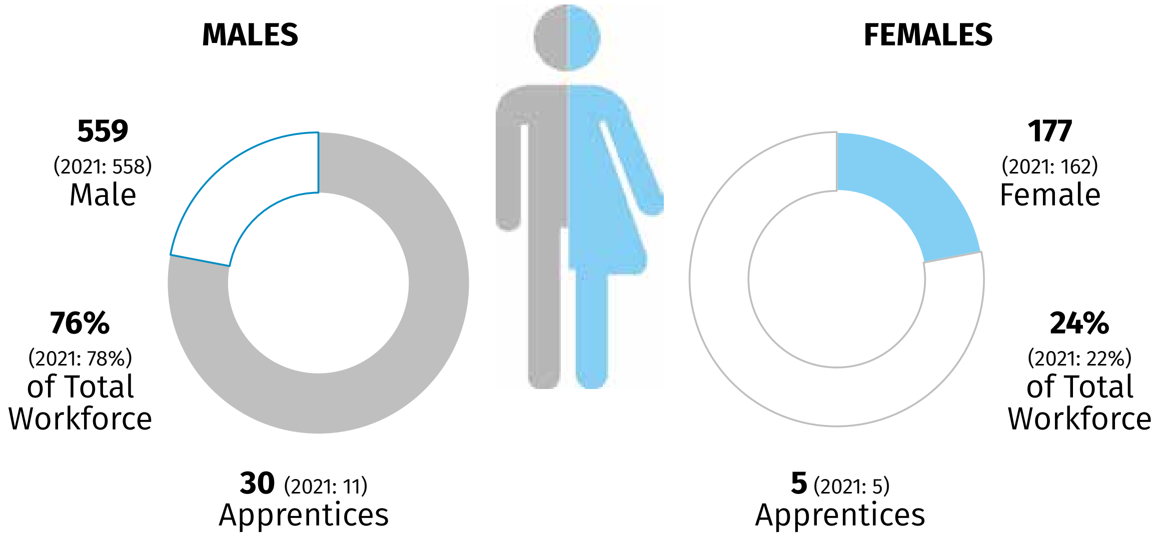
*The Human Resources strategy is about creating alignment around an organisation's people, processes and operating philosophies.*

Meatco's staff complement stood at 736 at the end of the financial year.

Meatco endeavours to attract a sustainable pool to create a solid talent pipeline to supply current and future employment demand.

**STAFF COMPLEMENT**
as at 31 January 2022

**TOTAL STAFF COMPLEMENT: 736** (2021: 720)



**Due to low cattle numbers received, Meatco continued with the block slaughter business model.**

## Staff complement and workforce planning

At the end of the period under review, Meatco's workforce stood at 736, of which 575 staff are employed on a permanent basis and 161 staff were employed on fixed-term contract basis.

Due to the low cattle numbers received during the period under review, Meatco continued with the block slaughter business model that allows the same staff members to be utilised for slaughtering and deboning. This model not only reduces the headcount needed, but it helps with multi-skilling of employees between those two equally critical processes. This will ultimately help Meatco to manage its workforce efficiently to ensure sustainable organisational capability in pursuit of the achievement of its strategic and operational objectives.

## COVID- 19

The number of COVID-19 cases drastically increased countrywide and Meatco was also affected.

As part of the drive to mitigate the spread of COVID-19 amongst its employees, ten registered nurses were recruited on contract to carry out these activities, as well as run an awareness-generating campaign to educate employees about the disease.

In addition to the screening sessions, an isolation room was set up. Suspected cases were referred to the state health facilities timeously.

Stakeholders screened included all Meatco staff, contractors or suppliers on site, all visitors upon entry, and all truck drivers entering the Meatco factory from various regions. The sessions were conducted every two weeks.

A total of 26 marshals were recruited to assist with the enforcement of measures such as sanitation, temperature checks, and social distancing, among others. The table below gives an illustration of activities and expenses incurred during the six-month period.

| COVID-19 MANAGEMENT IN FIGURES | |
|---|---|
| 6 months | 67 screening sessions |
| 1 registered nurses | 19 departments |
| 21 cases | 6 negative/15 positive with full recovery |
| | N$68,964 total spend |

## Industrial relations

Meatco managed to maintain a sound industrial climate free of industrial action, which can be ascribed to the excellent relationship between Meatco and the recognised exclusive bargaining agent, namely the Namibia Food and Allied Workers Union (NAFAU).

Meatco conducted a retrenchment exercise in May 2021. A decision was taken that all employees from the age of 55 and above will be the first to be retrenched, followed by all employees that were willing to take voluntary retrenchment packages. Thereafter early retirements were also considered.

A wage proposal was initiated in September 2021.

## Employment equity

The Meatco Affirmative Action Report for the period under review was approved and as such, Meatco has continued to be an Employment Equity Compliant Employer. Meatco remains an equal opportunity employer and creates equal opportunity for advancement for all.

## Recognition and awards

One of the key drivers of engagement is recognition. Employees appreciate when their contributions are recognised and valued. Recognition also reinforces positive employee behaviours that reflect organisational values and are critical to achieving goals. Meatco seeks to promote a culture of employee recognition where contributions and successes are regularly acknowledged and celebrated throughout the organisation, and at all organisational levels. Meatco also recognises employee long-service milestones through the awarding of Long-Service Awards in the following categories:

- 5 years Long Service;
- 10 years Long Service;
- 15 years Long Service;
- 20 years Long Service;
- 25 years Long Service;
- 30 years Long Service; and
- 35 years Long Service and more.

## Learning and staff development

Although COVID-19 cases increased, employee training interventions were still carried out to its maximum during the reporting period. Most of the training offered was mandatory.

The VET Levy contribution for the period under review was N$1.6 million, while training expenditure for 2021/22 amounted to N$1.1 million, of which N$800,000 is eligible for re-imbursement in 2022 in respect of a levy to be claimed from the Namibia Training Authority.

## Apprentice/internship programme

For the period under review, 35 (30 male, 5 female) student interns have been given opportunities to acquire practical experience at Meatco in various departments, such as mechanical engineering, electrical, plumbing, water care, science, and agriculture.

Meatco had one bursary student for 2021/22, a financially-deserving Namibian in the Veterinarian Science field who is expected to graduate in April 2022. Upon the completion of his studies, he will be employed at Meatco.

## Interest-free study loan to employees

As part of investing in its human resources, Meatco provides its employees with an opportunity for development by financing their studies in areas of study that are relevant to Meatco’s operations.

For the period under review, Meatco has granted interest-free study loans to eight employees who are studying in the areas of Occupational Health and Safety, Masters’ degree programmes, Operations and Supply Chain Management, and Pharmacotherapy and Dispensing.

# Looking ahead: focus areas

The following are the focus areas in Meatco's Human Resources strategy, going forward:

## Cost-effective human resources employment

The Human Resources Department is planning to embark on online hiring processes to ensure that recruitment is done effectively. This will be done by enhancing the current Human Resources system that is in place by adding modules that will enable the Corporation to do timeously recruitment when the need arises. Proper workforce planning will be conducted to ensure that Meatco's headcount is in line with the company's optimal production needs, and also that employee competency remains a high priority.

## Revised performance management system

The current performance management system will be reviewed to ensure that a performance culture is developed and cultivated across the Corporation. The underlining principles will be:

- To align the individual objectives of employees and departments to the overall corporate strategy;
- To translate and cascade broad organisational performance drivers into individual targets;
- To establish an appropriate performance management system, processes, and methodology relevant to the company's needs; and
- To link performance management to other Human Resources processes in order to align appropriate performance culture, which links with reward, recognition, and development opportunities to attract, retain, and motivate employees and which also addresses corrective poor performance management.

## Remuneration and benefits

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

The remuneration policy was reviewed and approved in October 2021 by the Executive Management team and the Board, with the purpose being to align Meatco's remuneration philosophy with PEGA and benchmarking it with other relevant organisations in the market.

This is geared towards ensuring that employee remuneration initiatives are on par with current market trends.

*The remuneration policy was reviewed and approved in October 2021 by the Executive Management Team and the Board.*

## Succession planning

As part of superior employee performance recognition, an advancement drive is being developed, which will ensure that Meatco has a succession pool of employees that will foster business continuity. The succession plan will:

- enable Meatco to identify and prepare the right people for the right positions in the interests of business continuity;
- reinforce competent performance, thereby ensuring that the Meatco Employment Equity Plan is provided for;
- ensure continuation of specifically identified management, leadership, and scarce critical technical competencies; and
- manage employee advancement.

## Employee wellness

While aspects of employee effectiveness such as productivity and quality of work can be affected by several factors, the role that health, safety, and wellness play is critical in keeping employees motivated and performing at an optimal level.

As a result, and as part of the Human Resources strategy, employee wellness initiatives have been developed to ensure that a safe and healthy work and social environment is created and maintained, together with wellness commitment that enables employees to perform optimally, whilst meeting all health and safety legislative requirements and other wellness good practices.

It was against this background that Meatco undertook to increase its commitment to employee well-being and wellness by upgrading the Meatco clinic facility, which will make certain health interventions more accessible to employees.

# REVIEW: STAKEHOLDER RELATIONS AND CORPORATE AFFAIRS

*Stakeholder Relations and Corporate Affairs Department focused on enhancing stakeholder engagement and build the Meatco brand.*

Having and executing a sound stakeholder management strategy was key for the period under review as Meataco engaged broadly with both internal and external stakeholders. We pro-actively engaged on the clarity of Meatco's mandate and most engagements were aimed at harnessing relationships with key stakeholders being it Producers, Government, Farmers Unions and Associations, Clients, Media Houses, Employees and Tertiary Institutions, Suppliers, Labour Unions and Financial Institutions..

## Producer Forums

Producer Forums were vital in terms of enhancing the relationship between Meatco and producers. One of the important functions of the Livestock Production unit is to host regular Producer Forums, where various producers engaged and create open and constructive discussions with Executive staff members from Meatco.

During the year under review, the SRCA Department engaged with the following target audiences:

- Producers (Communal, Emerging and Commercial)
- Government of Namibia (Office of the President, MAWLR, MPE, MoL, MTI)
- Farmers Unions (Agrihouse NAU, LPO, NNFU, NECFU)
- Clients (EU, USA, Europa, Asia, Africa, China)
- Media (NBC, Kanaal 7, Cosmos, print media houses)
- Associations (Farmers Associations (NTF, NCCI, NMA, ATF, CFC)
- Tertiary Institutions (UNAM, NUST, NTA)
- Employees (permanent, fixed-term contract), and
- Financial institutions.

## Meatco engages with strategic stakeholder, ZAMCO

On 23 February 2021, Meatco met with the Zambezi Meat Corporation (ZAMCO) leadership to map the way forward in operationalising the Katima Mulilo Abattoir.

Although ZAMCO is the official operator of the Katima Mulilo Abattoir, they applied to the Ministry of Agriculture, Water and Land Reform (MAWLR) and requested that the cabinet directives of 22 July 2020 be operationalised and that Meatco operates the Government-owned abattoirs.

The MAWLR signed lease agreements with ZAMCO to operate the Katima Mulilo and Kiat (Oshakati) abattoirs. Cabinet directed the ministry to facilitate the process for Meatco to enter cooperation agreements with operators of state-owned abattoirs and meat processing facilities in the Northern Communal Area (NCA) to provide technical support to the operators for a period that the parties may agree upon.

## Meatco to explore new African markets

On 2 March 2021, the Namibian High Commissioner to Ghana, H.E. Selma Ashipala-Musavyi, paid a courtesy call to Meatco's Chief Executive Officer, Mwilima Mushokabanji.

During the meeting it was discussed how Namibia could explore new African markets through the African Continental Free Trade Area (AfCFTA) agreement.

"As Meatco, we are excited to explore these new markets for our beef in the NCA. It is also our wish that, at the same time, these African markets find themselves savouring premium beef from Namibia", said Mr Mushokabanji at the event.

## Meatco and UNAM sign MoU in research and development


Meatco and the University of Namibia (UNAM) have signed a five-year Memorandum of Understanding (MoU) on training, research, and innovation.

The purpose of the agreement, which was signed on 16 February 2021, is for the parties to cooperate and engage in training, research, and innovation activities that will promote the achievement of each party's respective mandates, while contributing to the economic growth of Namibia.

## Meatco Night School Class tutors on most common diseases

On 4 February 2021, Meatco hosted the first Night School Class of the year through the Agriculture, Extension and Advisory Services Division. The classes aim to continuously provide producers with information and broaden their knowledge relating to cattle farming and rearing.

## The UK engages Meatco and familiarises itself with the business model


The new British High Commissioner, His Excellency, Charles Moore, and his delegation visited Meatco on 16 and 18 March 2021. This was part of Moore's phase one strategy of listening and familiarising himself with the Namibian business environment in preparation for the four years that he is assigned to the country.

Curing the visit, Meatco Chief Executive Officer, Mwilima Mushokabanji, laid out several proposals for the Commissioner's consideration to ensure the further easing of trade restrictions and to create a conducive trade partnership between the two states now that BREXIT took full effect during 2021.

## EU and Meatco foster relationships

The European Union (EU) ambassador, Her Excellency Sinikka Antila, paid a courtesy visit to Meatco's CEO in May 2021. The aim of her visit was to understand Meatco's strategic role in the livestock sector and to be assured of Namibia's commitment to continue exporting beef into the European Union.

Her Excellency highlighted that the EU has been, and will continue, to be one of Namibia's main development partners. At the engagement, Meatco's CEO, Mwilima Mushokabanji, also highlighted that Meatco has been a strategic key partner for the EU in exporting its beef over the past three decades.

## Meatco presents to the Ministry of Labour, Industrial Relations and Employment Creation


In March 2021, the Meatco Board and its management team gave a presentation to the Minister of Labour, Industrial Relations and Employment Creation, Hon. Uutoni Nujoma, on the critical role the company plays in the Namibian economy and more so, in the agricultural sector.

The livestock sub-sector and industry in Namibia is significant as it contributes around 70 per cent to the agricultural GDP, while employing a large number of the workforce across its value chain. Namibia is renowned for good quality livestock breeds, as well as meat and has been a net meat exporting country for years.

## Ugandan Special Envoy pay a visit to Meatco


In April 2021, the Special Envoy of President Yoweri Museveni of Uganda, Grace Kabayo, and her delegation visited Meatco and toured the Windhoek processing plant. Uganda is among the countries with large cattle populations in Africa and is home to the rare Ankole-Watusi breed, which is resilient, while its meat is low in cholesterol.

## USA Trade Hub awards Meatco with ‘Exporter of the Year to US’ trophy


On 09 September 2021, the Southern Africa Trade and Investment Hub, through the United States Agency for International Development (USAID), together with the Namibian Manufacturers Association (NMA) held a ceremony to officially award the winners of the first-ever Namibia Annual Exporter Awards for 2021.

## Meatco signs MoU with Namport

The Meatco and Namibian Ports Authority (Namport) have signed an agreement to streamline the export of beef products through the Port of Walvis Bay. This pertains to Meatco’s existing niche markets, both overseas and the newly acquired African markets.


Meatco will use the Port of Walvis Bay, in line with applicable laws and regulations, as a distribution hub for its products destined for continental and international markets. Namport will facilitate port logistical activities, including warehousing, customs clearance, container lines vessel agency, and transportation.


## NAFUA stakeholder engagement

Meatco CEO Mwilima Mushokobanji and Willem Absalom with NAFAU held fruitful stakeholder engagements for the period under review.

# REVIEW: MEATCO **FOUNDATION**

*The main progress achieved during this reporting period includes the completion of the Goreses borehole, and the approval of the full European Union proposal.*

**This reporting period was also accompanied by quarterly reporting of the Ohangwena-GEF project and Social Security Commission-funded project.**

**Furthermore, the reporting period includes the strategic plan and budgeting for the year 2022. All the projects are on track. The dashboard below shows the progress on project activities.**

| Overview of Projects | | |
|---|---|---|
| **PROJECTS** | **DONOR** | **STATUS** |
| Offal business for Kavango Livestock Marketing | SSC-DF | ● |
| FAO-GCF Climate Smart Livestock and Rangeland Management project | CDF | ● |
| Water and Rangeland project for Goreses | UNIL | ● |
| Ohangwena CA, Livestock Marketing and Rangeland project | GEF | ● |
| Livestock Value Chain Development and Climate Change Resilient Action in the NCA | EU | ● |
| Up-scaling the adoption of climate resilient rangeland rehabilitation and crop production in vulnerable and dry-land of Okondjatu Kozomenje conservancy | EIF | ● |

## Ohangwena-GEF project

The Meatco Foundation assisted with compiling both technical and financial reports for this project. The project is a second phase of the initial project that was funded and implemented during 2018 until the beginning of 2020. It was designed to complement and build the sustainability of the first phase activities of 2021.

Despite the COVID-19 and Foot-and-Mouth Disease (FMD) challenge that affected some the activities of the project, significant achievements have been observed. Two wells were completed, while the third one was still in the process of being completed. The completed wells were drilled at Ehafo and Onehanga villages. The one still in progress is located in the Ekulu Grazing Areas (GA).

Fourteen rangeland and livestock management awareness sessions were conducted. These events covered a total of 318 participants, of which 186 were female and 132 were male. .

**Ohangwena - GEF project**

Fourteen rangeland and livestock management awareness sessions were conducted.

**SSC-DF funded project**

The Meatco Foundation and the KLMC acquired funding from the SSC-DF to a tune of N$1,334,383.

The sessions included the collaboration with staff from various ministries, such as the Ministry of Agriculture, Water and Land Reform (MAWLR), Ministry of Gender Equality and Child Welfare, Ministry of Health and Social Services, and the Department of Forestry.

This synergy added value in providing information to the communities. The activities of overseeding have improved rangeland condition, as there was significant visible improvement of grass biomass where overseeding activities were conducted.

The start of this second phase of the project found that cropping was already underway, and that the ploughing and planting was already done. However, the project leveraged on the activities of the first phase of the project as farmers, including community leaders, continued with the activities of Conservation Agriculture.

Therefore, the focus was on monitoring and evaluation to assess the sustainability of the project's interventions. As a result, three monitoring and evaluation sessions for lead farmers were conducted; 59 farmers participated, of which 34 were male and 25 female.

The other activities conducted include exchange visits and yield evaluations. The outcome of the yield evaluation showed that Conservation Agriculture fields produced high yield compared to a control by an average difference of 5kg.

Given the challenges resulting from both COVID-19 and FMD, it can be concluded that the project did well, based on the achievements.

The outlook looks promising, given that the stringent COVID-19 restrictions were relaxed and FMD restrictions were lifted. The team also has developed mechanisms and strategies to implement the activities successfully even if COVID-19 lockdown restrictions are implemented again.

## Social Security Commission-Funded Project

Meatco Foundation, together with the Kavango Livestock Marketing Co-operative (KLMC), acquired funding from the Social Security Commission's Development Fund (SSC-DF) to the tune of N$1,334,383. The project being funded is the value addition and forward integration of the offal business, which aims to create employment and enhance income generation that will contribute to livelihood improvement of KLMC members.

All these funds were released directly to the KLMC for implementation of the activities. The Foundation is the technical support institution and hence provides a monitoring and evaluation function, as well as quality control on the narrative and financial reports, respectively. The project proposal was written by the Meatco Foundation. Meatco Foundation was funded a total amount of N$90,000 from the project as a project management fee.

The project-specific objectives are:

- To increase 50 per cent profit of the offal business based on the initiatives such as:
  - Value addition
  - Efficient operation;
- To create new job opportunities;
- To improve staff knowledge of the offal business, value addition and general business operation; and
- To expand and create a new offal market.

Through the project, the KLMC managed to establish offal business outlets in the nine locations within the Kavango West and Kavango East regions. All these sites were supplied with a solar fridge to facilitate for the maintenance of the cold chain of the product being sold. A total of 32 new employment opportunities were created, which include a project manager, a project accountant, five packagers, eight agents, one salesperson, and 16 shop attendants.

At inception, Meatco Foundation facilitated a two-day training on cooperative governance, business management, project management, business management, and value addition.

The established sites generate monthly incomes to a combined total of N$170,490. Ncaute and Divundu were the highest selling market outlets apart from the Rundu Open Market.

Through the project, the KLMC managed to organise three cattle auctions conducted in the western region at Mpansinkuru auction pen at Nepara areas during February to April 2022. The auctions generated a total turnover of N$2,148,200 and commission that was received by the cooperative mounted to N$21,482.

*KLMC staff and Board Members attending the training session.*

> *The established sites generate monthly incomes to a combined value of N$170,490.*

## UNIL-Funded project at Goreses community

The borehole construction at Goreses community was completed during this reporting period. The solar panel, tank, and trough installation was the last part that was completed during this reporting period. The borehole and solar system was enclosed in the fence for protection while the tank and trough were outside.

The installation has been completed and officially handed over to the Traditional Chief, Councillors and community on 6 November 2021.

The Traditional Chief and his council were involved in determining where the borehole and trough should be stationed. There was further discussion regarding the safety of the solar panel and system and how the community will play a role in safeguarding it.

*Enclosed solar system and borehole with fence.*


*Official hand-over of the community borehole to Goreses community members.*

## EDF11-Funded Project: Livestock Value Chain Development and Climate Change Resilient Action in the NCA

The main progress achieved during this reporting period includes the signing of the agreement pertaining to the European Development Fund-11 (EDF11) project and the finalisation of the project implementation modalities. The project is implemented through a consortium of the Meatco Foundation, National Namibian Farmers Union (NNFU), and University of Namibia (UNAM), with the former the applicant and the latter two the co-applicants. Meatco is the entity affiliated with the project.

The project will see support being extended to third part entities such as the Zambezi Meat Corporation (ZAMCO), Ohangwena Livestock Marketing Cooperative, Zakumuka in Kunene, and the Kavango Livestock Marketing Cooperative. The implementation of this project is on track and expected to be implemented over 30 months.

The project is funded through the EDF11 to a tune of N$27 million over a period of 30 months. The consortium is responsible of 32 per cent of the total project cost, and the EU is responsible for the remaining 68 per cent.

The overall objective of the project is to develop Namibia's NCA livestock sector through integration, scaling-up, and the replicating of the livestock value chain approach that will explore, strengthen, and operationalise sustainable livestock farming and marketing, entrepreneurship, climate change resilience, and livelihood improvement with specific objectives:

- To build the capacity of Livestock Farmers, Community-Based Livestock Organisations (CBLOs) and micro-small medium agribusinesses through innovative livestock products value addition and marketing.
- To improve knowledge, climate change resilience, and sustainable rangeland management best practices for NCA livestock farmers.
- To improve knowledge, climate change resilience, and sustainable livestock management best practices for NCA livestock farmers.
- To strengthen the coordination and governance of livestock farmers, CBLOs, and micro-small medium agribusinesses.
- To advocate for synthesis of policy changes required to improve and adopt sustainable livestock value chain best practices.
- To conduct applied research in investigating the viability of the selected action initiatives for documentation to inform policy change and guidelines.

Project target groups are the Regional Farmers Unions (RFUs), Regional Livestock Marketing Cooperatives (RLMCs), academic institutions (UNAM), Farmers Associations (FAs), abattoir operators (Meatco, KIAT, ZAMCO and NNLVA), and micro-small medium agribusinesses, including the final beneficiaries of the project being the livestock farmers, livestock cooperative members, and emerging meat products entrepreneurs.

The project's expected outcomes include, among others:

- Increased income from livestock (per cent as compared to baseline);
- Reduced livestock mortality (per cent reduction in mortality);
- Improved rangeland condition (at least 200,000 ha under improved rangeland);
- Increased number of drought-tolerant breeds (increased in beneficiaries having drought and disease tolerant breeds);
- Reduced calving and kidding rate mortality (per-centage reduction);
- Increased access to infrastructure (distance to and access);
- Improved livestock quality in the NCA (change in grade of cattle);
- Increased livestock off-take per cent (increase in per cent); and
- Increased access to markets for meat and meat products from the NCA.

# ANNUAL FINANCIAL STATEMENTS

# Meat Corporation of Namibia

## Consolidated and Separate Annual Financial Statements
## for the year ended 31 January 2022

## Audited Financial Statements

in compliance with the Meat Corporation of Namibia Act, 2001 (Act 1 of 2001)

# Meat Corporation of Namibia

Consolidated and Separate Annual Financial Statements for the year ended 31 January 2022

## Index

# Meat Corporation of Namibia

Consolidated and Separate Annual Financial Statements for the year ended 31 January 2022

## General Information

| | |
|---|---|
| **Country of Incorporation and Domicile** | Namibia |
| **Nature of Business and Principal Activities** | Manufacturing of beef and value added beef products. |
| **Directors** | Mr. A Muremi<br>Ms. H Mavetera<br>Ms. M Kabuku<br>Ms. C Garises<br>Mr. Mulunga<br>Mr. U Kandjii<br>Mr. S Ndeuyema: Co-opted (Appointed 01 March 2021)<br>Mr. SK Shakumu: Co-opted (Appointed 01 March 2021)<br>Ms. N Lewis: Co-opted (Appointed 25 November 2021)<br>Mr. F Tjivau (Deceased 07 July 2021)<br>Ms. C Bohitile (Resigned 30 May 2021)<br>Mr. J Hamman (Resigned 28 May 2021)<br>Mr. KD Rumpf (Resigned 28 May 2021) |
| **Business Address** | Meat Corporation of Namibia<br>No. 1 Sheffield Street<br>Northern Industrial Area<br>Windhoek |
| **Postal Address** | P O Box 3881<br>Windhoek<br>Namibia |
| **Bankers** | Bank Windhoek Namibia<br>First National Bank of Namibia<br>Standard Bank of Namibia<br>Development Bank of Namibia<br>Nedbank Namibia |
| **Chartered Accountants** | Grand Namibia<br>Registered Accountants and Auditors<br>Chartered Accountants (Namibia) |
| **Company Secretary** | Ms. N Mhanda |

# Meat Corporation of Namibia

Consolidated and Separate Annual Financial Statements for the year ended 31 January 2022

## Directors' Responsibilities and Approval

The directors are required in terms of the Meat Corporation of Namibia Act to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the group as end of the financial year and the results of its operations and cashflows for the period then ended, in conformity with the International Financial Reporting Standards (IFRS). The external auditor is engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the directors set standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Group and all employees are required to maintain the highest ethical standards in ensuring the Group's business is conducted in a manner that in all reasonable circumstances is above reproach.

The focus of risk management in the Group is on identifying, assessing, managing and monitoring all known forms of risk across the Group. While operating risk cannot be fully eliminated, the Group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the group’s cash flow forecast for the year to 31 January 2023 and, in light of this review and the current financial position, they are satisfied that the group has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the Group's consolidated and separate annual financial statements. The consolidated and separate annual financial statements have been examined by the Group's external auditors and their unqualified audit report is presented on pages 85 to 87.

The consolidated and separate annual financial statements set out on pages 88 to 152 which have been prepared on the going concern basis, were approved by the directors and were signed on 12.09.2022 on their behalf by:

Mr. A Muremi

Mr. U Kandji

**Grand Namibia**
Chartered Accountants & Auditors

## INDEPENDENT AUDITOR'S REPORT

**To the Shareholder of Meat Corporation of Namibia**

### Opinion

We have audited the consolidated and separate financial statements of Meat Corporation of Namibia ('the Corporation") and its subsidiaries ("the Group") set out on pages 88 to 152, which comprise the consolidated and separate statement of financial position as at 31 January 2022, the consolidated and separate statement of profit or loss and other comprehensive income, the consolidated and separate statement of changes in equity and the consolidated and separate statement of cash flows for the year then ended, and the notes to the consolidated and separate financial statements including a summary of significant accounting policies and directors' report.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the financial position of the Group as at 31 January 2022, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS's).

### Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statement section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants *International Code of Ethics for Professional Accountants (including International Independence Standards)* and other independence requirements applicable to performing audits of financial statements in Namibia. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Material Uncertainty Related to Going Concern

We draw attention to Note 3 in the director's report, which indicates that the Group incurred an operating loss of N$206.29 million during the year ended 31 January 2022 and the Corporation incurred an operating loss of N$182,55 million and, as of that date, the Group's current liabilities exceeded its total current assets by N$55,72 million and the company's current liabilities exceeded its current assets by N$108,18 million.

As stated in Note 3 of the directors' report, these events or conditions, along with other matters as set forth in Note 3, indicate that a material uncertainty exists that may cast significant doubt on the Group's and Corporation's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

9 Axali Doëseb Street
PO Box 24304
Windhoek
Namibia
Tel: +264 61 228 423
+264 61 255 263/4
Fax: +264 61 227 078
info@grandnamibia.com
www.grandnamibia.com

Resident Partners: Richard Theron (Managing) | Ronald N Beukes | Petrus T Nghipandulwa

**Other information**

The directors are responsible for the other information. The other information comprises the directors' responsibility and approval, which we obtained prior to the date of this auditor's report. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of the directors for the Consolidated and Separate Financial Statements**

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with the International Financial Reporting Standards and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and Corporation's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intends to liquidate the Group or Corporation, or to cease operations, or has no realistic alternative but to do so.

**Auditor's Responsibilities for the audit of the Consolidated and Separate Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole is free from material misstatement, whether due to fraud or error, and to issue and auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also,

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group or the Corporation's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group or Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or Corporation to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient and appropriate audit evidence regarding the business's activities within the group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, where applicable, related safeguards.

Grand Namibia

**Grand Namibia**
**Registered Accountants and Auditors**
**Chartered Accountants (Namibia)**
**Per R Theron**
**Partner**
**Place: Windhoek**
**Date: 22 September 2022**

# Meat Corporation of Namibia

Consolidated and Separate Annual Financial Statements for the year ended 31 January 2022

## Directors' Report

The directors have pleasure in presenting their report for the financial year which ended on 31 January 2022.

### 1. The mandate of Meat Corporation

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 later in this Report. In accordance with the Meat Corporation of Namibia Act (Act 1 of 2001), the mandate of the Corporation is as follows:

- 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.

**Vision of Meat Corporation**

Meatco’s vision is to be a world-class meat brand, creating sustainable wealth for all Namibians.

**Meatco’s objectives**

The corporate objectives of the Corporation are aligned with the mandate as set out in Section 3 of the Meat Corporation of Namibia Act, and are as follows:

- To create equal access to market.
- To take leadership in the Namibian meat industry in national interest.
- To create the infrastructure to support our drive to be a sustainable and commercially competitive business with best practice in all we do.
- To create added value for all customers through unique competencies, cost-effective and innovative processes, sound social and environmental practices.
- To promote Namibian meat brands in Namibia and selected global markets; and
- Our people play an important part in realising our objectives and we continuously work to create a culture that is conducive to productivity and development.

### 2. Operating results

During the financial year under review throughput of cattle supply in the areas south of the trans veterinary cordon fence decreased to 35,127 (2020/21: 36,074). The average cold dress weight increased to 252 kg (2020/21: 242 kg), resulting in actual throughput of 8,845 tonnes (2020/21: 8,718 tonnes).

Cattle supply in the areas north of the trans veterinary cordon fence increased to 2,348 (2020/21: 1,258). The average cold dressed weight slightly decreased to 210.3 kg (2020/21: 210.4 kg), the increase in the number of animals have resulted in actual throughput of 489.0 tonnes (2020/21: 262.4 tonnes).

The revenue for the Group decreased to N$752 million (2020/21: N$873 million).

| **Key Performance indicators** | | **2021/22** | **2020/21** |
|---|---|---|---|
| **Cattle supply (units )** | | | |
| - SVCF | Decrease | 35,127 | 36,074 |
| - NVCF | Increase | 2,348 | 1,258 |

# Meat Corporation of Namibia

Consolidated and Separate Annual Financial Statements for the year ended 31 January 2022

## Directors' Report

| | | | |
|---|---|---|---|
| **Average cold dress weight in kg** | | | |
| - SVCF | Increase | 252 | 242 |
| - NVCF | | 210 | 210 |
| | | | |
| **Throughout in tonnes** | | | |
| - SVCF | Increase | 8,845 | 8,718 |
| - NVCF | Increase | 489 | 262 |
| | | | |
| **Group Revenue** | Decrease | N$752 million | N$873 million |
| **Group Net Loss before tax** | Increase | N$206 million | N$119 million |

**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.

**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 sustainable 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 utillisation 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.

**Property, plant and equipment replacement and development**

The Group and Corporation continued with minor upgrading and development of assets. Major capital investments were deferred to the next financial year where operating cash flows are projected to increase. Figures of importance relative to capital projects are as follows:

| **Capital Projects** | **2021/22** | **2020/21** |
|---|---|---|
| Additions for the year | 401,378 | 1,741,829 |
| Capital budget for the ensuing year | 5,000,000 | 35,765,000 |

**Investments in associates**

**Associates**

| **Interest in Corporation at 31 January 2022 in:** | | **Issued share capital** | **Country of incorporation** | **Direct Interest** | **Share Investments N$** |
|---|---|---|---|---|---|
| Investments in associates | | | | | |
| **GPS Norway AS** | NOK | 300 | Norway | 33.30% | 216,791 |

| **Interest in Corporation at 31 January 2021 in:** | | **Issued share capital** | **Country of incorporation** | **Direct Interest** | **Share Investments N$** |
|---|---|---|---|---|---|
| Investments in associates | | | | | |
| **GPS Norway AS** | NOK | 300 | Norway | 33.30% | 216,791 |

# Meat Corporation of Namibia

Consolidated and Separate Annual Financial Statements for the year ended 31 January 2022

## Directors' Report

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 with the main objective to facilitate the importation of meat and meat products into Norway. The company performs meat import function into Norway and thereby integrating and streamlining the upstream marketing value chain to maximise overall sales revenues returned to primary meat producers.

**Subsidiaries**

**Interest of Corporation as 31 January 2022 in:**

| | | Issued share capital | Direct Interest | Share Investments N$ |
|---|---|---|---|---|
| Meat Corporation of Namibia Limited (UK) | GBP | 1,250,000 | 100% | - |
| Namibia Meat Importers & Exporters (Pty) Ltd (South Africa) | ZAR | 100 | 100% | 100 |
| Namibia Cattle Procurement (Pty) Ltd (Namibia) | NAD | 100 | 100% | 11,938,871 |
| Meat Corporation Northern Communal Areas (Pty) Ltd | NAD | 100 | 100% | 42,461,872 |
| | | **1,250,300** | | **54,400,843** |

| **Amounts from/(due) to subsidiaries** | | |
|---|---|---|
| Meat Corporation of Namibia Limited (UK) | GBP | (23,220,732) |
| Namibia Meat Importers & Exporters (Pty) Ltd (South Africa) | ZAR | (1,363,931) |
| Namibia Cattle Procurement (Pty) Ltd (Namibia) | NAD | (607,591) |
| Meat Corporation Northern Communal Areas (Pty) Ltd | NAD | - |
| | | **(25,192,254)** |

**Subsidiaries**

**Interest of Corporation as 31 January 2021 in:**

| | | Issued share capital | Direct Interest | Share Investments N$ |
|---|---|---|---|---|
| Meat Corporation of Namibia Limited | GBP | 1,250,000 | 100% | - |
| Namibia Meat Importers & Exporters (Pty) Ltd (South Africa) | ZAR | 100 | 100% | 100 |
| Namibia Cattle Procurement (Pty) Ltd | NAD | 100 | 100% | 11,938,871 |
| Meat Corporation Namibia (Europe) Ltd | GBP | 100 | 100% | - |
| Meat Corporation Northern Communal Areas (Pty) Ltd | NAD | 100 | 100% | 11,735 |
| | | **1,250,400** | | **11,950,706** |

| **Amounts from/(due) to subsidiaries** | | |
|---|---|---|
| Meat Corporation of Namibia Ltd (UK) | GBP | 17,741,609 |
| Namibia Meat Importers & Exporters (Pty) Ltd (South Africa) | ZAR | 2,393,912 |
| | | **20,135,521** |

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

# Meat Corporation of Namibia

Consolidated and Separate Annual Financial Statements for the year ended 31 January 2022

## Directors' Report

### 3. Going concern

#### 3.1 Introduction

The Board of directors are aware of the negative impact of the drought which have halved the national head, volumes of cattle that come through the abattoir are a supreme source of sustainable competitive advantage that drives competitiveness, profitability and sustainability of the business. The directors are aware of the fact that low volumes, together with the factors mentioned below are a source of material uncertainty to the going concern of the business. Hence the Board have devised strategies to turn around the business to enhance the throughput, operational efficiencies and maximising returns from the market.

We draw your attention to the group financial statements, which indicates that Meat Corporation of Namibia incurred an operating loss before tax of N$182.55 million (2021: N$124.98) and Group operating loss of N$206.29 (2021: N$118.64), as of that date the Corporation's gross profit reduced to a gross loss of -N$5.05 million (2021: N$62.23 million) and the Group's gross profit reduced to a gross loss of -N$2.82 million (2021: N$75.92 million).

The Corporation's total assets exceeded its total liabilities by N$159.08 million (2021: N$390.43 million) and the Group's total assets exceeded its total liabilities by N$182.64 million (2021: N$437.34 million). The Corporation's total current liabilities exceeded its total current assets by -N$108.18 million (2021: -N$8.13 million) and the Group's total current liabilities exceeded its total current assets by -N$55.72 million (2021: N$41.12 million).

Meatco developed an Integrated Strategic Business Plan (ISBP) 2021/22 – 2025/26 following the review of the Corporation's Strategic Plan 2019/20 – 2023/24. The 5-Year ISBP aims to connect the dots between big picture strategy elements and purpose, vision, mission, core values and strategic focus areas as well as operational activities. In this endeavor, the Company strives to build a dynamic commercial public enterprise that is competitive, profitable and sustainable in order to survive a highly volatile, uncertain, complex and ambiguous global beef industry. The competitiveness, profitability and sustainability of Meatco is highly dependent on optimum throughput, operational efficiency and efforts to maximise market returns. Therefore, the corporation is executing short, medium and long-term strategies that address liquidity and profitability as a going concern.

#### 3.2 Liquidity

##### 3.2.1 Shareholder Support

The Government of Namibia reiterated that Meatco remains a strategic and critical entity in stabilising the meat industry and contributing to the Namibian economy in general and enable market access of producers residing in the Northern Communal Areas (NCA).

Government remains committed to support Meatco to remain viable and competitive. The Ministry of Finance granted Meatco a government guarantee of N$200 million. The guarantee was issued to the Development Bank of Namibia to obtain funding amounting to N$200 million for the 2023 financial year. The Ministry of Finance will secure N$200 million in the next Medium-Term Expenditure Framework (MTEF) as shareholder injection by repaying the said funding's capital portion to DBN. The repayments will be made semi-annually through budgetary provisions, commencing on 30 July 2023 and every sixth (6th) month thereafter while Meatco will be responsible for the interest.

The N$200 million shareholder injection during the 2023 financial year has significantly improved the debt-to-equity ratio from 4.3 to 1.9 and current ratio from 0.75 to 1.9. This will instil confidence in our key stakeholders with regards to business sustainability.

An independent consultant will be appointed to review Meatco's Integrated Strategic Business Plan with the view of strengthening Meatco's business model.

# Meat Corporation of Namibia

Consolidated and Separate Annual Financial Statements for the year ended 31 January 2022

## Directors' Report

### 3.3 Profitability

#### 3.3.1 Maximizing Market Realization

For the 2023 financial year Meatco will maximize its returns and improve its revenue by focusing on the key premium markets, that is, Norway, Europe, UK, China and USA. Norway remains a strategic premium market from which Meatco derives significant revenue from the allocated quota of 1,200 tonnes for 2022. Furthermore, Meatco shall pursue emerging markets in Africa to export beef from the northern communal areas.

This will be supported by negotiating favourable payment terms with key customers to improve the cashflow for the business. Beef from the NCA is being sold in the southern part of Namibia where higher returns are realised compared to the past.

Weekly foreign currency actual realisations from the international markets are compared with budget to assess if costs of raw materials and overheads are aligned to market realisation. Foreign exchange gains are merely used to build reserves for future movements in exchange rates.

During the first quarter of the 2023 financial year Meatco's average international realisation grew by 17% from an average return of N$106/kg observed in January 2022 to N$125/kg in April 2022. It's average return for beef and bone in products increased by 9% from an average return of N$84/kg observed in January 2022 to N$92/kg in April 2022.

Namibia's average realisation increased by 14% from an average return of N$36/kg observed in January 2022 to N$41/kg in April 2022. Realisation in the NCA increased by 20% from an average return of N$41.5/kg observed in January 2022 to N$50/kg in April 2022.

#### 3.2.2 Procurement of Quality Cattle and Management of the Producer Price

According to the Meat Board of Namibia statistics, the average producer price in Namibia increased from N$43.36/kg in 2020 to N$52.51/kg in 2021. This increase was largely driven by competition for limited supply of slaughter cattle. Export abattoirs have a high demand to export beef to Norwegian and European markets and Local Butchers also have a high domestic demand to satisfy.

A total of 231,859 cattle were marketed in Namibia compared to 250,441 the previous year. This represents a 7% reduction in cattle marketed. Even though there was a 7% reduction in cattle marketed, there was a 12% increase in cattle marketed to export abattoirs.

The Meat Board of Namibia expects the slaughter prices to average above N$60/kg by the end of 2022. The average producer price during the first four months of the 2023 financial year increased from an average of N$48.70/kg in 2021 to N$60.36/kg in 2022.

Meatco paid an average price of N$61.70 during the first quarter of FY2023. The strategy to increase prices at the beginning of the financial year was to increase cattle numbers, meet the demands of Norway clients and obtain working capital to run the operations.

At the pricing committee meeting held on the 5th of April 2022, the cattle procurement prices for different procurement streams were reduced to be in line with the budgeted procurement price of N$60 per kg. After the implementation of the table prices in the table below the average producer price for the month of May 2022 reduced from N$60.30/kg in April to N$56,70/kg. The year-to-date average producer price as at May 2022 was N$59.70 versus N$60.70 the previous period.

# Meat Corporation of Namibia

Consolidated and Separate Annual Financial Statements for the year ended 31 January 2022

## Directors' Report

**3.2.3 Managing Administrative Costs**

During the reporting period, Meatco prioritized cost cutting measures to improve financial prudence and cost efficiency in the business. Meatco undertook not to fill vacancies externally unless it's a scarce resource. As a result, Meatco made a saving of N$15 million on salaries for the 2022 financial year.

**3.2.4 Improvement in Cash Conversion Cycle**

Certain customers pay a deposit when products are shipped from Walvis Bay port and settle in full once products land at the port of destination. Meatco further engaged a few of its strategic customers to pay for products on presentation of shipping documentation. These strategies improved the average cash conversion cycle from 86 days to 15 days.

**3.2.5 Optimum Throughput**

According to the statistics released for the first quarter of 2022, by the Meat Board of Namibia, the livestock and meat industry recorded an overall positive performance. During the first four months of 2022 the cattle sector recorded a 19% growth from what was observed during the same period of 2021. A total of 72 968 cattle were marketed between January to April 2022 compared to 61 344 observed in the same period of 2021.

Meatco slaughtered 16 200 cattle during the first four months of FY 2023, which represents an increase of 86% on FY 2022. The first four months of 2023 shows that Meatco slaughtered almost double the number of animals than the previous year. Meatco plan to slaughter 12 000 cattle between June and July 2022, and 23,500 was already committed by feeders for the off peak season.

**3.2.6 Feeders Contracts with Large and Small Feedlot Operators**

Finishing off weaners in the feedlot to quality slaughter weight is costly. Meatco is committed to sign supply contracts with feeders. The fixed contract pricing mechanism allows Meatco to buy feedlot cattle at lower prices than what Meatco can produce through Okapuka feedlot. This will also sustain Meatco's operations during the off season from August to January by providing the minimum number of slaughter cattle to keep the abattoir in operations. This stream has the potential to deliver 23,500 cattle and reduce the number of weaners exported to South Africa annually.

**3.2.7 Okapuka Feedlot**

The Okapuka Feedlot has a standing capacity of 9,200 cattle at any time. Technical advisors will pre-select suitable cattle on farm and permit days for the feedlot per identified parameters, based on age, conformation and growth potential. The feedlot will provide 5 300 cattle for the off peak period.

**3.2.8 Establishment of Assembling and Permanent Buying Points**

Meatco shall work closely with the farmers' associations as agents for organising cattle marketing events at a commission. In so doing, Meatco shall establish assembling and buying points at strategic locations on the main routes in the farming areas to capture feedlot and slaughter ready cattle destined for commercial auctions.

For the period under review, Meatco established a buying point at Annasruh and is in the process of establishing the same at Highlands and Dorgeloh. This has the potential to procure 2 000 cattle in the short term.

# Meat Corporation of Namibia

Consolidated and Separate Annual Financial Statements for the year ended 31 January 2022

## Directors' Report

**3.2.9 Mainstreaming the Northern Communal Area in the Namibian Economy**

The NCA subsidiary has started operationalisation of the Katima Mulilo Abattoir with a projected expected throughput of 8 000 cattle for the 2023 financial year. Katima Mulilo Abattoir cattle catchment covers the entire Infected Zone covering the Zambezi Region extending to Ndiyona Constituency in the Kavango East Region. The Infected Zone is home to about 240,000 cattle of which the Katima Mulilo Abattoir's total capacity account for only 12,000 cattle per year, this represents only a 5% of the total cattle in the catchment. To ensure consistent operation of the Katima Mulilo abattoir, the Meatco NCA has already started sourcing cattle from the protection zone, from Ndiyona constituency until Kunene North.

The meat products from the abattoir will be subjected to commodity-based trade protocols that will enable the meat products from the abattoir to be sold South of the VCF (Namibia) and exported to lucrative markets. These markets include Ghana, Congo Brazzaville and the Democratic Republic of Congo where markets have been acquired and DVS certification is currently being developed for the products to be sold in these lucrative markets. A recent market analysis in the Ghana and Congo Brazaville shows that meat prices in these two markets are lucrative and at par with some of the European markets and South Africa where Meatco currently sell its meat products. This was recently confirmed with the visits to these markets by a delegation from Meatco and Government (MAWLR represented by DVS and the Directorate of Planning and Business Development from Meatco and Government (MAWLR represented by DVS and the Directorate of Planning and Business Development)

**3.2.10 Strengthening of the Beef Value Chain between Namibia and Botswana**

During the financial year Meatco slaughtered more than 2 000 cattle from Botswana. On 8 November 2021, the Government of Botswana announced that it would allow for the export of live animals for slaughter effective from 1 January 2022 to 31 December 2023. Consequently, Cabinet approved Meatco to import 20,000 cattle. Meatco shall engage the Government of Namibia to escalate this temporary arrangement to be a permanent arrangement so that cattle from Botswana can augment the shortage of slaughter-ready cattle in Namibia.

Meatco projected to procure another 2 000 cattle from Botswana during the 2023 financial year.

Meatco engaged an agent in Botswana to procure cattle for direct slaughter at the Windhoek Abattoir. Meatco also requested DVS to engage the competent authorities on animal health in PRC and South Africa to allow export of beef from the imported cattle. Meatco is also planning to have a Memorandum of Understanding with Botswana Meat Commission on related matters.

**3.2.11 Strategic Partnership with Namibia Industrial Development Agency (NIDA)**

The Kavango Cattle Ranch (KCR) covers 227,000 hectares and is located just below the Veterinary Cordon Fence or Red Line and has been operating for more than 20 years focusing on beef production with untapped potential.

Currently there are over 11,000 cattle that are distributed over the whole area in smaller herds at various camps or watering points. The new approaches concerning the management of the rangeland resulted in grouping the cattle into bigger herds to increase production and reduce losses as well as manage the impact of elephants and predators on the productivity of the herd.

Meatco expressed its interest to NIDA to procure up to 2,500 slaughter and feedlot cattle that are weighing above 380 kgs from KCR especially from the Mangetti East farms during 2023. Meatco also presented a proposal to jointly-manage KCR with NIDA and turn KCR into a breeding unit with correct bull to cow ratio using the breeding stock from the Government research stations and to have exclusive buying rights for more than 4,000 marketable animals at KCR for a period of five years.

# Meat Corporation of Namibia

Consolidated and Separate Annual Financial Statements for the year ended 31 January 2022

## Directors' Report

**3.2.12 Conclusion**

Meatco will continue to embrace operational excellence as a value discipline, while meeting the industry standard in product leadership and customer intimacy. The focus will be on increasing quality throughput to the abattoirs both from South of the Veterinary Cordon Fence and Norther Communal Areas, exploring new markets and maximising realisation from cattle sourced from SVCF and NCA, reducing operational cost and becoming profitable and sustainable. Through operational excellence employed in its operating model, Meatco is able to improve work efficiencies, offering a more reliable product and service to its customers.

**4. Litgation statement**

Four (4) former employees of NMIE (subsidiary company of Meatco) who were retrenched in 2014 brought a case against the subsidiary and Meat Corporation of Namibia (holding entity). The employees in question are South Africans who were working in South Africa but belonged to a Namibian registered pension fund. It was an implied term of their employment that they would be a member of a pension fund registered in terms of the South African Pension Funds Act and that at termination of employment the plaintiffs would be able to withdraw the lump sum without incurring any income tax liability thereon and re-invest into a preservation fund with full benefits normally associated until retirement. However, the plaintiffs were registered as members of the Meatco Retirement Fund being a pension fund that was registered in terms of the Namibian Pension Fund legislation for Meatco’s employees in Namibia. As a consequence, the lump sum pension payment could not be re-invested as a preservation fund, but only as a capital investment and SARS’ view is that income tax should be imposed on the lump sum. The loss sort after by the former employees is in total R 21,264,439 including interest and legal costs.

Management has performed an assessment and concluded that since there is no present obligation but rather a possible obligation, there is no need to recognise a provision as prescribed by IAS 37. The matter remains a contingent liability as at 31 January 2022.

**5. Events after the reporting date**

Th entity has received a shareholder injection of N$ 200 million, the details & implications of this have been disclosed under 3.2.1 of this director's report.

There are no other significant events after reporting date.

# Meat Corporation of Namibia

Consolidated and Separate Annual Financial Statements for the year ended 31 January 2022

## Consolidated and Seperate Statements of Financial Position

| Figures in N$ | Notes | Group 2022 | Group 2021 | Company 2022 | Company 2021 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 4 | 514,408,808 | 598,205,352 | 497,851,971 | 598,049,118 |
| Right-of-Use Asset | 5 | 1,450,890 | 683,287 | 1,162,849 | 517,895 |
| Investment in Subsidiaries | 6 | - | - | 54,400,843 | 11,950,506 |
| Investment in Associate | 6 | 8,087,840 | 9,256,791 | 216,791 | 216,791 |
| Deferred Tax | 7 | 279,226,429 | 270,200,797 | 278,364,823 | 269,664,432 |
| Other receivables | 8 | 9,105,650 | 17,974,314 | 9,105,650 | 17,974,314 |
| **Total non-current assets** | | **812,279,617** | **896,320,541** | **841,102,927** | **898,373,056** |
| **Current assets** | | | | | |
| Biological assets | 9 | 4,415,217 | 32,451,227 | 3,807,141 | 32,451,227 |
| Inventories | 10 | 87,183,463 | 68,027,954 | 79,190,732 | 68,027,954 |
| Loans to related parties | 8 | - | - | - | 2,160,608 |
| Current tax assets | 11 | 1,195,317 | - | - | - |
| Trade and other receivables | 12 | 62,522,153 | 68,403,908 | 47,528,537 | 55,664,344 |
| Cash and cash equivalents | 13 | 9,211,837 | 52,102,904 | 1,389,216 | 11,664,849 |
| **Total current assets** | | **164,527,987** | **220,985,993** | **131,915,626** | **169,968,982** |
| **Total assets** | | **976,807,604** | **1,117,306,534** | **973,018,553** | **1,068,342,038** |
| **Equity and liabilities** | | | | | |
| **Equity** | | | | | |
| Foreign currency translation reserve | | 821,776 | 592,206 | - | - |
| (Accumulated loss) / retained income | | (33,236,482) | 171,840,496 | (57,039,110) | 125,514,692 |
| Revaluation reserves | | 215,057,821 | 264,910,333 | 216,120,476 | 264,910,333 |
| **Total equity** | | **182,643,115** | **437,343,035** | **159,081,366** | **390,425,025** |
| **Liabilities** | | | | | |
| **Non-current liabilities** | | | | | |
| Deferred tax liabilities | 7 | 151,203,340 | 166,067,561 | 151,448,693 | 165,815,384 |
| Interest bearing borrowings | 14 | 416,444,244 | 324,314,414 | 416,444,244 | 324,314,414 |
| Lease liability - right of use | 15 | 418,386 | - | 418,386 | - |
| Retirement benefit obligations | 16 | 5,852,000 | 9,711,000 | 5,530,000 | 9,711,000 |
| **Total non-current liabilities** | | **573,917,970** | **500,092,975** | **573,841,323** | **499,840,798** |
| **Current liabilities** | | | | | |
| Provisions | 17 | 236,214 | 213,310 | - | - |
| Trade and other payables | 18 | 126,819,359 | 49,616,843 | 122,701,410 | 48,865,651 |
| Current tax liabilities | 19 | 684,467 | 664,415 | - | - |
| Interest bearing borrowings | 14 | 22,902,941 | 26,413,429 | 22,902,941 | 26,413,429 |
| Lease liability - right of use | 15 | 807,537 | 1,139,948 | 503,258 | 974,556 |
| Loans from related parties | 8 | - | - | 25,192,254 | - |
| Bank overdraft | 13 | 68,796,001 | 101,822,579 | 68,796,001 | 101,822,579 |
| **Total current liabilities** | | **220,246,519** | **179,870,524** | **240,095,864** | **178,076,215** |
| **Total liabilities** | | **794,164,489** | **679,963,499** | **813,937,187** | **677,917,013** |
| **Total equity and liabilities** | | **976,807,604** | **1,117,306,534** | **973,018,553** | **1,068,342,038** |

# Meat Corporation of Namibia

Consolidated and Separate Annual Financial Statements for the year ended 31 January 2022

## Consolidated and Seperate Statements of Comprehensive Income

| Figures in N$ | Notes | Group 2022 | Group 2021 | Company 2022 | Company 2021 |
|---|---|---|---|---|---|
| Revenue | 20 | 751,894,792 | 873,348,314 | 735,250,817 | 864,344,757 |
| Cost of sales | 21 | (754,709,762) | (797,432,989) | (740,301,007) | (802,119,722) |
| **Gross (loss) / profit** | | **(2,814,970)** | **75,915,325** | **(5,050,190)** | **62,225,035** |
| Other income | 22 | 7,860,305 | 16,935,530 | 7,585,637 | 16,918,205 |
| Administrative expenses | 23 | (163,126,703) | (167,270,005) | (137,569,942) | (158,982,010) |
| **Loss from operating activities** | | **(158,081,368)** | **(74,419,150)** | **(135,034,495)** | **(79,838,770)** |
| Finance income | 24 | 195,361 | 2,237,461 | 102,093 | 2,113,225 |
| Finance costs | 25 | (47,666,651) | (47,260,611) | (47,621,398) | (47,260,611) |
| Profit / (loss) from associate | | (738,365) | 802,859 | - | - |
| **Loss before tax** | | **(206,291,023)** | **(118,639,441)** | **(182,553,800)** | **(124,986,156)** |
| Income tax | 26 | 1,214,045 | (47,711) | - | (36,748) |
| **Loss for the year** | | **(205,076,978)** | **(118,687,152)** | **(182,553,800)** | **(125,022,904)** |
| **Other comprehensive income net of tax** | | | | | |
| **Components of other comprehensive income that will not be reclassified to profit or loss** | | | | | |
| Losses on revaluation | | (73,312,518) | - | (71,749,790) | - |
| Taxation on Revaluation loss | | 23,460,006 | - | 22,959,933 | - |
| **Total other comprehensive income that will not be reclassified to profit or loss** | | **(49,852,512)** | **-** | **(48,789,857)** | **-** |
| **Components of other comprehensive income that will be reclassified to profit or loss** | | | | | |
| Gains on exchange differences on translation | | 229,570 | 2,580,122 | - | - |
| **Total other comprehensive income that will be reclassified to profit or loss** | | **229,570** | **2,580,122** | **-** | **-** |
| **Total other comprehensive income net of tax** | | **(49,622,942)** | **2,580,122** | **(48,789,857)** | **-** |
| **Total comprehensive income** | | **(254,699,920)** | **(116,107,030)** | **(231,343,657)** | **(125,022,904)** |

# Meat Corporation of Namibia

Consolidated and Separate Annual Financial Statements for the year ended 31 January 2022

## Consolidated and Seperate Statements of Changes in Equity

| Figures in N$ | Foreign Currency Translation Reserve | Revaluation surplus | (Accumulated loss) / retained income | Total |
|---|---|---|---|---|
| **- Group** | | | | |
| **Balance at 1 February 2020** | (1,987,916) | 264,910,333 | 290,527,648 | 553,450,065 |
| **Changes in equity** | | | | |
| Loss for the year | - | - | (118,687,152) | (118,687,152) |
| **Total comprehensive income for the year** | **-** | **-** | **(118,687,152)** | **(118,687,152)** |
| Transfer from retained earnings to foreign currency translation reserve | 2,580,122 | - | - | 2,580,122 |
| **Balance at 31 January 2021** | **592,206** | **264,910,333** | **171,840,496** | **437,343,035** |
| **Balance at 1 February 2021** | 592,206 | 264,910,333 | 171,840,496 | 437,343,035 |
| **Changes in equity** | | | | |
| Loss for the year | - | - | (205,076,978) | (205,076,978) |
| Other comprehensive income | - | (49,852,512) | - | (49,852,512) |
| **Total comprehensive income for the year** | **-** | **(49,852,512)** | **(205,076,978)** | **(254,929,490)** |
| Transfer from retained earnings to foreign currency translation reserve | 229,570 | - | - | 229,570 |
| **Balance at 31 January 2022** | **821,776** | **215,057,821** | **(33,236,482)** | **182,643,115** |
| **- Corporation** | | | | |
| **Balance at 1 February 2020** | - | 264,910,333 | 250,537,594 | 515,447,927 |
| **Changes in equity** | | | | |
| Loss for the year | - | - | (125,022,904) | (125,022,904) |
| **Total comprehensive income** | **-** | **-** | **(125,022,904)** | **(125,022,904)** |
| **Balance at 31 January 2021** | **-** | **264,910,333** | **125,514,690** | **390,425,023** |
| **Balance at 1 February 2021** | **-** | **264,910,333** | **125,514,690** | **390,425,023** |
| **Changes in equity** | | | | |
| Loss for the year | - | - | (182,553,800) | (182,553,800) |
| Other comprehensive income | - | (48,789,857) | - | (48,789,857) |
| **Total comprehensive income** | **-** | **(48,789,857)** | **(182,553,800)** | **(231,343,657)** |
| **Balance at 31 January 2022** | **-** | **216,120,476** | **(57,039,112)** | **159,081,366** |

# Meat Corporation of Namibia

Consolidated and Separate Annual Financial Statements for the year ended 31 January 2022

## Statements of Cash Flows

| Figures in N$ | Notes | Group 2022 | Group 2021 | Company 2022 | Company 2021 |
|---|---|---|---|---|---|
| **Cash flows (used in) / from operations** | 27 | **(48,160,256)** | **117,223,163** | **22,882,437** | **128,488,454** |
| Interest paid | | (22,947,137) | (37,818,438) | (22,901,884) | (37,818,438) |
| Interest received | | 195,361 | 2,237,463 | 102,093 | 2,113,225 |
| Income taxes paid | 28 | - | (10,963) | - | - |
| Retirement benefit obligation | | (6,611,000) | (3,884,000) | (6,611,000) | (3,884,000) |
| **Net cash flows (used in) / from operating activities** | | **(77,523,032)** | **77,747,223** | **(6,528,354)** | **88,899,241** |
| **Cash flows from / (used in) investing activities** | | | | | |
| Purchase of property, plant and equipment | | (3,093,513) | (1,741,829) | - | (1,741,829) |
| Sales of property, plant and equipment | | (682,301) | 237,515 | (681,518) | 238,297 |
| Investment in subsidiary | | - | - | (42,450,337) | (11,735) |
| Receipt of other receivables | | 8,868,664 | 6,482,745 | 8,868,664 | 6,482,745 |
| **Cash flows from / (used in) investing activities** | | **5,092,850** | **4,978,431** | **(34,263,191)** | **4,967,478** |
| **Cash flows from financing activities** | | | | | |
| Proceeds from borrowings | | 88,060,240 | 161,939,760 | 88,060,240 | 161,939,760 |
| Repayments of borrowings | | (24,160,412) | (24,084,940) | (24,160,412) | (24,084,940) |
| Finance lease payments | | (357,338) | (2,066,376) | (357,338) | (1,740,372) |
| **Cash flows from financing activities** | | **63,542,490** | **135,788,444** | **63,542,490** | **136,114,448** |
| Effect of exchange rate changes on cash and cash equivalents | | (976,797) | 2,164,922 | - | - |
| **Net (decrease) / increase in cash and cash equivalents** | | **(9,864,489)** | **220,679,020** | **22,750,945** | **229,981,167** |
| Cash and cash equivalents at beginning of the year | | (49,719,675) | (270,398,695) | (90,157,730) | (320,138,897) |
| **Cash and cash equivalents at end of the year** | **13** | **(59,584,164)** | **(49,719,675)** | **(67,406,785)** | **(90,157,730)** |

# Meat Corporation of Namibia

Consolidated and Separate Annual Financial Statements for the year ended 31 January 2022

## Accounting Policies

**Corporate 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 2022 comprises the Corporation and its subsidiaries (together referred to as the "Group").

**1. Significant accounting policies**

The principal accounting policies applied in the preparation of these consolidated and separate annual financial statements are set out below.

These policies have been consistently applied to the years presented, unless otherwise stated.

**1.1 Basis of preparation**

The consolidated and separate financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") and the International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these annual financial statements and the Meat Corporation of Namibia Act.

The consolidated and separate financial statements have been prepared in accordance in historical cost convention, unless otherwise stated in the accounting policies, which follow and incorporate the principal accounting policies as set out below. They are presented in Namibia Dollars, which is the group and corporation's functional currency.

These accounting policies are consistent with the previous period.

**1.2 Consolidation**

**Basis of consolidation**

The consolidated annual financial statements incorporate the annual financial statements of the corporation and all subsidiaries. Subsidiaries are entities (including structured entities) which are controlled by the group.

The group has control of an entity when it is exposed to or has rights to variable returns from involvement with the entity and it has the ability to affect those returns through use its power over the entity.

The results of subsidiaries are included in the consolidated annual financial statements from the effective date of acquisition to the effective date of disposal.

Adjustments are made when necessary to the annual financial statements of subsidiaries to bring their accounting policies in line with those of the group.

All inter-company transactions, balances, and unrealised gains on transactions between group companies are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Non-controlling interests in the net assets of consolidated subsidiaries are identified and recognised separately from the group’s interest therein, and are recognised within equity. Losses of subsidiaries attributable to non-controlling interests are allocated to the non-controlling interest even if this results in a debit balance being recognised for non-controlling interest.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions and are recognised directly in the Statement of changes in equity.

# Meat Corporation of Namibia

Consolidated and Separate Annual Financial Statements for the year ended 31 January 2022

## Accounting Policies

***Consolidation continued...***

The difference between the fair value of consideration paid or received and the movement in non-controlling interest for such transactions is recognised in equity attributable to the owners of the corporation.

Where a subsidiary is disposed of and a non-controlling shareholding is retained, the remaining investment is measured to fair value with the adjustment to fair value recognised in profit or loss as part of the gain or loss on disposal of the controlling interest. 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.

**Investments in subsidiaries in the separate financial statements**

In the corporation's separate financial statements, investments in subsidiaries are carried at cost less any accumulated impairment losses.

### 1.3 Investments in associates

An associate is an entity over which the group has significant influence and which is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. It generally accompanies a shareholding of between 20% and 50% of the voting rights.

Investments in associates are accounted for using the equity method, except when the investment is classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, investments in associates are carried in the Statement of Financial Position at cost adjusted for post-acquisition changes in the group's share of net assets of the associate, less any impairment losses.

The group's share of post-acquisition profit or loss is recognised in profit or loss, and its share of movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. Losses in an associate in excess of the group's interest in that associate, including any other unsecured receivables, are recognised only to the extent that the group has incurred a legal or constructive obligation to make payments on behalf of the associate.

Profits or losses on transactions between the group and an associate are eliminated to the extent of the group's interest therein. Unrealised losses are 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.

When the group reduces its level of significant influence or loses significant influence, the group proportionately reclassifies the related items which were previously accumulated in equity through other comprehensive income to profit or loss as a reclassification adjustment. In such cases, if an investment remains, that investment is measured to fair value, with the fair value adjustment being recognised in profit or loss as part of the gain or loss on disposal.

**Investments in associates in the separate financial statements**

In the company's separate financial statements, investments in associates are carried at cost less any accumulated impairment losses.

# Meat Corporation of Namibia

Consolidated and Separate Annual Financial Statements for the year ended 31 January 2022

## Accounting Policies

***Significant accounting policies continued...***

### 1.4 Significant judgements and sources of estimation uncertainty

The preparation of annual financial statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

***Critical judgements in applying accounting policies***

The critical judgements made by management in applying accounting policies, apart from those involving estimations, that have the most significant effect on the amounts recognised in the financial statements are outlined as follows:

***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 foreign currency denominated. 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 property, plant and equipment (excluding Land and Building) was estimated by management at 0% - 25% of cost. Based on the specialized nature of the equipment further costs to be incurred to sell it and age of the assets this seems to be reasonable. The residual value of motor vehicles was based on current trade-in values. The useful life of the property, plant and equipment varies between 5 per cent and 33.3 per cent per annum.

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

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

***Allowance for slow moving, damaged and obsolete inventory***

Management assesses whether inventory is impaired by comparing its cost to its estimated net realisable value. Where an impairment is necessary, inventory items are written down to net realisable value. The write down is included in cost of sales.

***Provisions***

Provisions are inherently based on assumptions and estimates using the best information available. Additional disclosure of these estimates of provisions are included in note 17.

# Meat Corporation of Namibia

Consolidated and Separate Annual Financial Statements for the year ended 31 January 2022

## Accounting Policies

***Significant judgements and sources of estimation uncertainty continued...***

***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 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. 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 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.

***Key sources of estimation uncertainty***

***Trade receivables***

The group assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, the group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from the financial asset.

***Fair value estimation***

Several assets and liabilities of the group are either measured at fair value or disclosure is made of their fair values.

# Meat Corporation of Namibia

Consolidated and Separate Annual Financial Statements for the year ended 31 January 2022

## Accounting Policies

***Significant judgements and sources of estimation uncertainty continued...***

***Impairment testing***

The group reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. When such indicators exist, management determine the recoverable amount by performing value in use and fair value calculations. These calculations require the use of estimates and assumptions. When it is not possible to determine the recoverable amount for an individual asset, management assesses the recoverable amount for the cash generating unit to which the asset belongs.

***Provisions***

Provisions are inherently based on assumptions and estimates using the best information available. Additional disclosure of these estimates of provisions are included in note 17.

***GATT licenses***

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.

**1.5 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.

An entity shall recognise a biological asset when, and only when:

- the entity controls the asset as a result of past events;
- it is probable that future economic benefits associated with the asset will flow to the entity; and
- the fair value or cost of the asset can be measured reliably.

**1.6 Property, plant and equipment**

Property, plant and equipment are tangible assets which the group holds for its own use or for rental to others and which are expected to be used for more than one year.

An item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the group, and the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset, including the capitalisation of borrowing costs on qualifying assets and adjustments in respect of hedge accounting, where appropriate.

Subsequent to initial recognition, property, plant and equipment is measured at cost less accumulated depreciation and any accumulated impairment losses, except for land and buildings which are stated at revalued amounts. The revalued amount is the fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

# Meat Corporation of Namibia

Consolidated and Separate Annual Financial Statements for the year ended 31 January 2022

## Accounting Policies

***Property, plant and equipment continued...***

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the group. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

The useful lives of items of property, plant and equipment have been assessed as follows:

| Item | Depreciation method | Average Useful life | Residual Value |
|---|---|---|---|
| Buildings | Straight line | 20 years | |
| Plant, vehicles, furniture and equipment | Straight line | 3 - 5 years | 0% - 25% |

Land is not depreciated.

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

### 1.7 Financial instruments

Financial instruments held by the group are classified in accordance with the provisions of IFRS 9 Financial Instruments. Broadly, the classification possibilities, which are adopted by the group, as applicable, are as follows:

# Meat Corporation of Namibia

Consolidated and Separate Annual Financial Statements for the year ended 31 January 2022

## Accounting Policies

***Financial instruments continued...***

Financial assets which are debt instruments:

- Amortised cost; (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows); or
- Fair value through other comprehensive income. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is achieved by both collecting contractual cash flows and selling the instruments); or
- Designated at fair value through profit or loss. (This classification option can be applied when it eliminates or significantly reduces an accounting mismatch, the liability forms part of a group of financial instruments managed on a fair value basis; or it forms part of a contract containing an embedded derivative and the entire contract is designated as at fair value through profit or loss);
- Mandatorily at fair value through profit or loss. (This classification automatically applies to all debt instruments which do not qualify as at amortised cost or at fair value through other comprehensive income); or
- Designated at fair value through profit or loss. (This classification option can only be applied when it eliminates or significantly reduces an accounting mismatch).

Financial liabilities:

- Amortised cost; or
- Mandatorily at fair value through profit or loss. (This applies to contingent consideration in a business combination or to liabilities which are held for trading); or
- Designated at fair value through profit or loss. (This classification option can be applied when it eliminates or significantly reduces an accounting mismatch, the liability forms part of a group of financial instruments managed on a fair value basis; or it forms part of a contract containing an embedded derivative and the entire contract is designated as at fair value through profit or loss).

Note 3 Financial instruments and risk management presents the financial instruments held by the group based on their specific classifications.

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the group are presented below:

***Loans receivable at amortised cost***

***Classification***

Loans to related parties (note 13), are classified as financial assets subsequently measured at amortised cost.

They have been classified in this manner because the contractual terms of these loans give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the corporation’s business model is to collect the contractual cash flows on these loans.

***Recognition and measurement***

Loans receivable are recognised when the corporation becomes a party to the contractual provisions of the loan. The loans are measured, at initial recognition, at fair value plus transaction costs, if any.

# Meat Corporation of Namibia

Consolidated and Separate Annual Financial Statements for the year ended 31 January 2022

## Accounting Policies

***Financial instruments continued...***

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the loan initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

***Application of the effective interest method***

Interest income is calculated using the effective interest method, and is included in profit or loss in finance income (note 25).

They are subsequently measured at amortised cost.

The application of the effective interest method to calculate interest income on a loan receivable is dependent on the credit risk of the loan as follows:

• The effective interest rate is applied to the gross carrying amount of the loan, provided the loan is not credit impaired. The gross carrying amount is the amortised cost before adjusting for a loss allowance.

• If a loan is purchased or originated as credit-impaired, then a credit-adjusted effective interest rate is applied to the amortised cost in the determination of interest. This treatment does not change over the life of the loan, even if it is no longer credit-impaired

• If a loan was not purchased or originally credit-impaired, but it has subsequently become credit-impaired, then the effective interest rate is applied to the amortised cost of the loan in the determination of interest. If, in subsequent periods, the loan is no longer credit impaired, then the interest calculation reverts to applying the effective interest rate to the gross carrying amount.

***Impairment***

The corporation recognises a loss allowance for expected credit losses on all loans receivable measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective loans.

The corporation measures the loss allowance at an amount equal to lifetime expected credit losses (lifetime ECL) when there has been a significant increase in credit risk since initial recognition. If the credit risk on a loan has not increased significantly since initial recognition, then the loss allowance for that loan is measured at 12 month expected credit losses (12 month ECL).

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a loan. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a loan that are possible within 12 months after the reporting date.

***Significant increase in credit risk***

In assessing whether the credit risk on a loan has increased significantly since initial recognition, the corporation compares the risk of a default occurring on the loan as at the reporting date with the risk of a default occurring as at the date of initial recognition.

The corporation considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the counterparties operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information.

# Meat Corporation of Namibia

Consolidated and Separate Annual Financial Statements for the year ended 31 January 2022

## Accounting Policies

***Financial instruments continued...***

Irrespective of the outcome of the above assessment, the credit risk on a loan is always presumed to have increased significantly since initial recognition if the contractual payments are more than 30 days past due, unless the corporation has reasonable and supportable information that demonstrates otherwise.

By contrast, if a loan is assessed to have a low credit risk at the reporting date, then it is assumed that the credit risk on the loan has not increased significantly since initial recognition.

The corporation regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase. The corporation regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase risk before the amount becomes past due.

***Credit risk***

Details of credit risk related to loans receivable are included in the specific notes and the financial instruments and risk management (note 3).

***Derecognition***

Refer to the “derecognition” section of the accounting policy for the policies and processes related to derecognition.

Any gains or losses arising on the derecognition of a loan receivable is included in profit or loss in derecognition gains (losses) on financial assets at amortised cost.

***Trade and other receivables***

***Classification***

Trade and other receivables, excluding, when applicable, VAT and prepayments, are classified as financial assets subsequently measured at amortised cost (note 10).

They have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the group’s business model is to collect the contractual cash flows on trade and other receivables.

***Recognition and measurement***

Trade and other receivables are recognised when the group becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

***Impairment***

The group recognises a loss allowance for expected credit losses on trade and other receivables, excluding VAT and prepayments. The amount of expected credit losses is updated at each reporting date.

# Meat Corporation of Namibia

Consolidated and Separate Annual Financial Statements for the year ended 31 January 2022

## Accounting Policies

***Financial instruments continued...***

The group measures the loss allowance for trade and other receivables at an amount equal to lifetime expected credit losses (lifetime ECL), which represents the expected credit losses that will result from all possible default events over the expected life of the receivable.

***Measurement and recognition of expected credit losses***

The group makes use of a provision matrix as a practical expedient to the determination of expected credit losses on trade and other receivables. The provision matrix is based on historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast direction of conditions at the reporting date, including the time value of money, where appropriate.

The customer base is widespread and does not show significantly different loss patterns for different customer segments. The loss allowance is calculated on a collective basis for all trade and other receivables in totality. Details of the provision matrix is presented in note 14.

An impairment gain or loss is recognised in profit or loss with a corresponding adjustment to the carrying amount of trade and other receivables, through use of a loss allowance account. The impairment loss is included in administrative expenses in profit or loss as a movement in credit loss allowance (note 26).

***Write off policy***

The group writes off a receivable when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Receivables written off may still be subject to enforcement activities under the group recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

***Credit risk***

Details of credit risk are included in the trade and other receivables note (note 14) and the financial instruments and risk management note (note 3).

***Derecognition***

Refer to the derecognition section of the accounting policy for the policies and processes related to derecognition.

Any gains or losses arising on the derecognition of trade and other receivables is included in profit or loss in the derecognition gains (losses) on financial assets at amortised cost.

Interest bearing borrowings and loans from related parties.

***Classification***

Loans from related parties (note 13) and interest bearing borrowings (note 16) are classified as financial liabilities subsequently measured at amortised cost.

***Recognition and measurement***

Borrowings and loans from related parties are recognised when the company becomes a party to the contractual provisions of the loan. The loans are measured, at initial recognition, at fair value plus transaction costs, if any.

# Meat Corporation of Namibia

Consolidated and Separate Annual Financial Statements for the year ended 31 January 2022

## Accounting Policies

***Financial instruments continued...***

They are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Interest expense, calculated on the effective interest method, is included in profit or loss in finance costs (note 28.)

Borrowings expose the group to liquidity risk and interest rate risk. Refer to note 3 for details of risk exposure and management thereof.

***Derecognition***

Refer to the derecognition section of the accounting policy for the policies and processes related to derecognition.

***Trade and other payables***

***Classification***

Trade and other payables (note 19), excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

***Recognition and measurement***

They are recognised when the group becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

If trade and other payables contain a significant financing component, and the effective interest method results in the recognition of interest expense, then it is included in profit or loss in finance costs (note 28).

Trade and other payables expose the group to liquidity risk and possibly to interest rate risk. Refer to note 3 for details of risk exposure and management thereof.

***Derecognition***

Refer to the “derecognition” section of the accounting policy for the policies and processes related to derecognition.

# Meat Corporation of Namibia

Consolidated and Separate Annual Financial Statements for the year ended 31 January 2022

## Accounting Policies

***Financial instruments continued...***

***Cash and cash equivalents***

Cash and cash equivalents are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest method.

***Bank overdrafts***

Bank overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

***Derecognition***

***Financial assets***

The group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the group retains substantially all the risks and rewards of ownership of a transferred financial asset, the group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

***Financial liabilities***

The group derecognises financial liabilities when, and only when, the group obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

***Reclassification***

***Financial assets***

*The group only reclassifies affected financial assets if there is a change in the business model for managing financial assets. If a reclassification is necessary, it is applied prospectively from the reclassification date. Any previously stated gains, losses or interest are not restated. The reclassification date is the beginning of the first reporting period following the change in business model which necessitates a reclassification.*

***Financial liabilities***

Financial liabilities are not reclassified.

# Meat Corporation of Namibia

Consolidated and Separate Annual Financial Statements for the year ended 31 January 2022

## Accounting Policies

***Significant accounting policies continued...***

### 1.8 Hedge accounting

At the inception of the hedge relationship, the group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the group documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

• there is an economic relationship between the hedged item and the hedging instrument;

• the effect of credit risk does not dominate the value changes that result from that economic relationship; and

• the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the group actually hedges and the quantity of the hedging instrument that the group actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

The group designates the full change in the fair value of a forward contract (i.e. including the forward elements) as the hedging instrument for all of its hedging relationships involving forward contracts.

The group excludes the time value of options and designates only the intrinsic value of options as the hedging instruments in hedges involving options as the hedging instruments. The change in fair value attributable to the time value of options is recognised in other comprehensive income and accumulated in equity as deferred hedging gains (losses). The group only hedges time period related hedged items using options. The change in the aligned time value is recognised in other comprehensive income and is amortised on a systematic and rational basis over the period during which the hedge adjustment for the option’s intrinsic value could affect profit or loss (or other comprehensive income, if the hedged item is an equity instrument at fair value through other comprehensive income). However, if hedge accounting is discontinued the net amount (i.e. including cumulative amortisation) that has been accumulated in the deferred hedging reserve is immediately reclassified into profit or loss.

### 1.9 Tax

***Current tax assets and liabilities***

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

***Deferred tax assets and liabilities***

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

# Meat Corporation of Namibia

Consolidated and Separate Annual Financial Statements for the year ended 31 January 2022

## Accounting Policies

***Tax continued...***

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

***Tax expenses***

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:
• a transaction or event which is recognised, in the same or a different period, to other comprehensive income, or
• a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

**1.10 Leases**

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the corporation.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:
• fixed payments (including in-substance fixed payments), less any lease incentives receivable
• payments of penalties for terminating the lease, if the lease term reflects the corporation exercising that option

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the corporation:
• where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

# Meat Corporation of Namibia

Consolidated and Separate Annual Financial Statements for the year ended 31 January 2022

## Accounting Policies

***Leases continued...***

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases of equipment and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

Right-of-use assets are generally depreciated over the lease term on a straight-line basis.

### 1.11 Inventories

Inventories are measured 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 the estimated costs necessary to make the sale.

*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.

*Packing material, consumable store 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.

### 1.12 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Ordinary shares are classified as equity.

Ordinary shares are recognised at par value and classified as ‘share capital’ in equity. Any amounts received from the issue of shares in excess of par value is classified as ‘share premium’ in equity. Dividends are recognised as a liability in the corporation in which they are declared.

### 1.13 Employee benefits

***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.

# Meat Corporation of Namibia

Consolidated and Separate Annual Financial Statements for the year ended 31 January 2022

## Accounting Policies

***Employee benefits continued...***

Remeasurements of the net defined benefit liability (asset) will be recognised in other comprehensive income, comprising of:
- Actuarial gains and losses;
- Return on plan assets, excluding amounts included in net interest on the net defined benefit liability; and
- Any changes in the effect of the assets ceiling excluding amounts included in net interest on the net defined benefit liability.

***Short-term employee benefits***

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

### 1.14 Provisions and contingencies

Provisions are recognised when:
- the group has a present obligation as a result of a past event
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised.

### 1.15 Revenue from contracts with customers

The group recognises revenue from the following major sources:
- Goods sold and services rendered

# Meat Corporation of Namibia

Consolidated and Separate Annual Financial Statements for the year ended 31 January 2022

## Accounting Policies

***Revenue from contracts with customers continued...***

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 a legally enforceable contract is entered into with a customer, for which identifiable performance obligations as per contract are established and the entity has satisfied these obligations.

Revenue is measured at the determined transaction price as allocated to each performance obligation in the contract with the customer.

***Goods sold and services rendered***

Revenue from the sale of goods and GATT quotas is recognised in profit or loss. The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard requires the group to apportion revenue earned from contracts to the identified performance obligations in the contract on a relative stand-alone selling price basis. 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.

### 1.16 Finance 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.

### 1.17 Dividend income

Dividend income is recognised when the group's right to receive payment has been established.

### 1.18 Turnover

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value added taxation.

### 1.19 Cost of sales

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The related cost of providing services recognised as revenue in the current period is included in cost of sales.

# Meat Corporation of Namibia

Consolidated and Separate Annual Financial Statements for the year ended 31 January 2022

## Accounting Policies

***Significant accounting policies continued...***

**1.20 Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:
- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred

The capitalisation of borrowing costs commences when:
- expenditures for the asset have occurred;
- borrowing costs have been incurred, and
- activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

**1.21 Translation of foreign currencies**

***Functional and presentation currency***

Items included in the annual financial statements of each of the group entities are measured using the currency of the primary economic environment in which the entity operates (functional currency).

The consolidated annual financial statements are presented in Namibia Dollar which is the group functional and presentation currency.

***Foreign currency transactions***

A foreign currency transaction is recorded, on initial recognition in Namibia Dollars, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:
- Foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual financial statements are recognised in profit or loss in the period in which they arise.

# Meat Corporation of Namibia

Consolidated and Separate Annual Financial Statements for the year ended 31 January 2022

## Accounting Policies

***Translation of foreign currencies continued...***

When a gain or loss on a non-monetary item is recognised to other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised to other comprehensive income and accumulated in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Cash flows arising from transactions in a foreign currency are recorded in Namibia Dollars by applying to the foreign currency amount the exchange rate between the Namibia Dollar and the foreign currency at the date of the cash flow.

Investments in subsidiaries, joint ventures and associates.

The results and financial position of a foreign operation are translated into the functional currency using the following procedures:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each item of profit or loss are translated at exchange rates at the dates of the transactions; and
- all resulting exchange differences are recognised to other comprehensive income and accumulated as a separate component of equity.

Exchange differences arising on a monetary item that forms part of a net investment in a foreign operation are recognised initially to other comprehensive income and accumulated in the translation reserve. They are recognised in profit or loss as a reclassification adjustment through to other comprehensive income on disposal of net investment.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation are treated as assets and liabilities of the foreign operation.

The cash flows of a foreign subsidiary are translated at the exchange rates between the functional currency and the foreign currency at the dates of the cash flows.

# Meat Corporation of Namibia

Consolidated and Separate Annual Financial Statements for the year ended 31 January 2022

## Notes to the Consolidated and Separate Annual Financial Statements

| Figures in N$ | Group 2022 | Group 2021 | Company 2022 | Company 2021 |
|---|---|---|---|---|

**2. New Standards and Interpretations**

**2.1 Standards and Interpretations not yet effective**

The group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the group's accounting periods beginning on and after 01 February 2021 or later periods:

| | Effective date: Years beginning on or after | Expected impact: |
|---|---|---|
| • Ammendments to IAS 1 'Presentation of Financial Statements' on Classification of Liabilities as Current and Non-current | 01 January 2022 | Unlikely there will be a material impact |
| • Ammendments to IFRS 3, 'Business Combinations' | 01 January 2022 | Unlikely there will be a material impact |
| • Ammendments to IAS 16, Property, Plant and Equipment' on Proceeds before intended use | 01 January 2022 | Unlikely there will be a material impact |
| • Ammendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets on Onerous Contracts - Cost of Fulfilling a Contract. | 01 January 2022 | Unlikely there will be a material impact |
| • Annual Improvment cycle 2018 - 2020 | 01 January 2022 | Unlikely there will be a material impact |

# Meat Corporation of Namibia

Consolidated and Separate Annual Financial Statements for the year ended 31 January 2022

## Notes to the Consolidated and Separate Annual Financial Statements

**Figures in N$**

**3. Financial instruments and risk management**

**Categories of financial instruments**

**Categories of financial assets**

**Group - 2022**

| | Note(s) | Amortised cost | Total |
|---|---|---|---|
| Trade and other receivables | 12 | 27,839,147 | 27,839,147 |
| Cash and cash equivalents | 13 | 9,211,837 | 9,211,837 |
| Other receivables | 8 | 9,105,650 | 9,105,650 |
| | | 46,156,634 | 46,156,634 |

**Group - 2021**

| | Note(s) | Amortised cost | Total |
|---|---|---|---|
| Trade and other receivables | 12 | 48,295,334 | 48,295,334 |
| Cash and cash equivalents | 13 | 52,102,904 | 52,102,904 |
| Other receiveables | 8 | 17,974,314 | 17,974,314 |
| | | 118,372,552 | 118,372,552 |

**Corporation - 2022**

| | Note(s) | Amortised cost | Total |
|---|---|---|---|
| Loans to related parties | 8 | - | - |
| Trade and other receivable | 12 | 14,253,279 | 14,253,279 |
| Cash and cash equivalents | 13 | 1,389,216 | 1,389,216 |
| | | 15,642,495 | 15,642,495 |

**Corporation - 2021**

| | Note(s) | Amortised cost | Total |
|---|---|---|---|
| Loans to related parties | 8 | 20,134,922 | 20,134,922 |
| Trade and other receivable | 12 | 36,673,716 | 36,673,716 |
| Cash and cash equivalents | 13 | 11,664,849 | 11,664,849 |
| | | 68,473,487 | 68,473,487 |

# Meat Corporation of Namibia

Consolidated and Separate Annual Financial Statements for the year ended 31 January 2022

## Notes to the Consolidated and Separate Annual Financial Statements

**Figures in N$**

***Financial instruments and risk management continued...***

**Categories of financial liabilities**

**Group - 2022**

| | Note(s) | Amortised cost | Lease | Total |
|---|---|---|---|---|
| Trade and other payables | 18 | 126,819,359 | - | 126,819,359 |
| Interest bearing borrowings | 14 | 439,347,185 | - | 439,347,185 |
| Bank overdraft | 13 | 68,796,001 | - | 68,796,001 |
| Lease liabilities - right of use | 15 | - | 1,225,923 | 1,225,923 |
| | | 634,962,545 | 1,225,923 | 636,188,468 |

**Group - 2021**

| | Note(s) | Amortised cost | Lease | Total |
|---|---|---|---|---|
| Trade and other payables | 18 | 49,531,236 | - | 49,531,236 |
| Interest bearing borrowings | 14 | 350,727,843 | - | 350,727,843 |
| Bank overdraft | 13 | 101,822,579 | - | 101,822,579 |
| Lease liabilities - right of use | 15 | - | 1,139,948 | 1,139,948 |
| | | 502,081,658 | 1,139,948 | 503,221,606 |

**Corporation - 2022**

| | Note(s) | Amortised cost | Lease | Total |
|---|---|---|---|---|
| Trade and other payables | 18 | 122,701,412 | - | 122,701,412 |
| Interest bearing borrowings | 14 | 350,727,843 | - | 350,727,843 |
| Bank overdraft | 13 | 101,822,579 | - | 101,822,579 |
| Lease liabilities - right of use | 15 | - | 921,644 | 921,644 |
| | | 575,251,834 | 921,644 | 576,173,478 |

**Corporation - 2021**

| | Note(s) | Amortised cost | Lease | Total |
|---|---|---|---|---|
| Trade and other payables | 18 | 48,865,653 | - | 48,865,653 |
| Interest bearing borrowings | 14 | 350,727,843 | - | 350,727,843 |
| Bank overdraft | 13 | 101,822,579 | - | 101,822,579 |
| Lease liabilities - right of use | 15 | - | 974,556 | 974,556 |
| | | 501,416,075 | 974,556 | 502,390,631 |

# Meat Corporation of Namibia

Consolidated and Separate Annual Financial Statements for the year ended 31 January 2022

## Notes to the Consolidated and Separate Annual Financial Statements

**Figures in N$**

***Financial instruments and risk management continued...***

**Capital risk management**

The group's objective when managing capital (which includes share capital, borrowings, working capital and cash and cash equivalents) is to maintain a flexible capital structure that reduces the cost of capital to an acceptable level of risk and to safeguard the group's ability to continue as a going concern while taking advantage of strategic opportunities in order to maximise stakeholder returns sustainably.

The capital structure and gearing ratio of the group at the reporting date was as follows:

| | | Group | | Corporation | |
|---|---|---|---|---|---|
| | | **2022** | **2021** | **2022** | **2021** |
| | **Note(s)** | **N$** | **N$** | **N$** | **N$** |
| Interest bearing borrowings | 14 | 439,347,185 | 350,727,843 | 439,347,185 | 350,727,843 |
| Trade and other payables | 18 | 126,819,359 | 49,616,841 | 122,701,412 | 48,865,653 |
| Lease liability - right of use | 15 | 1,225,923 | 1,139,948 | 921,644 | 974,556 |
| **Total borrowings** | | **567,392,467** | **401,484,632** | **562,970,241** | **400,568,052** |
| Add: Bank overdraft & less cash and cash equivalents | 13 | 59,584,164 | 49,719,675 | 67,406,785 | 90,157,730 |
| **Net borrowings** | | **626,976,631** | **451,204,307** | **630,377,026** | **490,725,782** |
| Equity | | 182,643,115 | 437,343,035 | 159,081,364 | 390,425,023 |
| Gearing ratio | | 343% | 103% | 396% | 126% |

# Meat Corporation of Namibia

Consolidated and Separate Annual Financial Statements for the year ended 31 January 2022

## Notes to the Consolidated and Separate Annual Financial Statements

**Figures in N$**

***Financial instruments and risk management continued...***

**Financial risk management**

**Overview**

The group is exposed to the following risks from its use of financial instruments:
- Credit risk
- Liquidity risk; and
- Market risk (currency risk, interest rate risk)

The board has overall responsibility for the establishment and oversight of the group's risk management framework. The board has established the risk committee, which is responsible for developing and monitoring the group's risk management policies. The committee reports quarterly to the board 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 audit committee oversees how management monitors compliance with the risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the group. The 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 and the risk committee.

# Meat Corporation of Namibia

Consolidated and Separate Annual Financial Statements for the year ended 31 January 2022

## Notes to the Consolidated and Separate Annual Financial Statements

**Figures in N$**

***Financial instruments and risk management continued...***

**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.

The group is exposed to credit risk on loans receivable, trade and other receivables, cash and cash equivalents, loan commitments and financial guarantees

Credit risk for exposures other than those arising on cash and cash equivalents, are managed by making use of credit approvals, limits and monitoring. The group only deals with reputable counterparties with consistent payment histories. Sufficient collateral or guarantees are also obtained when necessary. Each counterparty is analysed individually for creditworthiness before terms and conditions are offered. The analysis involves making use of information submitted by the counterparties as well as external bureau data (where available). Counterparty credit limits are in place and are reviewed and approved by credit management committees. The exposure to credit risk and the creditworthiness of counterparties is continuously monitored.

The maximum exposure to credit risk is presented in the table below:

**Group - 2022**

| | Note(s) | Gross carrying amount | Credit loss allowances | Amortised cost |
|---|---|---|---|---|
| Trade and other receivables | 12 | 39,984,897 | (12,145,750) | 27,839,147 |
| Cash and cash equivalents | 13 | 9,211,837 | - | 9,211,837 |
| Other receivables | 8 | 9,105,650 | - | 9,105,650 |
| | | 58,302,384 | (12,145,750) | 46,156,634 |

**Group - 2021**

| | Note(s) | Gross carrying amount | Credit loss allowances | Amortised cost |
|---|---|---|---|---|
| Trade and other receivables | 12 | 60,590,518 | (12,295,184) | 48,295,334 |
| Cash and cash equivalents | 13 | 52,102,904 | - | 52,102,904 |
| Other receivables | 8 | 17,974,314 | - | 17,974,314 |
| | | 130,667,736 | (12,295,184) | 118,372,552 |

**Corporation - 2022**

| | Note(s) | Gross carrying amount | Credit loss allowances | Amortised cost |
|---|---|---|---|---|
| Loans to related parties | 8 | - | - | - |
| Trade and other receivables | 12 | 21,121,994 | (6,868,715) | 14,253,279 |
| Cash and cash equivalents | 13 | 1,389,216 | - | 1,389,216 |
| | | 22,511,210 | (6,868,715) | 15,642,495 |

# Meat Corporation of Namibia

Consolidated and Separate Annual Financial Statements for the year ended 31 January 2022

## Notes to the Consolidated and Separate Annual Financial Statements

| Figures in N$ | Group 2022 | Group 2021 | Company 2022 | Company 2021 |
|---|---|---|---|---|

***Financial instruments and risk management continued...***

**Corporation - 2021**

| | Note(s) | Gross carrying amount | Credit loss allowances | Amortised cost |
|---|---|---|---|---|
| Loans to related parties | 8 | 20,134,922 | - | 20,134,922 |
| Trade and other receivables | 12 | 44,473,971 | (7,800,255) | 36,673,716 |
| Cash and cash equivalents | 13 | 11,664,849 | - | 11,664,849 |
| | | 76,273,742 | (7,800,255) | 68,473,487 |

**Liquidity risk**

The group is exposed to liquidity risk, which is the risk that the group will encounter difficulties in meeting its obligations as they become due.

The maturity profile of contractual cash flows of non-derivative financial liabilities, and financial assets held to mitigate the risk, are presented in the following table. The cash flows are undiscounted contractual amounts.

| **Group - 2022** | Note(s) | Less than 1 year | 2 to 5 years | Over 5 years | Carrying Amount |
|---|---|---|---|---|---|
| **Non-current liabilities** | | | | | |
| Interest bearing borrowings | 14 | - | 245,717,256 | 170,726,988 | 416,444,244 |
| Lease liability - right of use | 15 | - | 418,386 | - | 418,386 |
| **Current liabilities** | | | | | |
| Trade and other payables | 18 | 126,819,359 | - | - | 126,819,359 |
| Interest bearing borrowings | 14 | 22,902,941 | - | - | 22,902,941 |
| Lease liability - right of use | 15 | 807,537 | - | - | 807,537 |
| Bank overdraft | 13 | 68,796,001 | - | - | 68,796,001 |
| | | **219,325,838** | **246,135,642** | **170,726,988** | **636,188,468** |

| **Group - 2021** | Note(s) | Less than 1 year | 2 to 5 years | Over 5 years | Carrying Amount |
|---|---|---|---|---|---|
| **Non-current liabilities** | | | | | |
| Interest bearing borrowings | 14 | - | 318,618,782 | 5,695,632 | 324,314,414 |
| Current liabilities | | | | | |
| Trade and other payables | 18 | 49,531,236 | - | - | 49,531,236 |
| Interest bearing borrowings | 14 | 26,413,429 | - | - | 26,413,429 |
| Lease liability - right of use | 15 | 1,139,948 | - | - | 1,139,948 |
| Bank overdraft | 13 | 101,822,579 | - | - | 101,822,579 |
| | | **178,907,192** | **318,618,782** | **5,695,632** | **503,221,606** |

# Meat Corporation of Namibia

Consolidated and Separate Annual Financial Statements for the year ended 31 January 2022

## Notes to the Consolidated and Separate Annual Financial Statements

| Figures in N$ | Group 2022 | Group 2021 | Company 2022 | Company 2021 |
|---|---|---|---|---|

***Financial instruments and risk management continued...***

| Corporation - 2022 | Note(s) | Less than 1 year | 2 to 5 years | Over 5 years | Carrying Amount |
|---|---|---|---|---|---|
| **Non-current liabilities** | | | | | |
| Interest bearing borrowings | 14 | - | 245,717,256 | 170,726,988 | 416,444,244 |
| Lease liability - right of use | 15 | - | 418,386 | - | 418,386 |
| **Current liabilities** | | | | | |
| Trade and other payables | 18 | 122,701,412 | - | - | 122,701,412 |
| Interest bearing borrowings | 14 | 22,902,941 | - | - | 22,902,941 |
| Lease liability - right of use | 15 | 503,258 | - | - | 503,258 |
| Bank overdraft | 13 | 68,796,001 | - | - | 68,796,001 |
| | | **214,903,612** | **245,717,256** | **170,726,988** | **631,347,856** |

| Corporation - 2021 | Note(s) | | | | |
|---|---|---|---|---|---|
| **Non-current liabilities** | | | | | |
| Interest bearing borrowings | 14 | - | 318,618,782 | 5,695,632 | 324,314,414 |
| **Current liabilities** | | | | | |
| Trade and other payables | 18 | 48,865,653 | - | - | 48,865,653 |
| Interest bearing borrowings | 14 | 26,413,429 | - | - | 26,413,429 |
| Lease liability - right of use | 15 | 974,556 | - | - | 974,556 |
| Bank overdraft | 13 | 101,822,579 | - | - | 101,822,579 |
| | | **178,076,217** | **318,618,782** | **5,695,632** | **502,390,631** |

# Meat Corporation of Namibia

Consolidated and Separate Annual Financial Statements for the year ended 31 January 2022

## Notes to the Consolidated and Separate Annual Financial Statements

***Financial instruments and risk management continued...***

**Foreign currency risk**

**Exposure in Namibia Dollar**

The net carrying amounts, in Namibian Dollar, of the various exposures, are denominated in the following currencies. The amounts have been presented in Namibian Dollar by converting the foreign currency amounts at the closing rate at the reporting date:

| Figures in N$ | Note(s) | Group 2022 | Group 2021 | Company 2022 | Company 2021 |
|---|---|---|---|---|---|
| **US Dollar exposure:** | | | | | |
| **Current assets** | | | | | |
| Trade and other receivables | 12 | 1,980,753 | (5,179,066) | 1,980,753 | (5,179,066) |
| Cash and cash equivalents | 13 | 526,386 | 14,472,226 | 526,386 | 14,472,226 |
| **Non-current iabilities** | | | | | |
| Trade and other payables | 18 | (324,857) | (849,276) | (324,857) | -849,276 |
| **Net US Dollar exposure** | | 2,182,282 | 8,443,884 | 2,182,282 | 8,443,884 |
| **Euro exposure:** | | | | | |
| **Current assets** | | | | | |
| Trade and other receivables | 12 | 14,085,233 | 39,549,263 | 14,085,233 | 39,549,263 |
| Cash and cash equivalents | 13 | 5,300,349 | 14,990,569 | 5,300,349 | 14,990,569 |
| **Non-current iabilities** | | | | | |
| Trade and other payables | 18 | (633,739) | (484,684) | (633,739) | (484,684) |
| **Net Euro exposure** | | 18,751,843 | 54,055,148 | 18,751,843 | 54,055,148 |
| **GBP exposure:** | | | | | |
| **Current assets** | | | | | |
| Trade and other receivables | 12 | 9,622,071 | 11,576,824 | 9,622,071 | 2,574,505 |
| Cash and cash equivalents | 13 | 7,130,169 | 37,558,483 | 7,130,169 | 2,505,177 |
| **Non-current iabilities** | | | | | |
| Trade and other payables | 18 | (1,190,386) | (547,479) | (1,190,386) | 60,288 |
| Amounts due to related parties | 8 | - | - | - | 17,741,609 |
| **Net GBP exposure** | | 15,561,854 | 48,587,828 | 15,561,854 | 22,881,579 |
| **Net exposure to foreign currency in Namibia Dollar** | | 36,495,979 | 111,086,860 | 36,495,979 | 85,380,611 |

**Exposure in foreign currency amounts**

# Meat Corporation of Namibia

Consolidated and Separate Annual Financial Statements for the year ended 31 January 2022

## Notes to the Consolidated and Separate Annual Financial Statements

| Figures in N$ | | Group 2022 | Group 2021 | Company 2022 | Company 2021 |
|---|---|---|---|---|---|

***Financial instruments and risk management continued...***

The net carrying amounts, in foreign currency if the above exposure was as follows:

| | Note(s) | | | | |
|---|---|---|---|---|---|
| **US Dollar exposure:** | | | | | |
| **Current assets** | | | | | |
| Trade and other receivables | 12 | 127,206 | (344,974) | 127,206 | (344,974) |
| Cash and cash equivalents | 13 | 33,805 | 963,986 | 33,805 | 963,986 |
| **Non-current iabilities** | | | | | |
| Trade and other payables | 18 | (20,863) | (56,570) | (20,863) | -56,570 |
| **Net US Dollar exposure** | | 140,148 | 562,442 | 140,148 | 562,442 |
| **Euro exposure:** | | | | | |
| **Current assets** | | | | | |
| Trade and other receivables | 12 | 810,694 | 2,170,425 | 810,694 | 2,170,425 |
| Cash and cash equivalents | 13 | 305,068 | 822,668 | 305,068 | 822,668 |
| **Non-current iabilities** | | | | | |
| Trade and other payables | 18 | (36,476) | (26,599) | (36,476) | -26,599 |
| **Net Euro exposure** | | 1,079,286 | 2,966,494 | 1,079,286 | 2,966,494 |
| **GBP exposure:** | | | | | |
| **Current assets** | | | | | |
| Trade and other receivables | 12 | 460,942 | 561,720 | 460,942 | 124,918 |
| Cash and cash equivalents | 13 | 341,568 | 1,822,378 | 341,568 | 106,998 |
| **Non-current iabilities** | | | | | |
| Trade and other payables | 18 | (57,025) | (26,564) | (57,025) | 2,925 |
| Amounts due to related parties | 8 | - | - | - | 860,842 |
| **Net GBP exposure** | | 745,485 | 2,357,534 | 745,485 | 1,095,683 |

**Exchange rates**

| **Namibian Dollar per unit of foreign currency:** | | | | |
|---|---|---|---|---|
| **US Dollar** | 15,57 | 15.010 | 15,57 | 15.010 |
| **Euro** | 17,37 | 18.220 | 17,37 | 18.220 |
| **GBP** | 20.87 | 20.610 | 20.87 | 20.610 |

**Foreign currency sensitivity analysis**

The following information presents the sensitivity of the group to an increase or decrease in the respective currencies it is exposed to. T

| **Group** | **2022** | | **2021** | |
|---|---|---|---|---|
| **Increase or decrease in rate** | **Increase** | **Decrease** | **Increase** | **Decrease** |

# Meat Corporation of Namibia

Consolidated and Separate Annual Financial Statements for the year ended 31 January 2022

## Notes to the Consolidated and Separate Annual Financial Statements

| Figures in N$ | | Group 2022 | Group 2021 | Company 2022 | Company 2021 |
|---|---|---|---|---|---|
| ***Financial instruments and risk management continued...*** | | | | | |
| **Impact on profit or loss** | | | | | |
| Euro | 10% (2021: 10%) | 530,034 | (530,034) | 1,499,056 | (1,499,056) |
| GBP | 10% (2021: 10%) | 9,541 | (9,541) | 220,518 | (220,518) |
| USD | 10% (2021: 10%) | 52,639 | (52,639) | 1,447,223 | (1,447,223) |
| | | 539,575 | (539,575) | 3,166,797 | (3,166,797) |
| **Impact on equity** | | | | | |
| Euro | 10% (2021: 10%) | 530,034 | (530,034) | 1,499,056 | (1,499,056) |
| GBP | 10% (2021: 10%) | 9,541 | (9,541) | 220,518 | (220,518) |
| USD | 10% (2021: 10%) | 52,639 | (52,639) | 1,447,223 | (1,447,223) |
| | | 592,214 | (592,214) | 3,166,797 | (3,166,797) |

| **Corporation** | | **2022** | | **2021** | |
|---|---|---|---|---|---|
| **Increase or decrease in rate** | | **Increase** | **Decrease** | **Increase** | **Decrease** |
| **Impact on profit or loss** | | | | | |
| Euro | 10% (2021: 10%) | 530,034 | (530,034) | 1,499,056 | (1,499,056) |
| GBP | 10% (2021: 10%) | 9,541 | (9,541) | 220,518 | (220,518) |
| USD | 10% (2021: 10%) | 52,639 | (52,639) | 1,447,223 | (1,447,223) |
| | | 539,575 | (539,575) | 3,166,797 | (3,166,797) |
| **Impact on equity** | | | | | |
| Euro | 10% (2021: 10%) | 530,034 | (530,034) | 1,499,056 | (1,499,056) |
| GBP | 10% (2021: 10%) | 9,541 | (9,541) | 220,518 | (220,518) |
| USD | 10% (2021: 10%) | 52,639 | (52,639) | 1,447,223 | (1,447,223) |
| | | 592,214 | (592,214) | 3,166,797 | (3,166,797) |

# Meat Corporation of Namibia

Consolidated and Separate Annual Financial Statements for the year ended 31 January 2022

## Notes to the Consolidated and Separate Annual Financial Statements

| Figures in N$ | Group 2022 | Group 2021 | Company 2022 | Company 2021 |
|---|---|---|---|---|

***Financial instruments and risk management continued...***

**Interest rate risk**

**Interest rate profile**

The interest rate profile of interest bearing financial instruments at the end of the reporting period was as follows:

| **Group** | | **Average effective interest rate** | | **Carrying amount** | |
|---|---|---|---|---|---|
| **Liabilities** | **Note(s)** | **2022** | **2021** | **2022** | **2021** |
| Interest bearing borrowings | 14 | 7.50% | 7.50% | 416,444,244 | 350,727,843 |
| Lease liability - right of use | 15 | 7.50% | 7.50% | 807,537 | 1,139,948 |
| Bank overdraft | 13 | 7.50% | 7.50% | 68,796,001 | 101,822,579 |
| | | | | 486,047,782 | 453,690,370 |

| **Corporation** | | | | | |
|---|---|---|---|---|---|
| **Liabilities** | **Note(s)** | **2022** | **2021** | **2022** | **2021** |
| Interest bearing borrowings | 14 | 7.50% | 7.50% | 416,444,244 | 350,727,843 |
| Lease liability - right of use | 15 | 7.50% | 7.50% | 503,258 | 974,556 |
| Bank overdraft | 13 | 7.50% | 7.50% | 68,796,001 | 101,822,579 |
| | | | | 485,743,503 | 453,524,978 |

**Price risk**

The group is not exposed to commodity price risk.

# Meat Corporation of Namibia

Consolidated and Separate Annual Financial Statements for the year ended 31 January 2022

## Notes to the Consolidated and Separate Annual Financial Statements

| Figures in N$ | Group 2022 | Group 2021 | Company 2022 | Company 2021 |
|---|---|---|---|---|

***Financial instruments and risk management continued...***

**Fair Value Information**

**Fair value hierarchy**

The table below analyses assets and liabilities carried at fair value. The different levels are defined as follows:

Level 1: Quoted unadjusted prices in active markets for identical assets or liabilities that the group can access at measurement date.

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

Level 3: Unobservable inputs for the asset or liability.

Levels of fair value measurements

**Levels 3**

| | Group 2022 | Group 2021 | Company 2022 | Company 2021 |
|---|---|---|---|---|
| ***Recurring fair value measurements*** | | | | |
| **Assets** | | | | |
| Biological assets | 4,415,217 | 32,451,227 | 3,807,141 | 32,451,227 |
| **Total** | 4,415,217 | 32,451,227 | 3,807,141 | 32,451,227 |

# Meat Corporation of Namibia

Consolidated and Separate Annual Financial Statements for the year ended 31 January 2022

## Notes to the Consolidated and Separate Annual Financial Statements

**Figures in N$**

**4. Property, plant and equipment**

| | 2022 Cost | 2022 Accumulated depreciation | 2022 Carrying value | 2021 Cost | 2021 Accumulated depreciation | 2021 Carrying value |
|---|---|---|---|---|---|---|
| **Group** | | | | | | |
| Land and buildings | 411,368,547 | (29,161,836) | 382,206,711 | 484,386,836 | (29,161,836) | 455,225,000 |
| Plant, vehicle, furniture and equipment | 372,455,148 | (240,253,051) | 132,202,097 | 373,919,717 | (230,939,365) | 142,980,352 |
| Total | 783,823,695 | (269,414,887) | 514,408,808 | 858,306,553 | (260,101,201) | 598,205,352 |
| **Corporation** | | | | | | |
| Land and buildings | 402,433,546 | (28,474,108) | 373,959,438 | 484,386,836 | (29,161,836) | 455,225,000 |
| Plant, vehicle, furniture and equipment | 357,167,805 | (233,275,272) | 123,892,533 | 373,409,616 | (230,585,498) | 142,824,118 |
| Total | 759,601,351 | (261,749,380) | 497,851,971 | 857,796,452 | (259,747,334) | 598,049,118 |

**Reconciliation for the year ended 31 January 2022 - Group**

| | Opening balance | Additions | Revaluations | Disposals | Depreciation | Total |
|---|---|---|---|---|---|---|
| Land and buildings | 455,301,472 | 401,378 | (73,312,518) | (183,621) | - | 382,206,711 |
| Plant, vehicle, furniture and equipment | 142,980,352 | - | - | | (13,209,271) | 132,202,097 |
| | 598,281,824 | 401,378 | (73,312,518) | (183,621) | (13,209,271) | 514,408,808 |

**Reconcilliation for the year ended 31 January 2021 - Group**

| | Opening balance | Additions | Revaluations | Disposals | Depreciation | Total |
|---|---|---|---|---|---|---|
| Land and buildings | 455,225,000 | - | - | - | - | 455,225,000 |
| Plant, vehicle, furniture and equipment | 157,782,689 | 1,741,830 | - | (114,093) | (16,430,074) | 142,980,352 |
| | 613,007,689 | 1,741,830 | - | (114,093) | (16,430,074) | 598,205,352 |

## Notes to the Consolidated and Separate Annual Financial Statements

**Figures in N$**

***Property, plant and equipment continued...***

**Reconciliation for the year ended 31 January 2022 - Corporation**

| | Opening balance | Additions | Revaluations | Disposals / Transfers | Depreciation | Total |
|---|---|---|---|---|---|---|
| Land and buildings | 455,225,000 | 401,378 | (71,749,790) | (9,917,150) | - | 373,959,438 |
| Plant, vehicle, furniture and equipment | 142,824,118 | - | | (6,678,412) | (12,253,173) | 123,892,533 |
| | 598,049,118 | 401,378 | (71,749,790) | (16,595,562) | (12,253,173) | 497,851,971 |

**Reconciliation for the year ended 31 January 2021 - Corporation**

| | Opening balance | Additions | Revaluations | Disposals | Depreciation | Total |
|---|---|---|---|---|---|---|
| Land and buildings | 455,225,000 | | | | | 455,225,000 |
| Plant, vehicle, furniture and equipment | 157,606,865 | 1,741,830 | (114,093) | - | (16,410,484) | 142,824,118 |
| | 612,831,865 | 1,741,830 | (114,093) | - | (16,410,484) | 598,049,118 |

# Meat Corporation of Namibia

Consolidated and Separate Annual Financial Statements for the year ended 31 January 2022

## Notes to the Consolidated and Separate Annual Financial Statements

**Figures in N$**

**5. Right-Of-Use Asset**

**Group**

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | Cost | Accumulated depreciation | Carrying value | Cost | Accumulated depreciation | Carrying value |
| Right-of-use asset | 3,298,938 | (1,848,048) | 1,450,890 | 1,929,769 | (1,246,482) | 683,287 |

**Corporation**

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | Cost | Accumulated depreciation | Carrying value | Cost | Accumulated depreciation | Carrying value |
| Right-of-use asset | 2,770,864 | (1,608,015) | 1,162,849 | 1,764,377 | (1,246,482) | 517,895 |

**Reconcilliation of right of use asset - Group - 2022**

| | Opening balance | Additions | Other changes | Depreciation | Total |
|---|---|---|---|---|---|
| Right-of-use asset | 683,287 | 1,534,561 | (165,391) | (601,567) | 1,450,890 |

**Reconcilliation of right of use asset - Group - 2021**

| | Opening balance | Additions | Other changes | Depreciation | Total |
|---|---|---|---|---|---|
| Right-of-use asset | 1,180,256 | 484,000 | (364,488) | (616,481) | 683,287 |

**Reconcilliation of right of use asset - Corporation - 2022**

| | Opening balance | Additions | Other changes | Depreciation | Total |
|---|---|---|---|---|---|
| Right-of-use asset | 517,895 | 1,006,487 | - | (361,533) | 1,162,849 |

**Reconcilliation of right of use asset - Corporation - 2021**

| | Opening balance | Additions | Other changes | Depreciation | Total |
|---|---|---|---|---|---|
| Right-of-use asset | 650,376 | 484,000 | - | (616,481) | 517,895 |

# Meat Corporation of Namibia

Consolidated and Separate Annual Financial Statements for the year ended 31 January 2022

## Notes to the Consolidated and Separate Annual Financial Statements

| Figures in N$ | Group 2022 | Group 2021 | Company 2022 | Company 2021 |
|---|---|---|---|---|

**6. Investment in Subsidiaries**

The following table lists the entities which are controlled directly by the corporation, and the carrying amounts of the investments in the corporation's seperate financial statements.

**Corporation**

| | Issued share capital | % holding 2022 | % holding 2022 | Carrying amount 2022 | Carrying amount 2021 |
|---|---|---|---|---|---|
| Namibia Cattle Procurement (Pty) Ltd (Namibia) | 100 | 100% | 100% | 11,938,871 | 11,938,671 |
| Namibia Meat Importers & Exporters (Pty) Ltd (South Africa) | 100 | 100% | 100% | 100 | 100 |
| Meat Corporation of Namibia (UK) Limited (United Kindgom) | 1,250,000 | 100% | 100% | - | - |
| Meat Corporation of Northern Communal Areas (Pty) Ltd | 100 | 100% | 100% | 42,461,872 | 11,735 |
| | | | | **54,400,843** | **11,950,506** |

The % voting power is equivalent to the holding in both current and prior year.

**Risks associated with interest in consolidated structured entities**

| | | | | |
|---|---|---|---|---|
| Namibia Cattle Procurement (Pty) Ltd (Namibia) | - | - | (607,591) | - |
| Namibia Meat Importers & Exporters (Pty) Ltd (South Africa) | - | - | (1,363,931) | 2,393,912 |
| Meat Corporation of Namibia (UK) Limited (United Kindgom) | - | - | (23,220,732) | 17,741,609 |
| Meat Corporation of Northern Communal Areas (Pty) Ltd | - | - | - | - |
| | **-** | **-** | **(25,192,254)** | **20,135,521** |

**Net profit / (losses) after taxation of subsidiaries**

| | | | | |
|---|---|---|---|---|
| Namibia Cattle Procurement (Pty) Ltd (Namibia) | (21,263) | 6,423,301 | - | - |
| Namibia Meat Importers & Exporters (Pty) Ltd (South Africa) | (195,940) | (924,863) | - | - |
| Meat Corporation of Namibia (UK) Limited (United Kindgom) | (4,820,889) | 34,456 | - | - |
| Meat Corporation of Northern Communal Areas (Pty) Ltd | (16,746,718) | - | - | - |
| | (21,784,810) | 5,532,894 | **-** | **-** |

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.

# Meat Corporation of Namibia

Consolidated and Separate Annual Financial Statements for the year ended 31 January 2022

## Notes to the Consolidated and Separate Annual Financial Statements

| Figures in N$ | Group 2022 | Group 2021 | Company 2022 | Company 2021 |
|---|---|---|---|---|

***Investment in Subsidiaries continued...***

**Investment in associate**

The following table lists all of the associates in the group

**Group**

| Name of company | Place of business | % ownership interest 2022 | % ownership interest 2021 | Carrying amount 2022 | Carrying amount 2021 |
|---|---|---|---|---|---|
| GPS Norway AS | Norway | 33.00% | 33.00% | 8,087,840 | 9,256,791 |

**Corporation**

| Name of company | Place of business | % ownership interest 2022 | % ownership interest 2021 | Carrying amount 2022 | Carrying amount 2021 |
|---|---|---|---|---|---|
| GPS Norway AS | Norway | 33.00% | 33.00% | 216,791 | 216,791 |

**Summarised financial information of material associates**

| | GPS Norway AS 2022 NDR | GPS Norway AS 2021 NDR |
|---|---|---|
| **Summarised statement of Comprehensive Income** | | |
| Revenue | 324,279,201 | 315,647,665 |
| Other income and expenses | (325,884,087) | (314,243,212) |
| Profit before tax | (1,604,886) | 1,404,453 |
| Tax expense | (610,210) | 3,289 |
| Profit (loss) after tax | (2,215,096) | 1,407,742 |
| **Total comprehensive income** | **(2,215,096)** | **1,407,742** |
| | | |
| **Summarised Statement of Financial Position** | | |
| **Assets** | | |
| Non-current | 78,960 | 80,220 |
| Current | 29,220,240 | 29,686,372 |
| **Total assets** | **29,299,200** | **29,766,592** |
| | | |
| **Liabilities** | | |
| Current | 6,726,720 | 6,834,027 |
| **Total liabilities** | **6,726,720** | **6,834,027** |
| **Total net assets** | **22,572,480** | **22,932,565** |

**Reconcilliation of net assets to equity accounted investments in associates**

| | 2022 NDR | 2021 NDR |
|---|---|---|
| Carrying value as at 31 January | 9,256,791 | 7,679,377 |
| Profit / (loss) for the period | (738,365) | 802,859 |
| Foreign exchange differences | (430,586) | 774,555 |
| Carrying value of investmen in associate | **8,087,840** | **9,256,791** |

The summarised information presented above reflects the financial statements of the associates after adjusting for differences in accounting policies between the group and the associate.

# Meat Corporation of Namibia

Consolidated and Separate Annual Financial Statements for the year ended 31 January 2022

## Notes to the Consolidated and Separate Annual Financial Statements

| Figures in N$ | Group 2022 | Group 2021 | Company 2022 | Company 2021 |
|---|---|---|---|---|
| **7. Deferred Tax** | | | | |
| **Deferred tax laibility** | | | | |
| Capital allowances | (72,453,397) | (88,101,664) | (72,450,854) | (88,101,664) |
| Prepayments | (3,891,787) | (6,177,176) | (3,891,787) | (6,177,176) |
| Revaluation on land and buildings | (30,496,485) | (46,609,312) | (30,996,558) | (46,609,312) |
| Other | (44,361,671) | (25,179,409) | (44,109,494) | (24,927,232) |
| **Total deferred tax liability** | (151,203,340) | (166,067,561) | (151,448,693) | (165,815,384) |
| **Deferred tax asset** | | | | |
| Provisions | 5,211,176 | 6,989,648 | 5,153,714 | 6,932,187 |
| Tax losses available for sett off against future taxable income | 274,015,253 | 263,211,149 | 273,211,109 | 262,732,245 |
| **Total deferred tax asset** | 279,226,429 | 270,200,797 | 278,364,823 | 269,664,432 |
| **Total net deferred tax asset** | 128,023,089 | 104,133,236 | 126,916,130 | 103,849,048 |
| **Deferred tax liability** | | | | |
| Deferred taxation liability to be recovered after more than 12 | (151,203,340) | (166,067,561) | (151,448,693) | (165,815,384) |
| Deferred taxation liability to be recovered within 12 months | - | - | - | - |
| | (151,203,340) | (166,067,561) | (151,448,693) | (165,815,384) |
| **Deferred tax asset** | | | | |
| Deferred taxation asset to be recovered after more than 12 | 279,226,429 | 270,200,797 | 278,364,823 | 269,664,432 |
| Deferred taxation asset to be recovered within 12 months | - | - | - | - |
| | 279,226,429 | 270,200,797 | 278,364,823 | 269,664,432 |
| **Total net deferred tax asset** | 128,023,089 | 104,133,236 | 126,916,130 | 103,849,048 |
| **Reconcilliation of deferred tax asset / (liability)** | | | | |
| At beginning of year | 104,133,236 | 104,169,984 | 103,849,048 | 103,885,797 |
| Increase / (decrease) in deferred tax asset available for set off against future taxable income | 15,648,267 | 11,825,772 | 15,650,809 | 11,568,041 |
| Increase / (decrease) in deferred tax on capital allowances | 10,521,009 | (508,032) | 10,195,769 | (508,032) |
| Increase / (decrease) in deferred tax on prepayments | 2,285,389 | 4,943,829 | 2,285,389 | 4,943,829 |
| Increase / (decrease) in deferred tax on revaluation on land and buildings | 16,112,827 | 4,715,731 | 15,612,754 | 4,715,731 |
| Increase / (decrease) in deferred tax on provisions | (1,778,472) | 85,692 | (1,778,473) | 83,021 |
| Increase / (decrease) in deferred tax on other | (18,899,167) | (21,099,740) | (18,899,167) | (20,839,338) |
| | 128,023,089 | 104,133,236 | 126,916,130 | 103,849,049 |

# Meat Corporation of Namibia

Consolidated and Separate Annual Financial Statements for the year ended 31 January 2022

## Notes to the Consolidated and Separate Annual Financial Statements

| Figures in N$ | Group 2022 | Group 2021 | Company 2022 | Company 2021 |
|---|---|---|---|---|
| ***Deferred Tax continued...*** | | | | |
| **Net deferred tax split** | | | | |
| **Meat Corporation of Namibia** | | | | |
| Deferred tax asset | 278,364,823 | 269,664,432 | 278,364,823 | 269,664,432 |
| Deferred tax liability | (151,448,693) | (165,815,384) | (151,448,693) | (165,815,384) |
| **Net deferred tax split** | 126,916,130 | 103,849,048 | 126,916,130 | 103,849,048 |
| **Namibia Meat Importers and Exporters (Pty) Ltd** | | | | |
| Deferred tax asset | 861,606 | 284,188 | - | - |
| Deferred tax liability | (254,700) | (165,815,384) | - | - |
| **Net deferred tax split** | 606,906 | (165,531,196) | - | - |
| **Meat Corporation of Northern Communal Areas (Pty) Ltd** | | | | |
| Deferred tax asset | 500,053 | - | - | - |
| Net deferred tax asset total | 279,226,429 | 269,948,620 | 278,364,823 | 269,664,432 |
| Net deferred tax liability total | (151,203,340) | (165,815,384) | (151,448,693) | (165,815,384) |
| | 128,023,089 | 104,133,236 | 126,916,130 | 103,849,048 |

# Meat Corporation of Namibia

Consolidated and Separate Annual Financial Statements for the year ended 31 January 2022

## Notes to the Consolidated and Separate Annual Financial Statements

| Figures in N$ | Group 2022 | Group 2021 | Company 2022 | Company 2021 |
|---|---|---|---|---|

**8. Loan to related parties**

| | Group | | Corporation | |
|---|---|---|---|---|
| **Related parties** | | | | |
| Namibia Cattle Procurement (Pty) Ltd | - | - | (607,591) | - |
| Meat Corporation of Namibia (UK) Ltd | - | - | (23,220,732) | 17,741,609 |
| Namibia Meat Importers & Exporters (Pty) Ltd (SA) | - | - | (1,363,931) | 2,393,912 |
| Meat Corporation of Northern Communal Areas (Pty) Ltd | - | - | - | - |
| | - | - | (25,192,254) | 20,135,521 |

The loans are interest free, unsecured and repayable on demand.

**Fair value of related party loans receivable**

The fair value of group loans receivable approximates their carrying amounts.

**Other receivables**

In June 2018, the Meat Corporation of Namibia transferred its 25% shareholding in GPS Food Group (Holdings) Limited to the company. In January 2019, GPS Food Group (Holdings) Limited agreed to redeem the company's 25% shareholding; and the company and GPS have simultaneously agreed an extension of the Supply of Services Agreement between GPS and the company, for a period of 5 years from April 2018. There was no gain or loss on disposal as the disposal and acquisition values were the same. The total consideration was EUR 5,2 million, with EUR 2,6 million paid upon redemption of the shares in GPS and a further five annual installments of EUR 0,5 million, with the first installment paid in April 2019 and final installment due on April 2023.

| | GBP | Exchange rate | Nam balance |
|---|---|---|---|
| **2022** | | | |
| **Classification** | | | |
| Current portion | 350,677 | 20.8748 | 7,320,312 |
| Non-current portion | 436,203 | 20.8748 | 9,105,650 |
| | 786,880 | | 16,425,963 |
| **2021** | | | |
| **Classification** | | | |
| Current portion | 436,270 | 20.60964 | 8,987,157 |
| Non-current portion | 872,540 | 20.60964 | 17,974,314 |
| | 1,308,810 | | 26,961,471 |

# Meat Corporation of Namibia

Consolidated and Separate Annual Financial Statements for the year ended 31 January 2022

## Notes to the Consolidated and Separate Annual Financial Statements

**Figures in N$**

### 9. Biological assets

**Group**

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | N$ Valuation | N$ Accumulated depreciation | N$ Carrying value | N$ Valuation | N$ Accumulated depreciation | N$ Carrying value |
| Livestock cattle | 4,415,217 | - | 4,415,217 | 32,451,227 | - | 32,451,227 |

**Corporation**

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | N$ Valuation | N$ Accumulated depreciation | N$ Carrying value | N$ Valuation | N$ Accumulated depreciation | N$ Carrying value |
| Livestock cattle | 3,807,141 | - | 3,807,141 | 32,451,227 | - | 32,451,227 |

**Reconcilliation of biological assets - Group - 2022**

| | Opening balance | Additions | Decrease due to sales | Loss due to lost cattle | Gains (losses) arising from changes in fair value | Total |
|---|---|---|---|---|---|---|
| Livestock cattle | 32,451,227 | 124,309,846 | (287,190,950) | - | 134,845,094 | 4,415,217 |

**Reconcilliation of biological assets - Group - 2021**

| | Opening balance | Additions | Decrease due to sales | Loss due to lost cattle | Gains (losses) arising from changes in fair value | Total |
|---|---|---|---|---|---|---|
| Livestock cattle | 25,471,687 | 88,867,519 | (158,066,762) | (1,612,139) | 77,790,922 | 32,451,227 |

# Meat Corporation of Namibia

Consolidated and Separate Annual Financial Statements for the year ended 31 January 2022

## Notes to the Consolidated and Separate Annual Financial Statements

**Figures in N$**

***Biological assets continued...***

**Reconcilliation of biological assets - Corporation - 2022**

| | Opening balance | Additions | Decrease due to sales | Loss due to lost cattle | Gains (losses) arising from changes in fair value | Total |
|---|---|---|---|---|---|---|
| Livestock cattle | 32,451,227 | 124,309,846 | (287,190,950) | - | 134,237,018 | 3,807,141 |

**Reconcilliation of biological assets - Corporation - 2021**

| | Opening balance | Additions | Decrease due to sales | Loss due to lost cattle | Gains (losses) arising from changes in fair value | Total |
|---|---|---|---|---|---|---|
| Livestock cattle | 25,471,687 | 88,867,519 | (158,066,762) | (1,612,139) | 77,790,922 | 32,451,227 |

| | Group | | Corporation | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| **Non–financial information** | N$ | N$ | N$ | N$ |
| **Quantities of each biological asset** | | | | |
| At the beginning of the year | 2,722 | 2,041 | 2,642 | 1,810 |
| Increase due to acquisitions | 11,370 | 7,923 | 11,530 | 8,225 |
| Decrease due to sales | (13,699) | (7,242) | (13,779) | (7,393) |
| | **393** | **2,722** | **393** | **2,642** |

# Meat Corporation of Namibia

Consolidated and Separate Annual Financial Statements for the year ended 31 January 2022

## Notes to the Consolidated and Separate Annual Financial Statements

| Figures in N$ | Group 2022 | Group 2021 | Company 2022 | Company 2021 |
|---|---|---|---|---|
| **10. Inventories** | | | | |
| Meat and meat products | 74,192,636 | 51,721,346 | 65,916,262 | 51,721,346 |
| Packing material, consumable stores and other inventory | 14,509,378 | 17,162,288 | 14,793,021 | 17,162,288 |
| | 88,702,014 | 68,883,634 | 80,709,283 | 68,883,634 |
| Inventories (write-downs) | (1,518,551) | (855,680) | (1,518,551) | (855,680) |
| | 87,183,463 | 68,027,954 | 79,190,732 | 68,027,954 |
| Carrying value of inventories carried at fair value less costs to sell | 87,183,463 | 68,027,954 | 79,190,732 | 68,027,954 |

**11. Current tax receivable**

The current tax receivable balance is made up as follows:

| | | | | |
|---|---|---|---|---|
| **Current tax receivable** | | | | |
| Current tax receivable | 1,195,317 | - | - | - |
| | 1,195,317 | - | - | - |

There is a current tax receivable balance of N$ 1,195,317 from the UK tax authorities for MeatCo UK, as a relief to reclaim tax paid in previous years as per Schedule 2 Finance Act 2021.

# Meat Corporation of Namibia

Consolidated and Separate Annual Financial Statements for the year ended 31 January 2022

## Notes to the Consolidated and Separate Annual Financial Statements

| Figures in N$ | Group 2022 | Group 2021 | Company 2022 | Company 2021 |
|---|---|---|---|---|
| **12. Trade and other receivables** | | | | |
| **Financial instruments:** | | | | |
| Trade receivables in Namibia, South Africa and Botswana | 39,984,897 | 57,876,544 | 21,121,994 | 43,778,453 |
| Loss allowance | (12,145,750) | (12,295,184) | (6,868,715) | (7,800,255) |
| Trade receivables at amortised cost | 27,839,147 | 45,581,360 | 14,253,279 | 35,978,198 |
| Trade receivables Europe and Norway | - | 2,018,456 | - | - |
| Deposits | 708,668 | 695,518 | 685,618 | 695,518 |
| **Non-financial instruments** | | | | |
| Receiver of Revenue - value added taxation | 13,513,863 | 7,198,219 | 12,507,565 | 6,178,820 |
| Prepayments | 20,460,504 | 12,910,355 | 20,082,075 | 12,811,808 |
| **Total trade and other receivables** | 62,522,183 | 68,403,908 | 47,528,537 | 55,664,344 |

Included in receivables was an amount of N$ 15 million including interest for the 2022 year (2021: N$ 14.8 million), which was paid as security for the Namibia Meat Importers and Exporters (Pty) Ltd ex-employees case.

| | | | | |
|---|---|---|---|---|
| **Split between non-current and current portions** | | | | |
| Current assets | 62,522,183 | 68,403,908 | 47,528,537 | 55,664,344 |

**Categorisation of trade and other receivables**

Trade and other receivables are categorised as follows in accordance with IFRS 9: Financial Instruments:

| | | | | |
|---|---|---|---|---|
| At amortised cost | 28,547,815 | 48,295,334 | 14,938,897 | 36,673,716 |
| Non-financial instruments | 33,974,367 | 20,108,574 | 32,589,640 | 18,990,628 |
| | 62,522,183 | 68,403,908 | 47,528,537 | 55,664,344 |

**Exposure to credit risk**

Trade receivables inherently expose the group to credit risk, being the risk that the group will incur financial loss if customers fail to make payments as they fall due.

**Reconciliation of loss allowances**

The following table shows the movement in the loss allowance (lifetime expected credit losses) for trade and other receivables:

| | | | | |
|---|---|---|---|---|
| **Opening ECL balance** | (12,295,184) | (9,334,545) | (7,800,255) | (4,839,616) |
| Provisions reversed on settled trade receivables | 149,434 | (2,960,639) | 931,540 | (2,960,639) |
| **Closing ECL balance** | (12,145,750) | (12,295,184) | (6,868,715) | (7,800,255) |

# Meat Corporation of Namibia

Consolidated and Separate Annual Financial Statements for the year ended 31 January 2022

## Notes to the Consolidated and Separate Annual Financial Statements

| Figures in N$ | Group 2022 | Group 2021 | Company 2022 | Company 2021 |
|---|---|---|---|---|
| **13. Cash and cash equivalents** | | | | |
| Cash and cash equivalents consist of: | | | | |
| Bank balances | 9,211,837 | 52,102,904 | 1,389,216 | 11,664,849 |
| Bank overdraft | 68,796,001 | 101,822,579 | 68,796,001 | 101,822,579 |
| | (59,584,164) | (49,719,675) | (67,406,785) | (90,157,730) |
| Current assets | 9,211,837 | 52,102,904 | 1,389,216 | 11,664,849 |
| Current liabilities | 68,796,001 | 101,822,579 | 68,796,001 | 101,822,579 |
| | (59,584,164) | (49,719,675) | (67,406,785) | (90,157,730) |

**Collateral pledged/ceased on cash and cash equivalents and borrowings**

A General Notarial Bond of N$ 160 million over biological assets and inventory located in Namibia (including beef, sheep, A General Notarial Bond of N$ 160 million over biological assets and inventory located in Namibia (including beef, sheep,

Other securities provided to First National Bank include:

- Unlimited letter of suretyship over Namibia Importers and Exporters
- Cession of Borrower's International Debtors' Book
- Cession of Borrower's South African Debtors Book
- Pledge and cession of Sanlam policy in respect of foreign book debts
- Pledge and cession of Alexander Forbes policy covering stock in South Africa and Namibia
- Pledge and cession of marine insurance policy
- 1st Bond of N$ 40 million to be registered over Farm Okapuka No 51
- Negative pledge of assets
- Unlimited letter of suretyship over Namibia Importers and Exporters

First National Bank total facilities details are as follows:

- Direct Overdraft facility of N$ 66 343 570
- Contingent facility (guarantee) - N$ 2,708,566

# Meat Corporation of Namibia

Consolidated and Separate Annual Financial Statements for the year ended 31 January 2022

## Notes to the Consolidated and Separate Annual Financial Statements

| Figures in N$ | Group 2022 | Group 2021 | Company 2022 | Company 2021 |
|---|---|---|---|---|
| **14. Interest bearing borrowings** | | | | |
| **Held at amortised cost** | | | | |
| **Secured** | | | | |
| **Bank Windhoek Limited** | 7,977,875 | 20,700,429 | 7,977,875 | 20,700,429 |
| Secured by the following:<br>- 1st and 2nd CMB for N$ 64,5 million over Erf 479 & 480 Okahandja and 1st GNCB and 2nd for N$ 68,5 million over Erf 479 & 480 Okahandja<br>Interest is payable at prime overdraft rate to prime overdraft rate +0.25% (7.5% - 7.75%) (2021: prime overdraft rate to prime overdraft rate +0.25% (10.5% - 10.75%)) monthly in arrears. Capital and interest are repayable in 19 (2021: 31) monthly installments of N$ 1,200,340 (2021: N$ 1,160,822).2 | | | | |
| **Development Bank of Namibia** | | | | |
| Loan 1 | 147,182,568 | 171,406,577 | 147,182,568 | 171,406,577 |
| Secured by the following:<br>Erf 6564 Windhoek, Erf 7130 Windhoek, Farm Annasruh, No 175, Gobabis and Portion 9, Farm Otavi Pforte 798, Grootfontein, Government guarantee for N$ 250 000 000 and a Memorandum of Agreement between the Ministry of Finance and Development Bank of Namibia.<br><br>Interest is payable at prime overdraft rate to prime overdraft rate +0.5% (7.5% - 8%) (2020: prime overdraft rate to prime overdraft rate +0.5% (10.5% - 11%)) monthly in arrears.<br><br>Capital and interest are repayable in 42(2021: 54) monthly installments of N$ 1,233,181 (2021: N$ 2,148,215);<br>42 (2021: 54) monthly installments of N$ 665,114 (2021: N$ 2,064,152) and 54 (2021: 68) monthly installments of N$ 711,954 (2021: 711,954). | | | | |
| Loan 2 | 284,186,742 | 158,620,837 | 284,186,742 | 158,620,837 |
| Secured by government guarantee. Interest is chargeable at prime overdraft rate to prime overdraft rate +2% (7.5% - 9.5%) (2020: 0). First installment is payable after 30 April 2023. | | | | |
| | 439,347,185 | 350,727,843 | 439,347,185 | 350,727,843 |

# Meat Corporation of Namibia

Consolidated and Separate Annual Financial Statements for the year ended 31 January 2022

## Notes to the Consolidated and Separate Annual Financial Statements

| Figures in N$ | Group 2022 | Group 2021 | Company 2022 | Company 2021 |
|---|---|---|---|---|
| ***Interest bearing borrowings continued...*** | | | | |
| **Split between non-current and current portions** | | | | |
| Non-current liabilities | 416,444,244 | 324,314,414 | 416,444,244 | 324,314,414 |
| Current liabilities | 22,902,941 | 26,413,429 | 22,902,941 | 26,413,429 |
| | 439,347,185 | 350,727,843 | 439,347,185 | 350,727,843 |

### 15. Lease liability - right of use

| | Group 2022 | Group 2021 | Company 2022 | Company 2021 |
|---|---|---|---|---|
| **Minimum lease payments due** | | | | |
| - within one year | 782,444 | 1,170,505 | 418,386 | 1,005,113 |
| - in second to fifth year inclusive | 599,657 | - | 503,258 | - |
| Less: Future finances charges | (156,178) | (30,557) | - | (30,557) |
| **Present value of minimum lease payments** | 1,225,923 | 1,139,948 | 921,644 | 974,556 |
| **Present value of minimum lease payments due** | | | | |
| - within one year | 418,386 | 1,139,948 | 418,386 | 974,556 |
| - in second to fifth year inclusive | 807,537 | - | 503,258 | - |
| **Present value of minimum lease payments** | 1,225,923 | 1,139,948 | 921,644 | 974,556 |

### 16. Retirement benefit assets and obligations

| | Group 2022 | Group 2021 | Company 2022 | Company 2021 |
|---|---|---|---|---|
| **Present value of oligation** | | | | |
| Present value of the defined benefit Present value of the defined benefit obligation-wholly unfunded | (9,711,000) | (11,468,000) | (9,711,000) | (11,468,000) |
| Service cost | (880,000) | (902,000) | (858,000) | (902,000) |
| Interest cost | (1,094,000) | (1,118,000) | (732,000) | (1,118,000) |
| Benefit payments | 6,657,000 | 3,884,000 | 6,611,000 | 3,884,000 |
| Actuarial loss/(gain) for the year | (804,000) | (98,000) | (820,000) | (98,000) |
| Past service cost | (20,000) | (9,000) | (20,000) | (9,000) |
| | (5,852,000) | (9,711,000) | (5,530,000) | (9,711,000) |

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 2022 of the company's liability in respect of the provision for severance pay.

| | Group 2022 | Group 2021 | Company 2022 | Company 2021 |
|---|---|---|---|---|
| **Key assumptions used** | | | | |
| Discount rates used | 10.20% | 11.00% | 10.20% | 11.00% |
| Expected increase in salaries | 6.90% | 6.20% | 6.90% | 6.20% |

# Meat Corporation of Namibia

Consolidated and Separate Annual Financial Statements for the year ended 31 January 2022

## Notes to the Consolidated and Separate Annual Financial Statements

| Figures in N$ | Group 2022 | Group 2021 | Company 2022 | Company 2021 |
|---|---|---|---|---|

**17. Provisions**

| | N$ Opening Balances | N$ Change in estimates | N$ Utilised during the year | N$ Total |
|---|---|---|---|---|
| **Reconciliation of provisions - Group - 2022** | | | | |
| Provision for profit share | - | - | - | - |
| Other provisions | 213,310 | 149,200 | (126,296) | 236,214 |
| | 213,310 | 149,200 | (126,296) | 236,214 |
| **Reconciliation of provisions - Group - 2021** | | | | |
| Provision for profit share | 1,188,349 | - | (1,188,349) | - |
| Other provisions | - | 213,310 | | 213,310 |
| | 1,188,349 | 213,310 | (1,188,349) | 213,310 |
| **Reconciliation of provisions - Corporation - 2022** | | | | |
| Other provisions | - | - | - | - |
| **Reconciliation of provisions - Corporation - 2021** | | | | |
| Other provisions | (296,794) | 296,794 | - | - |

**18. Trade and other payables**

| | Group 2022 | Group 2021 | Company 2022 | Company 2021 |
|---|---|---|---|---|
| **Financial instruments** | | | | |
| Trade payables | 126,094,311 | 48,997,243 | 122,701,412 | 48,865,655 |
| Other payables and acruals | 725,048 | 533,995 | - | - |
| **Non-financial instruments** | | | | |
| Receiver of Revenue - value added taxation | - | 85,605 | - | - |
| | 126,819,359 | 49,616,843 | 122,701,412 | 48,865,655 |

**Fair value of trade and other payables**

The fair value of trade and other payables approximates their carrying amounts.

**19. Current tax payables**

The current tax balance is made up as follows:

| | Group 2022 | Group 2021 | Company 2022 | Company 2021 |
|---|---|---|---|---|
| **Current tax payable** | | | | |
| Current tax payable | (684,467) | (664,415) | - | - |
| **Provisions for taxation** | | | | |
| Opening balance | (664,415) | (2,089,800) | - | - |
| Provisions for the year | (20,052) | (10,963) | - | - |
| Provisional tax payment | - | 1,436,348 | - | - |
| | (684,467) | (664,415) | - | - |

# Meat Corporation of Namibia

Consolidated and Separate Annual Financial Statements for the year ended 31 January 2022

## Notes to the Consolidated and Separate Annual Financial Statements

| Figures in N$ | Group 2022 | Group 2021 | Company 2022 | Company 2021 |
|---|---|---|---|---|

### 20. Revenue

| | | | | |
|---|---|---|---|---|
| **Revenue from customers with contracts** | | | | |
| Sale of goods | 751,360,572 | 867,693,730 | 735,250,817 | 864,344,757 |
| GATT Licences | 534,220 | 5,654,584 | - | - |
| | 751,894,792 | 873,348,314 | 735,250,817 | 864,344,757 |
| **Disaggregation of revenue from contracts with customers** | | | | |
| The group disaggregates revenue between GATT quotas and sales of goods as follows: | | | | |
| Sale of goods | 751,360,572 | 867,693,730 | 735,250,817 | 864,344,757 |
| GATT Licences | 534,220 | 5,654,584 | - | - |
| | 751,894,792 | 873,348,314 | 735,250,817 | 864,344,757 |
| **Timing of revenue recognition** | | | | |
| **At a point in time** | | | | |
| Sale of goods | 751,360,572 | 867,693,730 | 735,250,817 | 864,344,757 |
| GATT Licences | 534,220 | 5,654,584 | - | - |
| | 751,894,792 | 873,348,314 | 735,250,817 | 864,344,757 |

### 21. Cost of sales

| | | | | |
|---|---|---|---|---|
| Sale of goods | 710,293,626 | 764,531,827 | 696,945,531 | 769,218,560 |
| Discount received | 841,841 | - | 841,184 | - |
| **Manufactured goods:** | | | | |
| Depreciation and impairment | 13,203,885 | 17,026,964 | 12,253,172 | 17,026,964 |
| Manufacturing expenses | 30,370,410 | 15,874,198 | 30,261,120 | 15,874,198 |
| | 754,709,762 | 797,432,989 | 740,301,007 | 802,119,722 |

### 22. Other income

| | | | | |
|---|---|---|---|---|
| **Gains (losses) on disposals, scrappings and settlements** | | | | |
| Property, plant and equipment | (686,936) | 124,204 | (681,518) | 124,204 |
| **Foreign exchange gains (losses)** | | | | |
| Net foreign exchange gains | 580,602 | 9,616,321 | 580,602 | 9,616,321 |
| **Restructuring cost** | | | | |
| Restructuring cost | - | 307,933 | - | 290,608 |
| **Fair value gains (losses)** | | | | |
| Sundry income | 7,966,638 | 6,887,072 | 7,697,082 | 6,887,072 |
| | **7,860,305** | **16,935,530** | **7,596,166** | **16,918,205** |

# Meat Corporation of Namibia

Consolidated and Separate Annual Financial Statements for the year ended 31 January 2022

## Notes to the Consolidated and Separate Annual Financial Statements

| Figures in N$ | Group 2022 | Group 2021 | Company 2022 | Company 2021 |
|---|---|---|---|---|

## 23. Operating loss

Operating loss for the year is stated after charging (crediting) the following, amongst others:

| Figures in N$ | Group 2022 | Group 2021 | Company 2022 | Company 2021 |
|---|---|---|---|---|
| **Auditor's remuneration - external** | | | | |
| Audit fees | 1,925,754 | 1,970,131 | 1,912,098 | 1,970,131 |
| Auditor's remuneration - internal | 624,000 | 624,000 | 624,000 | 624,000 |
| **Employee costs** | | | | |
| Salaries, wages, bonuses and other benefits | 116,076,441 | 115,299,882 | 100,033,657 | 115,299,882 |
| **Leases** | | | | |
| **Operating lease charges** | | | | |
| Premises | 70,952 | 83,203 | 70,952 | 83,203 |
| Equipment | 174,994 | 196,588 | 174,994 | 171,343 |
| | 245,946 | 279,791 | 245,946 | 254,546 |
| **Depreciation** | | | | |
| Depreciation of property, plant and equipment | 12,607,704 | 16,430,074 | 11,891,639 | 16,410,484 |
| Depreciation of right of use assets | 601,567 | 616,480 | 361,533 | 616,480 |
| Total depreciation | 13,209,271 | 17,046,554 | 12,253,172 | 17,026,964 |
| Less: Depreciation and amortisation included in cost of merchandise sold and inventories | (13,209,271) | (17,046,554) | (12,253,172) | (17,026,964) |
| | - | - | - | - |

**Expenses by nature**

The total cost of sales and administrative expenses are analysed by nature as follows:

| | Group 2022 | Group 2021 | Company 2022 | Company 2021 |
|---|---|---|---|---|
| Sold inventories of meat products | 741,505,877 | 780,386,435 | 728,047,835 | 785,092,758 |
| Employee and adminstration costs | 106,018,581 | 115,299,882 | 89,694,433 | 103,636,851 |
| Operating lease charges | 245,948 | 279,791 | 245,948 | 279,791 |
| Depreciation | 13,203,885 | 17,046,554 | 12,253,172 | 17,026,964 |
| Other expenses | 36,740,285 | 32,262,806 | 27,941,276 | 37,768,007 |
| Bank charges | 1,672,087 | 2,520,599 | 1,494,504 | 2,520,599 |
| Consulting and professional fees | 3,686,743 | 2,596,245 | 3,652,891 | 2,596,245 |
| Insurance | 8,045,645 | 8,387,017 | 8,045,645 | 8,387,017 |
| IT expenses | 4,389,298 | 4,919,245 | 4,389,298 | 2,919,245 |
| Travel | 2,328,116 | 1,004,420 | 2,105,947 | 874,255 |
| | 917,836,465 | 964,702,994 | 877,870,949 | 961,101,732 |

# Meat Corporation of Namibia

Consolidated and Separate Annual Financial Statements for the year ended 31 January 2022

## Notes to the Consolidated and Separate Annual Financial Statements

| Figures in N$ | Group 2022 | Group 2021 | Company 2022 | Company 2021 |
|---|---|---|---|---|
| **24. Finance income** | | | | |
| **Finance income comprises:** | | | | |
| Bank and other cash | 195,361 | 2,237,463 | 102,093 | 2,113,225 |
| **25. Finance costs** | | | | |
| **Finance costs included in profit or loss:** | | | | |
| Current borrowings | 47,583,543 | 47,260,611 | 47,554,528 | 47,260,611 |
| IFRS 16 adjusment | 83,108 | - | 66,870 | - |
| **Total finance costs** | **47,666,651** | **47,260,611** | **47,621,398** | **47,260,611** |
| **26. Taxation** | | | | |
| **Major components of the tax expense** | | | | |
| **Current tax** | | | | |
| Local income tax period - current period | (1,140,670) | 10,963 | - | - |
| **Deferred tax** | | | | |
| Originating and reversing temporary differences | (73,375) | 36,748 | - | 36,748 |
| **Total income tax** | **(1,214,045)** | **47,711** | **-** | **36,748** |

**Reconcilliation of tax expense**

Reconciliation between applicable tax rate and average effective tax rate.

| | Group 2022 | Group 2021 | Company 2022 | Company 2021 |
|---|---|---|---|---|
| **Effective tax rate** | **32.00%** | **32.00%** | **32.00%** | **32.00%** |

# Meat Corporation of Namibia

Consolidated and Separate Annual Financial Statements for the year ended 31 January 2022

## Notes to the Consolidated and Separate Annual Financial Statements

| Figures in N$ | Group 2022 | Group 2021 | Company 2022 | Company 2021 |
|---|---|---|---|---|

**27. Cash generated/(used in) operations**

| | | | | |
|---|---|---|---|---|
| **Loss before taxation** | **(206,291,023)** | **(118,639,441)** | **(182,553,800)** | **(124,986,156)** |
| **Adjustments for:** | | | | |
| Finance income | (195,361) | (2,237,461) | (102,093) | (2,113,225) |
| Finance costs | 47,666,651 | 47,260,611 | 47,621,398 | 47,260,611 |
| Depreciation and amortisation expense | 13 209 271 | 17,046,555 | 12,253,172 | 17,026,964 |
| Movements in provisions | 666,904 | (1,178,422) | - | - |
| FEC recognised | 456,432 | - | 456,432 | - |
| Gains on disposals, scrapping and settlements of assets and liabilities | 686,936 | (124,204) | 681,518 | (124,204) |
| Loss (profits) from associate | 738,365 | (802,859) | - | - |
| Foreign exchange differences - unrealized | (929,606) | (1,999,254) | (929,606) | (1,999,254) |
| Movement in retirement benefit assets and liabilities | 9 041 000 | 2,127,000 | 9,041,000 | 2,127,000 |
| Changes in fair value of livestock | (131,962,061) | (76,178,783) | (131,962,061) | (77,855,441) |
| IFRS 16 adjustment | 1 023 582 | (687,873) | 421,016 | (687,873) |
| Inventory variances and provision movement | - | 1,857,225 | - | 1,857,225 |
| **Changes in working capital** | | | | |
| Inventories and biological assets | 144 355 038 | 182,700,639 | 152,347,773 | 180,551,084 |
| Trade and other receivables | (4,197,504) | 88,068,134 | 5 201 856 | 85,757,017 |
| Trade and other payables | 77,571,120 | (19,988,704) | 74,184,309 | (18,105,341) |
| Movement in related parties | - | - | 36,221,523 | 19,780,047 |
| **Net cash flows from operations** | **(48,160,256)** | **117,223,163** | **22,882,437** | **128,488,454** |

**28. Tax paid**

| | | | | |
|---|---|---|---|---|
| Balance at beginning of the year | (664,415) | (2,089,800) | - | - |
| Current tax for the year recognised in profit or loss | - | (10,963) | - | - |
| Balance at end of the year | (684,467) | 664,415 | - | - |
| | (1,348,882) | (1,436,348) | - | - |

# Meat Corporation of Namibia

Consolidated and Separate Annual Financial Statements for the year ended 31 January 2022

## Notes to the Consolidated and Separate Annual Financial Statements

| Figures in N$ | Group 2022 | Group 2021 | Company 2022 | Company 2021 |
|---|---|---|---|---|

### 29. Related parties

***Relationships***

| | |
|---|---|
| Subsidiaries | Refer to note 7 |
| Associates | Refer to note 7 |

***Related party balances***

| | |
|---|---|
| Loans to / (from) group companies | Refer to note 13 |

**Amounts included in Trade receivables / (trade payables) regarding related parties**

| Figures in N$ | Group 2022 | Group 2021 | Company 2022 | Company 2021 |
|---|---|---|---|---|
| Intercompany debtors | - | - | - | 20,134,922 |

***Related party transactions***

| Figures in N$ | Group 2022 | Group 2021 | Company 2022 | Company 2021 |
|---|---|---|---|---|
| ***Purchases from (sales to) related parties*** | | | | |
| Namibia Meat Importers and Exporters (Pty) Ltd | - | - | (49,793,176) | (36,229,043) |
| Namibia Meat Importers and Exporters (Pty) Ltd | | | 8,042,746 | 3,489,965 |
| Namibia Cattle Procument (Pty) Ltd | - | - | - | 792,406 |
| GPS Norway AS | - | - | (133,097,762) | (190,966,961) |
| ***Commission paid to (received from) related parties*** | | | | |
| Meat Corporation of Namibia (UK) | - | - | (6,714,735) | (7,738,452) |
| ***Compensation to directors and other key management*** | | | | |
| Short-term employee benefits | 1,771,231 | 1,101,931 | 1,713,876 | 1,101,931 |

### 30. Directors emoluments

***Non-executive***

| Figures in N$ | Group 2022 | Group 2021 | Company 2022 | Company 2021 |
|---|---|---|---|---|
| Services as a director | 1,771,231 | 1,101,931 | 1,713,876 | 1,101,931 |

# NOTES

# MEATCO

1 Sheffield Road
Northern Industria
Windhoek
meatco.com.na