ANNUAL REPORT 2017/18

MEAT MA
THE PLATE OF PLENTY

ADDING VALUE FOR NAMIBIA

www.meatco.com.na

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'GROWTH AT HOME' STRATEGY AT WORK

BACKGROUND **TO THIS REPORT**

Why integrated reporting?

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

About this 2017/18 Report

This is the sixth integrated report delivered by the Corporation to its stakeholders. It comprises information on governance, strategies, performance and prospects and is designed to provide a balanced overview of key developments in the period under review, being 1st February 2017 to 31st January 2018.

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

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

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

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

The Meatco Annual Report for 2017/18 was approved by the Board of Directors on 23 May 2018.

Reporting principles

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

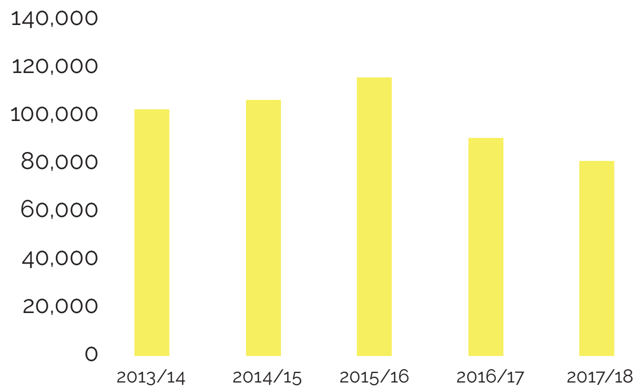
Assurance

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

2017/18 PERFORMANCE **AT A GLANCE**

The 2017/18 reporting year, although challenging in many respects, saw some positive signs of a recovery in the local economy, as Meatco geared itself to 'think harder and work smarter', ensuring it is ready to face the future with confidence.

The Group recorded revenue of N$1,425 million, a decrease of 15.9 per cent, which is commendable in the face of the tough economic climate experienced in 2017/18. Through prudent financial and operational management efforts, the operating loss was minimised to N$20 million.



Cattle slaughtered

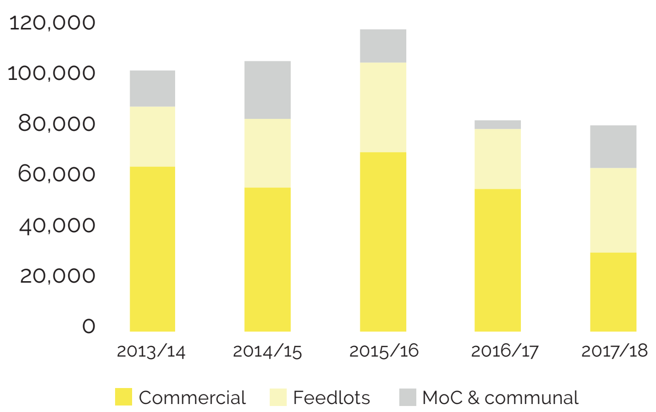
The number cattle slaughtered for the reporting year were 81,984 cattle (SVCF) (2016/17: 91,558), which is 9,574 less than the previous year, representing a decrease of 10.4 per cent. It is also 15.3 per cent lower than the budgeted number of 96,811. Private cattle slaughtered for the period were 5,045 cattle, representing 6.2 per cent of all animals slaughtered at the plant. Overall, the condition of the cattle was fair throughout the year, though volumes were lower than expected.

Producer price

2017/18 was a particularly good year for producers as the prices paid by Meatco have been substantially higher than they have ever been in the Corporation's history. The average producer price of N$37.64 per kg was 10.5 per cent higher than the previous reporting period (2016/17: N$34.06 per kg).

Norway quota

As in the previous reporting year, Meatco was able to fulfil its allocated quota of 1,400 tonnes, proving to the Norwegian and Namibian Governments that it has the capacity to supply high quality meat products to this high-value export market, thus maximising yields for its producers.



Animals from SVCF decreased

The number of animals procured from producers South of the Veterinary Cordon Fence (SVCF) decreased with 44.3 per cent due to high prices offered by South African buyers, as reflected in the record number of live animals exported to South Africa during the reporting year. Meatco sourced animals from its feedlots and backwards integrated initiatives to ensure sufficient throughput at the processing plant.

MEATCO **AT A GLANCE**

Perspective on Meatco's business

Meatco serves niche markets locally, regionally and internationally with premium quality products that are traceable all the way 'from the farm to the fork'. Meatco is a meat-processing and meat-marketing entity.

Meatco buys cattle from all Namibian farmers who are committed to the specific livestock farming practices that give its end products their unique, sought-after characteristics.

After slaughtering, Meatco processes the meat at its processing plant in Windhoek. The plant conforms to stringent international standards and is EU-compliant.

After processing through Meatco's world-class value chain, its meat fetches a significant premium in carefully-chosen markets locally and across the globe.

The Meat Corporation of Namibia was established, and is regulated by the Meat Corporation of Namibia Act, Act 1 of 2001, with the aim to serve, promote and coordinate the interests of livestock producers in Namibia. The Corporation is also listed as a state-owned enterprise under the Public Enterprises Governance Act, 2006 (Act 2 of 2006).

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

Meatco's Ownership Structure

MEATCO Namibia

MEAT CORPORATION OF NAMIBIA

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

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

What does Meatco do?

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

The Corporation and its processes are regularly audited by independent, internationally recognised auditing companies such as SAI Global. All its facilities comply with the new international standard, FSSC 22000, which is a combination of the Hazard Analysis Critical Control Point (HACCP) and ISO 9001 standards used previously. The FSSC 22000 (Food Safety System Certification) provides a framework for effectively managing food safety responsibilities. FSSC 22000 is fully recognised by the Global Food Safety Initiative (GFSI) and is based on existing ISO 9001 standards. The Corporation is also subject to separate auditing activities mandated by certain of its clients.

The Corporation is proud that Meatco's export abattoir in the capital city of Windhoek holds an 'A' grading in terms of the internationally recognised British Retail Consortium (BRC) Standards, while the Okahandja cold storage holds an 'AA' grade certification. The BRC standards relate to ethical and fair practices, animal welfare and corporate social responsibility, in addition to technical and operational aspects of food production.

At the heart of Meatco's operations is the historical relationship it has been able to establish with Namibian cattle producers, acting as a value-adding and marketing entity to pass the value gained from various markets back to these producers through the producer price paid for cattle. Meatco is able to do this because its objective is not to return profits to the Corporation itself: in the year under review, the share of its business earnings that were passed on to producers was 53.2 per cent.

VISION AND **MISSION**

What Meatco lives for

Vision

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

Mission

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

Objective

Its principal objective is to maximise producer returns sustainably.

Meatco's business focus areas

MEATCO'S **OBJECTIVES**

Producers of livestock

To serve, promote and coordinate the interests of the producers of livestock in Namibia, and to strive for the stabilisation of the meat industry of Namibia in the national interest.

Abattoirs in Namibia

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

Market its products

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

Manage its business

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

How Meatco is managed

Ethics

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

Governance

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

Risk management

As a pragmatic business entity, Meatco recognises that there is no opportunity without risk. It therefore has appropriate structures in place – such as the Risk Log Frame revised in 2017 – to identify, monitor and manage its risks effectively. Risk is managed at three discrete levels in the Corporation: the line manager at operational level; the Executive Committee; and the Audit and Risk Committee of the Board.

Remuneration

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

BOARD OF **DIRECTORS**

It is the responsibility of the Board of Directors to govern and guide Meatco. The current Board of Directors was appointed on 4th of January 2017 for a period of three years. In terms of Section 5 of the Meat Corporation of Namibia Act, Act. No 1 of 2001, the Minister of Agriculture, Water and Forestry appoints the Meatco Board from individuals nominated by members and other stakeholder groups.

Dr Martha Namundjebo-Tilahun

Chairperson

Appointment:
Appointed for her specialised business expertise.

Formal education:
BSc Business Administration and Management, St Paul's College, Lawrenceville, Virginia, USA; MBA, University of California, Berkeley, USA; MBA, University of Santa Clara, California, USA, Doctorate Degree Honoris Causa in Business Administration, University of Namibia, Namibia.

Mr Ronald Leonard Kubas

Vice Chairperson

Appointment:
Appointed for his expertise in the engineering field.

Formal education:
BSc (Eng) (Electrical), University of Cape Town, Cape Town, South Africa.

Mr Edwin Dennis Beukes, CA

Director

Appointment:
Co-opted for his expertise in finance.

Formal education:
B. Com Degree from Unisa, B Com Degree (Honours) from UNISA, CIMA stages 2 & 3, Masters in Business Leadership from UNISA, board exams, from the Institute of Chartered Account & Public Auditors.

Ms Sophia Kasheeta

Director

Appointment:
Appointed by the Minister of Agriculture, Water and Forestry to represent the interests of the Government of Namibia.

Formal education:
Diploma in Animal Production, Egerton University, Nakuru, Kenya; Diploma in Public Administration, United Nations Institute for Namibia, Lusaka, Zambia; Postgraduate Diploma in extension and development studies, University of Reading, United Kingdom.

Mr Silas-Kishi Shakumu

Director

Appointment:
Co-opted for his expertise in corporate legal and governance matters.
Formal education:
LLB. (Hon,) University of Western Cape, South Africa; Diploma in Administrative Law, Claremont College, SA; admitted as Legal Practitiioner to High and Supreme Court of Namibia.

Mr Mwilima I Mushokabanji

Director

Appointment:
Co-opted to represent communal farmers.
Formal education:
Masters in Management (Governance and Public Leadership), University of Witwatersrand, South Africa; Postgraduate Diploma in Leadership Development, University of Stellenbosch, SA; B.Hons. Public Administration, University of Stellenbosch, SA; National Diploma in Agriculture, University of Namibia; BA Communication, Namibia University of Science and Technology

Dr Diana Louisa van Schalkwyk

Director

Appointment:
Co-opted for her expertise in the meat sector.
Formal education:
PhD in food science, animal and meat science. University of Stellenbosch, South Africa; Postgraduate Diploma in Marketing Management, UNISA; B.Sc in Microbiology and Biology, University of Pretoria, South Africa.

Mr Israel Itamungua Ngangane

Director

Appointment:
Appointed to represent employee interests.
Formal education:
Certificate in Norwegian specifications and abattoirs, Fatland, Norway; Diploma in Labour and Employment Studies University of Namibia.

Mr Stefanus Oosthuizen

Director (resigned 16 February 2018)

CORPORATE **GOVERNANCE**

Board of Directors: independence, skills and knowledge

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

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

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

The Corporate Governance Code of Namibia (NamCode)

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

Conflict of interest

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

Company secretary

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

Independence of external auditors

Meatco's 2017/18 Annual Financial Statements were audited by the independent auditors, Grand Namibia. Meatco believes the auditors have observed the highest standard of professional ethics and Meatco has no reason to suspect that they have not acted independently of the Corporation. The Board Audit and Risk Committee has confirmed that the external auditors have acted independently in the performance of their duties for the reporting period.

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

Financial statements

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

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

Operation of the Board of Directors

Areas of responsibility

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

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

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

Board structure

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

Committee chairpersons report verbally on the proceedings of their committees at the subsequent Board meeting. The Board structure is depicted below.

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

- Members of the Audit and Risk Committee: Mr R.L. Kubas (Chairperson), Mr E. Beukes and Dr D. van Schalkwyk.
- Members of the Remuneration and Human Resource Committee: Ms S. Kasheeta (Chairperson), Mr I.I. Ngangane, Mr M. Mushokabanji and Mr S. Shakumu.
- Members of the Management Support Committee: Dr M. Namundjebo-Tilahun (Chairperson), Mr R. Kubas.

The company secretary is responsible for advising the Board, through the Chairperson, on matters of corporate governance.

The Board and its committees are provided comprehensive and timely information, including detailed financial information, to enable the directors to discharge their responsibilities. The committees are likewise provided adequate resources and support to undertake their duties.

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

Board meetings

During the year under review, the Board met thirteen times, seven of those meetings were special meetings. Board Members also attended the Annual General Meeting, which was held in accordance with the requirements of the Meat Corporation of Namibia Act.

Records of Directors' attendance at Board meetings, committee meetings, and the Annual General Meeting are set out in the table below. In addition to the meetings indicated, several Board Members attended farmers' liaison meetings and producers' forum meetings, as well as ad hoc meetings with farmers' associations, farmers' unions, member groups and other stakeholders.

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

Audit and Risk Committee

During the year under review, the Audit and Risk Committee was chaired by Mr R.L. Kubas. The committee met six times during the year under review.

Board Member	Board Meetings	Audit and Risk Committee Meetings	Remuneration and HR Committee Meetings	Management Support Committee Meetings	Annual General Meetings
M. Namundjebo-Tilahun	11				√
I.I. Ngangane	12		3		
R.L. Kubas	12	6			√
S. Kasheeta	11		3		
E. Beukes	12	4			√
S. Oosthuizen	10			dormant	
M. Mushokabanji	10		2		
D. van Schalkwyk	10	6			√
S. Shakumu	8		2		√
I. Schneider, Acting Chief Executive Officer	6	5	2		
By invitation:					
E. Tuneeko, Company Secretary	9	5	3		

The meetings were attended by the Acting Chief Executive Officer and the Internal Auditor. Other members of management attended on request, when required, while the external auditors attended only those meetings that were pertinent to their activities.

The Audit and Risk Committee reports on its activities and makes recommendations to the Board. During the year under review, the committee discharged its responsibilities in accordance with its charter.

The committee also ensured that appropriate standards of governance, reporting and compliance were met and advised the Board on matters relating to the application of accounting standards in respect to Corporation activities.

The committee's activities during the year included:

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

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

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

Remuneration and Human Resources Committee

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

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

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

MEATCO'S **MANAGEMENT TEAM**

Meatco's Executive Committee is responsible for the detailed planning and implementation of Meatco's objectives and policies, as determined by the Board of Directors. During the reporting year, the Executive Committee comprised of the Acting Chief Executive Officer and six executives responsible for the portfolios that constitute the heart of its operations.

Executive management committee

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

Code of conduct

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

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

Executive management committee

Ingo Schneider

Acting Chief Executive Officer/Chief Financial Officer

Joined Meatco in 2016.

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

Jannie Breytenbach

Executive: Operations

Joined Meatco in 1994.

Formal education: National Diploma in Finance and Administration (UNISA).

Rosa Katjivena

Executive: Quality Assurance

Joined Meatco in 2000.

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

Heiner Böhme

Executive: Livestock Procurement

Joined Meatco in 2007.

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

Stanley Hoveka-Mbura

Executive: Human Resources

Joined Meatco in 2013.

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

Vehaka Tjimune

Executive: Stakeholder Relations & Corporate Affairs

Joined Meatco in 2008.

Formal education: MSc in Rural Development, University of Reading, UK; Post Grad. Diploma in Rural Development; National Diploma Agriculture; Executive Development Programme, University of Stellenbosch Business School, South Africa.

Cyprianus Khaiseb

Executive: Marketing and Sales

Joined Meatco in 1996.

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

Kingsley Kwenani

Executive Officer: Meatco Foundation

Joined Meatco in 2013.

Formal education: Diploma in Agriculture, Diploma Agric Extension and Rural Development, B Agric (Hons); Master's Degree in Agriculture Extension and Rural Development from University of Pretoria.

2017/18 REVIEW:
CHAIRPERSON'S REPORT

Contributing on average N$5.5 billion to the country's gross domestic product — of which livestock farming accounts for approximately N$3.2 billion — the meat industry is an integral part of Namibia's economy.

But it is much more than that: a large number of Namibians depend on the red meat industry for their livelihoods, while it makes a substantial contribution to the nation's employment and export markets. It is an industry that should be valued and nurtured by every Namibian.

With the effects of the Government's accelerated fiscal consolidation having vibrated throughout the whole business community since 2016, we are beginning to see the proverbial light at the end of the tunnel.

The 2017/18 reporting year, although challenging in many respects, saw some positive signs of an recovery in the local economy, as Meatco geared itself to 'think harder and work smarter', ensuring it is ready to face the future with confidence.

Economic overview

After posting annual growth rates of 5+ per cent since 2010, the growth momentum slowed down significantly in 2016 when Namibia's economy experienced a particular sluggish growth of only 0.2 per cent. Although the economy recovered slightly in 2017, with real GDP growth estimated at 0.8 per cent, it is still far removed from 5+ per cent growth rates we had become accustomed to.

In the reporting year, agriculture and forestry — which benefited from a favourable rainy season — together with the diamond mining industry, were among the main growth drivers in the Namibian economy.

Revenue recorded

-15.9%

The Group recorded revenue of N$1,425 million, a decrease of 15.9 per cent, which is commendable in the face of the tough economic climate experienced in 2017/18.

Operating loss

N$20 million

Through prudent financial and operational management efforts, the operating loss was minimised to N$20 million.

Paid to producers

53.2%

Meatco is not a profit-seeking entity; its aim of maximising producers' returns, meant that it paid out 53.2 per cent of its beef revenue to producers.

Moreover, with better rainfall patterns subduing the recent regional drought caused by El Niño, agriculture and forestry are expected to remain part of the group of highest-performing sectors, making the primary sector the growth driver in the country for the short term.

Continued signals of a stronger recovery in agriculture and mining sectors are projected to facilitate 2.6 per cent GDP growth in 2018. However, Namibia's relatively small, open commodity-driven economy is expected to remain vulnerable to external shocks.

This is especially the case with Namibia's over-reliance on the mining industry in the face of a slow recovery of world demand for commodities. The slow pick-up in Angola — one of Namibia's main trading partners — is a particular risk, while the slow recovery of the South African economy doesn't bode well for the country.

We can expect the economy, and therefore, consumer spending ability, to remain under pressure for the next year or two — a situation that calls for a proverbial tightening of the belt.

Political environment

On the political front, it is clear that the election of President Hage Geingob as president of Swapo has created much-needed certainty in terms of Government policies for the next few years, which we support and welcome.

It is expected that Government will continue with its fiscal consolidation efforts, which can have positive spin-offs in terms of consumer appetite for our product in the local market. The uptake of Meatco's MeatMa brand, aimed specifically at the local market, attested to this.

In another political development, the envisaged amendments to the State-owned Enterprises (SOE) Governance Act, which we understand will be tabled in the course of 2018, will have an impact on Meatco. It will determine if Meatco will fall under the Ministry of Agriculture, Water & Forestry as its line ministry with a dual reporting line to the Ministry of Public Enterprises (MoPE), or a single reporting line to the MoPE.

In addition, Meatco's Board and management team are still in the process of assessing the implications of the Public Procurement Act. It is complicated piece of legislation and it will impact on us in some aspects.

In principle we will comply with the provisions in the Procurement Act as they are relevant to our business. We are busy determining how best we will manage the provisions within our day-to-day business of running smoothly and effectively.

The Corporation is also looking forward to the implementation of the Harambee Comprehensively Coordinated and Integrated Agricultural Development Programme (HACCIADEP), which was put forward by the Ministry of Agriculture, Water and Forestry in September 2017.

The programme places a strong emphasis on local procurement, i.e. people who are operating in the northern communal areas (NCA) will procure their animals locally. It specifically focuses on Government institutions to procure products from local sources in the first instance, before they import it from south of veterinary cordon fence (the so-called red line).

We believe that it will materially change the situation within the NCA, and specifically in terms of making Meatco's operations in the north profitable, going forward. We are in full support of the HACCIADEP, as we believe the quality of the NCA meat is quite on par with that south of the cordon fence.

Financial performance

The Group recorded revenue of N$1,425.0 million (2016/17: N$1,694.6 million), a decrease of 15.9 per cent compared with the previous financial year. The Corporation recorded a revenue of N$1,408.7 million (2016/17: N$1,687.4 million), representing a decrease of 16.5 per cent.

A decrease in revenue is a direct result of a decrease in slaughtered animals. Throughput of cattle supply in the areas south of the veterinary cordon fence (SVCF) decreased to 81,984 (2016/17: 91,557). Cattle supply in the areas north of the veterinary cordon fence increased to 896 (2016/17: 755).

The Group recorded an operating loss of N$20.1 million, compared with N$56.5 million profit in the previous year, and a loss for the year of N$42.9 million (2016/17: N$19.2 million profit). In the face of the tough economic climate experienced in 2018, it is commendable that the loss has been minimised.

It is also important to bear in mind that Meatco is not a profit-seeking entity: the Corporation paid 53.2 per cent of its beef revenue to its producers.

The need for working capital is highly seasonal and is driven by the slaughtering of cattle which occurs mainly from February to July each year. At its highest level, the Corporation borrowed N$520.8 million (2016/17: N$472.4 million) to finance inventories and trade and other receivables.

Despite financial pressure, investing in asset development remained an important aspect of Meatco's long-term sustainability. The Corporation invested N$32,4 million (2016/17: N$47.8 million) in upgrading and development of assets. No capital commitments have been entered into at year-end.

Despite the current loss recorded, overall Meatco's financial position can be defined as satisfactory in view of the current economic and operational circumstances, with the only significant concern being the limited number of cattle available for slaughter.

Internal restructuring

In view of the economic pressure on consumer spending and the continuous decrease in slaughter cattle supply from commercial producers SVCF as experienced in the past decade — from more than 100,000 in 2008/9 to less than 32,000 in this reporting year — the Board initiated a review of the Corporation's organisational structure.

An external consultant was commissioned to assist the Board and management team in evaluating best options. We are fully aware that restructuring is a challenging aspect of Meatco's daily business, as it affects the livelihoods of employees.

However, people underestimate how much a well-considered restructuring is already a step in the right direction in terms of securing Meatco's long-term sustainability. Balancing the interests of the various interest groups remains a tough task, but we need to get a sustainable model looking to the future.

The consultant's report was presented to the Board shortly before year-end and some recommendations will be implemented in the next financial year. We are confident that the restructuring will contribute substantially towards making it possible for Meatco to face future challenges head on.

Looking ahead

It is widely expected that growth in the Namibia's economy will resume in 2018 and accelerate thereafter to about 4 per cent, especially in view of new mines ramping up their production and a recovery in the construction, manufacturing and retail activities.

However, the country still faces key challenges going forward, such as preserving macro-economic stability and managing the ongoing adjustment process, while reducing unemployment and income inequality.

Namibia's policy for industrialisation adopted in 2012 and its implementation strategy of *Growth at Home* launched in 2015, lays a strong foundation for economic diversification and job creation in the country. Key imperatives for a successful industrialised country are the Government's recognition of a conducive business climate and a vibrant entrepreneurship culture, as expressed in the *Growth at Home* strategy, the Harambee Prosperity Plan and the Fifth National Development Plan (NDP5) in line with Vision 2030.

Meatco has always supported the HPP and NDP5, and more specifically, the *Growth at Home* strategy to promote value adding economic activities and creates quality jobs, while reducing poverty and inequality.

This 2017/18 annual report throws the spotlight on Meatco's various operational activities that showcase how the Corporation lives up to its commitment to add value to Namibia's red meat industry.

In conclusion

On behalf of the Board, I would like to express my appreciation to Honourable John Mutorwa, previously Minister of Agriculture, Water and Forestry and currently Minister of Works and Transport, for his guidance and support to Meatco and the industry during the time he served as the Corporation's line minister.

We welcome Honourable Alpheus !Naruseb as Minister of Agriculture, Water and Forestry and we are looking forward with excitement to his leadership in increasing the growth and development of Namibia's agriculture sector in general, and the Corporation's in particular.

Likewise, I wish to thank and express appreciation to my colleagues on the Board for their unwavering commitment, as well as to the management team and staff for their dedication and hard work.

By order of the Board

Dr Martha Namundjebo-Tilahun

Chairperson: Board of Directors

23 May 2018

2017/18 REVIEW: **ACTING CEO'S REPORT**

The reporting year 2017/18 will be remembered as a very challenging one, which was handled with resilience and confidence that opportunities await, although a few manageable challenges persist. Meatco's commitment remains consistent with its ultimate goals, namely to produce and export high-quality products to a growing international market, whilst playing its part in feeding the nation through providing good quality, affordable meat products to Namibians.

"2017/18 was a very challenging year which we handled with resilience and confidence that opportunities await." Ingo Schneider, Acting CEO

MAINTAINING THROUGHPUT

Looking at the year in review, the core focus has been on maintaining throughput through the abattoir on the back of the record number of animals exported to South Africa – approximately 313,000 live hoof animals have left the country.

According to livestock marketing data from the Meat Board for the period January to December 2017, the following was revealed:

- 65 per cent of all cattle sold during this period was exported live on the hoof
- 18 per cent was slaughtered at the local B- and C-class abattoirs, and
- Only 17 per cent of cattle was slaughtered at Meatco.

This is the first time in the history of Meatco that its market share of slaughtered animals has dropped below 20 per cent.

These figures are echoed by the fact that only 31,639 (2016/17: 56,766) of the 81,984 cattle slaughtered were procured from commercial producers South of the Veterinary Cordon Fence (SVCF).

This is 44.2 per cent less than the previous year, which was a drought year when farmers usually sell their cattle in higher numbers. It signals a disconcerting picture in terms of the sustainability of cattle throughput and subsequently, for Meatco as a business.

Meatco was in fortunate position to be able to compensate for those losses in available animals through its feedlot and backwards integration systems. However, the feedlot system is expensive, creating a backlog on Meatco's cash flow cycles which had to be stretched substantially during the reporting year.

In light of the above-mentioned factors, one of the key challenges was managing and balancing the Corporation's cash flow to ensure that enough working capital is available – not only to keep the feedlots stocked, but also to manage the rest of its business.

PRODUCER PRICE

Regarding producer price, 2017/18 was a particularly good year for producers as the prices paid by Meatco have been substantially higher than ever before in the Corporation's history.

The average producer price of N$37.64/kg was 10.5 per cent higher than the previous reporting period (2016/17: N$34.06/kg) and 4.9 per cent higher than the South African parity price.

A total of N$749.617 million (2016/17: N$899.852 million), representing 53.21 per cent of Meatco's revenue of N$1,409 million, was paid out to producers.

The downside of such high producer prices was that any farmer who wanted to restock after the previous season's drought, couldn't do so because the prices were too high.

In addition — and this is a major concern, not only for Meatco and producers, but for the whole red meat industry — at these high price levels, it doesn't make financial sense to export meat to European markets anymore, unless the Corporation can materially curb the cost of maintaining an export abattoir.

The internal and external costs which have to be carried as a result of being an export abattoir, are substantial and unsustainable if Meatco has to continue paying such high prices for its raw material.

It begs the question if Namibia as a beef producing country remains competitive and if overseas customers will be willing to pay the kind of premiums the Corporation requires in order to keep the system going.

Market share of cattle marketed: 2016 & 2017

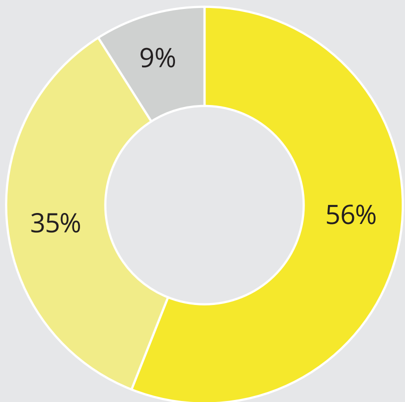
(Source: Meat Board)

Live exports

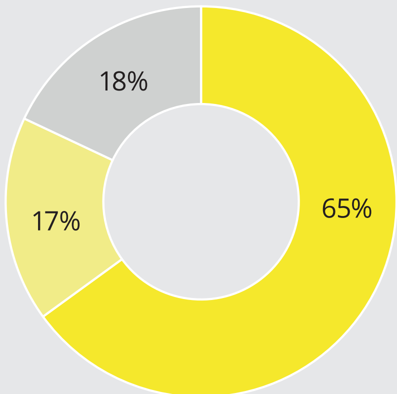
Export abattoirs

B & C class abattoirs

January-December 2016



January-December 2017



Although difficult to quantify exactly, we estimate it adds at least N$15-20/kg to keep a EU-compliant abattoir going, excluding cost related to issues such as traceability. This is quite significant and an issue that will need to be addressed on a national level.

MEATCO IN THE NORTHERN COMMUNAL AREA

Meatco's Mobile Slaughter Unit (MSU) continued to operate during the reporting year – the first full 12-month period since its inception in August 2016. The cost related to the MSU has been predominately as a result of limited throughput: on average, only 20 carcasses per week versus capacity of 120.

However, we are still pleased that the Corporation's overall cost in the NCA has substantially reduced: currently, the MSU costs between N$1-2 million per year, compared with historical cost which was in region of N$44 million per year.

We are confident that MSU related cost will decreased annually as more and more communal farmers in the NCA recognise the benefit of utilising it to market their cattle.

NORWAY QUOTA

As in the previous reporting year, Meatco was able to fulfil its allocated quota of 1,400 tonnes, proving to the Norwegian and Namibian Governments that it has the capacity to supply high quality meat products to this high-value export market, thus maximising yields for its producers.

INTERNATIONAL SALES AGREEMENT

It was decided that the Corporation will continue with the service provider as in the past, but at the same time de-invest its shareholding, as the expected returns have not been generated while tying up funds which could be used more effectively in the Corporation.

RESTRUCTURING TO INCREASE EFFICIENCIES

The Corporation embarked on a review of its organisational structure in 2017 reporting year. An external consultant was commissioned to assist in this regard.

The organisational restructuring was necessary to align the Company's operations to the fact that we expect ever-lower numbers of cattle to be made available to the abattoir in the medium term. The consultant's report was finalised by end of October.

The Board of Directors and management are currently in the process of implementing some of those recommendations.

The 2017/18 reporting year also concluded the execution of Meatco's five-year strategic plan, which ran from 2013/14 to 2017/18. However, in light of the restructuring process, it was decided not to develop the next five-year strategic plan immediately, but to develop it after the implementation thereof.

It must be noted that objectives as set out in each of the five years of the strategic plan were met every year, with the exception of this reporting year when not all objectives could be met due to the tough economic circumstances experienced in the country and at Meatco.

OPERATIONAL COST CONTAINED

I am pleased to report that Meatco's operational costs were well contained, amidst major challenges. Substantial changes were made to the Meatco-owned cattle (MoC) system, to such a degree that no financial losses were incurred in the reporting year. We also succeed in maintaining operational expenditure, which is a major achievement seen in light of inflationary pressures.

Unfortunately, one cost item which we cannot control and has been ever increasing, is interest cost. Its impact was felt directly as a result for Meatco's requirement for more working capital as we invest heavily in getting animals through the intensive system of feedlots.

IMPACT OF EXCHANGE RATE

The exchange rate has been in the Corporation's favour for most of the year. Volatility in the exchange rate remained fairly high. Although the rate was at record levels for a short period of time only, it definitely helped with cash flow management. Due to the change of the presidency in South Africa, the South African rand strengthened, with a reversal of the exchange rate.

Meatco has taken a conservative approach to managing the exchange rate impact, ensuring that the Corporation isn't disadvantaged due to fluctuations. This has enabled us to meet and exceed our budget in terms of average exchange rate during the reporting year.

CEO DEPARTED ON MUTUAL AGREEMENT

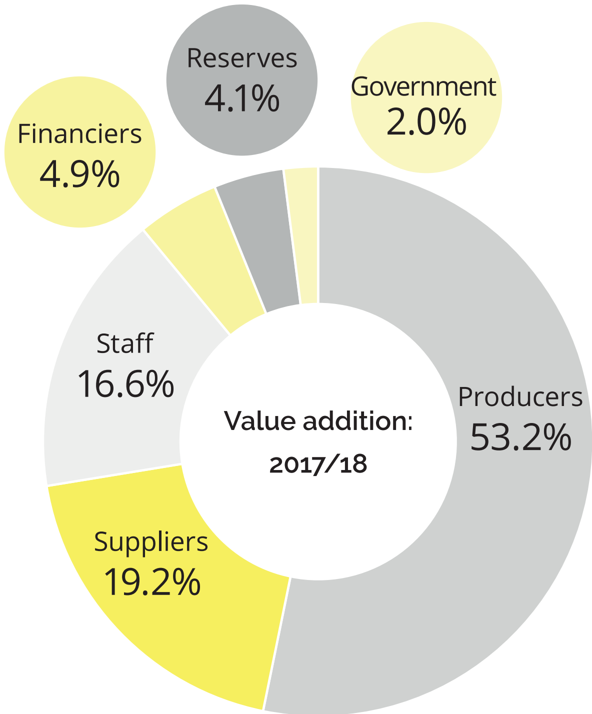
The reporting year saw the departure of Advocate. Vekuii Rukoro as Meatco's Chief Executive Office.

After negotiations between him and the Board of Directors, it was mutually agreed that his contract terms will be settled. The Corporation thanks him for his leadership since March 2013 and wishes him well with his future endeavours.

LOOKING AHEAD

Going forward, the Corporation is greatly concerned about the aftermath of the massive number of exported animals and the potential looming drought in the 2018 season. Although Meatco is doing its best to ensure farmers market all their available cattle through us, we anticipate that we will have to rely on our feedlot system to ensure we have consistent throughput in the abattoir and processing plant.

This will demand that we need to ensure our working capital lines are in place, so we can execute our plans.



In light of the expected lower number of animals, it is unavoidable that Meatco has to restructure its operations and processes to ensure cost is aligned with the lower expected throughput in the coming years.

Although any organisational restructuring is a difficult process, we envisaged it will be concluded by June 2018. We thank our staff for remaining positive and resilient amidst the uncertainty that inevitably goes hand-in-hand with a restructuring process.

On a more optimistic note, it is evident that the European markets are showing signs of improving economically, especially the markets into which we sell, which will have a positive impact on Meatco.

We do not believe we are in any way at a point where we will not have enough markets for our product; as mentioned, our current constraint is rather the limited number of raw material available to put through the plant.

Our forward view is that the Euro will hover around the 15 Euro mark, while we expect the US dollar to remain around US$12:N$1, but these are based on the current scenario, which could change at any time.

We anticipate the exchange rate to remain at similar levels to the reporting year. The initial strengthening of the rand as a result of the reshuffle of the South African cabinet could be undermined by issues such as the expropriation of land.

The Corporation is concerned that sales to the local market will remain under pressure, as Namibia is still in a recessionary scenario with ever-decreasing household disposable income. The increase of our MeatMa products attested to this, as there is a real need for low cost proteins. Projections for next year hold that demand for low cost protein in the market will remain high.

Due to the higher procurement prices here and in South Africa, we are seeing consumer resistance and cheaper alternative proteins moving into Namibia. Whether the high prices for beef in Namibia will be maintainable, is questionable.

Currently, the prices of a number of meat products, specifically low value products, in Namibia are on par with international markets. Therefore, the cost of manufacturing beef in southern Africa seems to have evened out: consumers are paying much the same locally as what they would pay in the European market.

Given the fact that Meatco had to slaughter more animals from its own feedlots than was received from producers – for the first time in the Corporation's recorded history – it is not unexpected that it finds itself in a loss-making situation in the reporting year.

However, in light of the difficult operating scenario it found itself in, Meatco has done reasonably well, especially in terms of containing costs.

However, it does raise some pertinent questions regarding the long-term sustainability of Namibia's abattoir industry and its ability to compete with the South African market.

The question we need to ask ourselves at some point in time is, should the current supply-constrained trend continue, whether Namibia will have a slaughter industry in future. This is obviously concerning, as Meatco believes there is material value waiting to be unlocked.

It is estimated that every animal slaughtered in the country and exported in cuts rather than whole, adds roughly N$7,800 per animal compared with exporting a live animal.

If applied to the 313,000 cattle exported last year, the meat industry in Namibia could have generated a GDP contribution of at least an additional N$2 billion.

How possible it will be to unlock all the value, is a different debate, as major investment into the feedlot industry will be required to accommodate all the weaners that are currently exported on an annual basis.

As approximately N$3,000 is required to raise a weaner through the feedlot system, it is still much less than the N$7,800 per animal the country is losing by taking that animal out of the country.

Thus, it is better for Namibia to retain as much raw material in the country as possible. One also has to keep in mind that while we can export live animals to South Africa, we cannot import live animals due to their health status.

This means that producers in areas of Namibia with sufficient rainfall will not be able to restock their herds by buying live animals.

Therefore, Namibia will continue to decrease its national herd, and not be able to replenish it after a drought. It reiterates the necessity to retain as much of our national herd as we possibly can.

IN CONCLUSION

I want to thank the members of the Board of Directors for their guidance during the reporting year.

I also want to express my appreciation to the various departments of the Ministry of Agriculture, Water and Forestry, the Ministry of Industrialisation, Trade and SME Development, the Ministry of Public Enterprises, the Meat Board and the Agriculture Trade Forum for their continued support in facilitating the execution of our core mandate. We owe them a debt of gratitude indeed.

Lastly, I wish to thank Meatco's employees for their hard work, dedication and loyalty. You are the heart of Meatco's business. It was a privilege to serve the Corporation as Acting CEO during this reporting year.

Ingo Schneider

Acting Chief Executive Officer

2017/18 FOCUS: **ADDING VALUE** FOR NAMIBIA

The importance of adding value to Namibian products has been widely accepted in the country. Namibia is endowed with valuable resources and value addition to these resources is key to creating employment and wealth, and to do away with skewed wealth distribution. Value addition expands the economy, while it contributes significantly to capacity development and up-skilling.

In full support of the Government's Growth at Home strategy towards commodity-based industrialisation, and to maximise income to beef producers, Meatco recognised the role it can play in developing a more sophisticated value chain of protein products in the country. Exporting the raw materials of Namibia's beef industry — namely the export of weaners and slaughter-ready cattle on the hoof, or beef in bulk — negates the hard work of Government and the private sector to grow as a nation.

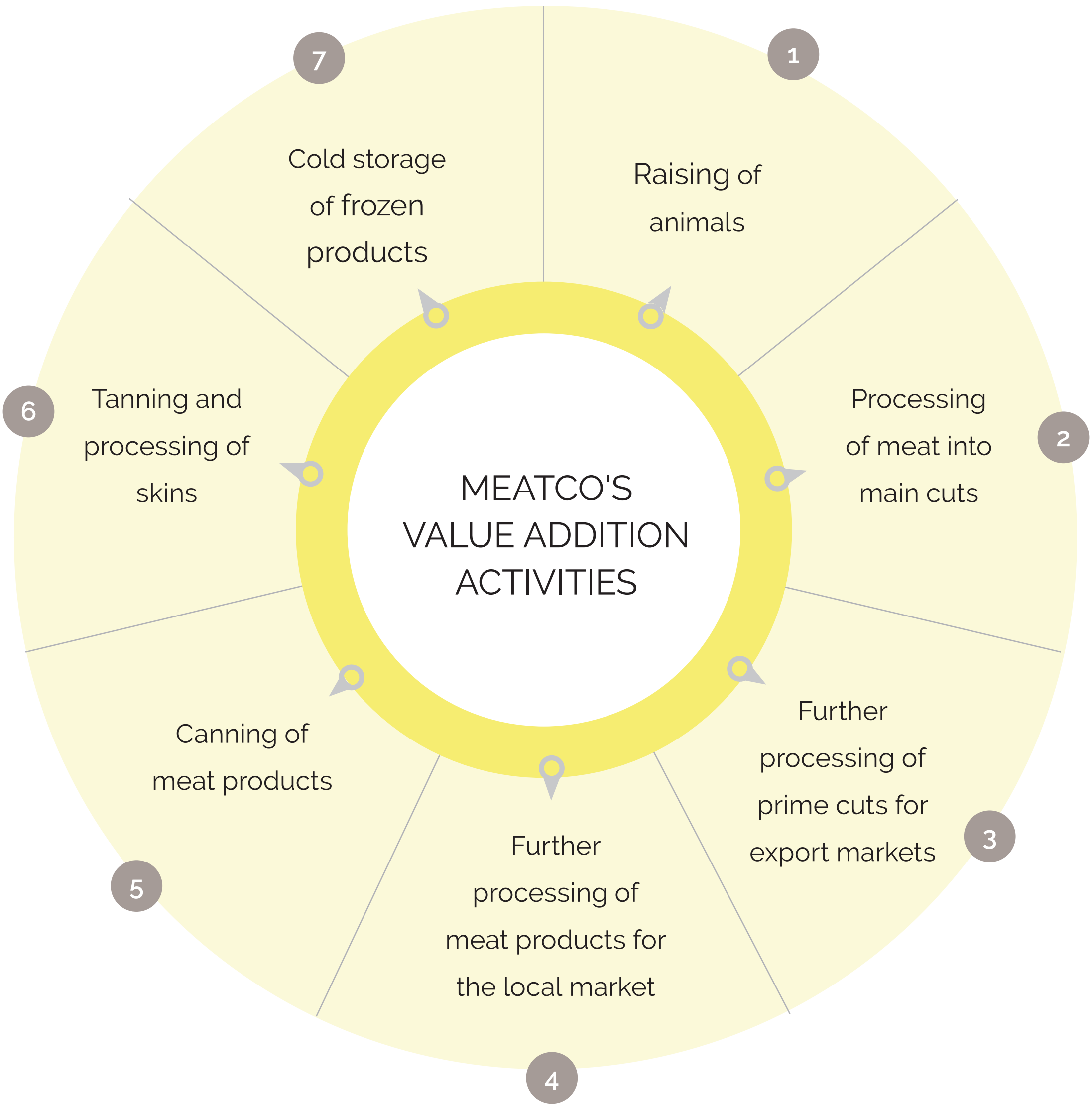
Increasing Meatco's value addition activities aims to develop and strengthen local and cross-border value chains, leverage linkages and complementaries between the various sectors of the country's economy, including the SME sector. This will lead to accelerated sustainable economic growth, job and wealth creation, which will lead to a more equitable wealth distribution and poverty alleviation.

Value addition refers to the process of changing or transforming a product from its original state to a more valuable state, which is more preferred in the marketplace. Meatco adds value to its products on various levels, as depicted in the diagram on the right.

"We want to commend Meatco for walking the talk of value addition."

Minister of Finance, Hon. Calle Schlettwein (then Minister of Trade and Industry) at the launch of the MeatMa brand when he praised Meatco for being one of the first private sector responders to Government's call to make more out of the country's raw material and develop new markets.

How Meatco adds value



The 'Growth at Home' strategy

'Growth at Home' is the theme chosen by the Ministry of Industrialisation, Trade and SME Development to reinforce the importance of accelerating economic growth, reducing income inequality and increasing employment. The theme subsequently became a strategy adopted by Government for implementing Namibia's first Industrial Policy and to attain the strategic objectives for manufacturing as outlined in the Fourth and Fifth National Development Plan (NDP4 and NDP5). The strategy emphasises industrialisation, manufacturing and value addition. It aims to develop value chains that are based on raw materials available in Namibia.

ADDING VALUE **FROM THE START**

For Meatco, adding value to Namibian beef starts in the veld, where farmers rear free-range cattle using natural methods. Meatco beef comes from animals that have eaten veld grass for most of their lives, with no growth hormones or routine antibiotics used in their rearing.

Animals are treated according to the highest animal welfare standards at all stages of their lives, adding another facet to value addition for its producers.

Indeed, Meatco believes the unique characteristics of its products, and that special Namibian-beef flavour depend on insistence that the cattle the Corporation processes are happy and contented.

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

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

These value addition mechanisms ensure that Meatco's exported products are highly regarded by international customers who are prepared to pay extra for Namibian pasture-raised beef.

PROCESSING OF MEAT INTO **MAIN CUTS**

Meatco's aim is to add as much value to carcasses as possible within Namibia by paying close attention to the requirements of the end consumers of its products. As a result, the Corporation focusses on constantly developing and innovating its value chain by placing greater emphasis on the quality and unique characteristics of its beef.

Meatco's aim is to add as much value to carcasses as possible within Namibia by paying close attention to the requirements of the end consumers of its products. As a result, the Corporation pay close attention to constantly develop and innovate its value chain by placing greater emphasis on the quality and unique characteristics of its beef.

Main cuts are processed further in-house for the export market, sold in bulk through the Wholesale Department to Meatco's local, South African and international clients, as well as to the in-house MeatMa production line.

The Corporation ensures that almost 100 per cent of the slaughtered animals are processed and sold, thus maximising value-addition opportunities.

The result has been that its labour-intensive, value-addition focus has assisted Meatco in creating just short of 1,000 jobs.

PROCESSING PRIME CUTS FOR **EXPORT MARKETS**

To enhance its market positioning on the global market to the benefit of the Namibian livestock producer, Meatco is constantly seeking to exploit its value chain by placing greater emphasis on the quality and unique characteristics of its beef.

To this end, we have developed our very own Natures Reserve brand of products, which – along with the Meatco brand – acts as a vehicle to extract the maximum value from international markets for the Corporation's livestock producers. Meatco's Natures Reserve brand, established in 2007, has opened up free-range beef marketing channels and serves various international customers.

TANNING AND PROCESSING OF HIDES

At the Okapuka Tannery, Meatco adds more value to raw products by tanning and processing hides through a sophisticated automated method to a wet-blue stage, requiring minimal human intervention. Wet-blue hides have been cured in chromium salts, a method that produces stable leather products that are flexible and long lasting.

Most of the hides are destined for the fashion industry and are mainly sold to Italian buyers. Annually, approximately 200,000 hides are processed at the Tannery, providing job opportunities for 38 people.

CANNING OF MEAT PRODUCTS

An important part of Meatco's value addition activities is the canning of meat products and supplying it to regional and local markets. Complementing its MeatMa and Natures Reserve brands are Meatco's five branded canned meat products.

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

A round-can line was recently introduced, with products such as canned viennas, chicken loaf and luncheon roll. The round-can line will expand the Corporation's range of canned products substantially.

As demand grows, more products will be added, strengthening the Corporation's local value-addition plan in compliance with the Government's 'Grow at Home' strategy.

The plan particularly aims at expansion into both local and regional export markets.

The development of additional products to extend these brand offerings in domestic and regional markets is ongoing. Most of Meatco's canned products are destined for the export market with only approximately 15 per cent sold locally.

COLD STORAGE OF FROZEN PRODUCTS

Aiming at all times to align our business with the market's ever-changing needs, it was decided during the previous reporting year to convert the Okahandja abattoir and processing plant to a cold storage facility. The conversion was completed in the reporting year and since then the facility has made exceptional strides as a business unit. Due to the conversion, Meatco could secure employment for employees who previously worked at the Okahandja factory.

Furthermore, thanks to the British Retail Consortium (BRC) Audit that took place in April 2017 and the subsequent obtaining of cold storage certification, the facility has assisted other businesses in storing products.

Utilising Meatco's own infrastructure rather than renting cold storage facilities in Cape Town harbour as was done previously, enables the Corporation to increase throughput to the Walvis Bay harbour – and thus add more value to the Namibian economy.

The benefit of this arrangement is evident from the fact that Meatco realises approximately N$20,000 in savings per container by going through Walvis Bay rather than storing and transporting products via the Cape Town route.

In total, Meatco was able to keep approximately N$15 million in the country, supporting local value addition commitments.

PROCESSING OF MEAT PRODUCTS FOR THE **LOCAL MARKET**

Focusing on the needs of the local market, Meatco launched the MeatMa brand in September 2014 with the aim of serving Namibians with a variety of finished meat products at affordable prices, but without compromising Meatco's quality standards.

Celebrating its fourth anniversary during the reporting period, the brand has grown in leaps and bounds. Namibians have clearly embraced Meatco's commitment to feeding the nation in a cost-effective way.

In addition to offering its range of products at three of its own outlets, namely the outlet next to Meatco's headquarters in Windhoek, in Okahandja and in Oshakati, the MeatMa range of products is available at several wholesale and retail outlets.

With the focus of this annual report on value addition, it is appropriate that the MeatMa brand is placed under the magnifying glass, as its short but powerful journey is worth noting.

Food processing creates value

In Meatco, we slaughter, cut and pack tonnes of meat every day. However, food processing accounts for an ever-growing part of our activities — but what does this actually mean?

As lifestyle patterns changes, more and more consumers are relying on convenience items to save time, effort and energy. Food manufacturers react by offering value-added, time-saving products.

The meat industry is no exception — offering not only new products, but new methods of enticing consumers to purchase and prepare various cuts of meat. Availability of sausages, pre-shaped beefburgers and diced beef for an easy dish means that consumers only have to spend a short time in the kitchen.

This is a sign that the meat has moved a step up the value chain and can thus be sold at a higher price — adding more income to Meatco's revenue base.

MEATMA: FROM SMALL BEGINNINGS

Commencing its journey in 2014 with only 13 customers and one outlet, Meatco's MeatMa has shown exceptional growth over the past three years. MeatMa opened its first retail outlet in August 2014 next to Meatco's Head Office in Windhoek and a second outlet in February 2015 at the Meatco's Okahandja facility. The third outlet was launched in July 2015 at Bonanza in Oshakati.

MeatMa was established under the following goals:

- To produce safe and hygienic value for money meat products by using the latest techniques and knowledge available.
- To train and develop our people giving them the skills to advance and in turn pass on new skills to others.
- To maximise Meatco's involvement in the Government's 'Growth at Home' strategy.
- To work with local companies in helping them understand Meatco's needs in order to localise more of the supply chain.
- To add value to Namibian raw materials wherever possible.

The production unit, referred to as MeatMa Central and where value-added products are manufactured, is located at Meatco Wholesale in Windhoek's Northern Industrial Area.

All the products currently available have been researched and developed in Namibia to cater for the various needs of Namibian families, and offer variety and affordability. These products are subject to Meatco's strict quality practices, as would be expected from a world-class meat exporter.

MeatMa's retail outlets not only offer meat sausages, patties, sliced beef or stewing beef produced through MeatMa Central, but also offer a greater basket containing chicken, offal, spices and corned meat products. The outlets operate on a simplified retail structure to keep the costs low while marketing products at affordable prices to customers.

At MeatMa's inception, Meatco teamed up with the Metro Sefalana Group and distributed the products

Benefiting local communities

It is estimated that when value addition happens, the benefit to local communities in monetary value alone is as much as

26 times that of exporting raw materials.

MeatMa products in demand

In 2017/18, Namibians consumed over 2,256 tonnes of MeatMa's soup bones and stewing neck meat, as well as 297 tonnes of sausages and patties.

country-wide through their stores. Today, MeatMa products can also be found at Woermann Brock stores, selected OK Food & Grocer stores, Choppies Supermarkets, Shaamu in Okahandja, Windhoek Cash & Carry and some small butcheries and retailers like Mondesa Mini Market.

Currently, the best-selling products are soup-bones and sliced stewing neck which is an indicator that Namibians enjoy bone-in meat products. The production unit also produces a variety of sausages (*Hotchix*, *Babalaas*, *Chakalaka*, *Beef Griller* and *Legends*), burger patties, mince, sliced and diced stewing beef, all packaged in smaller pack sizes according to the needs of the consumers.

All products are sold frozen to circumvent the short shelf life of fresh meats. Meatco continuously adapts its packaging in terms of pack sizes as it learn what is needed in the market.

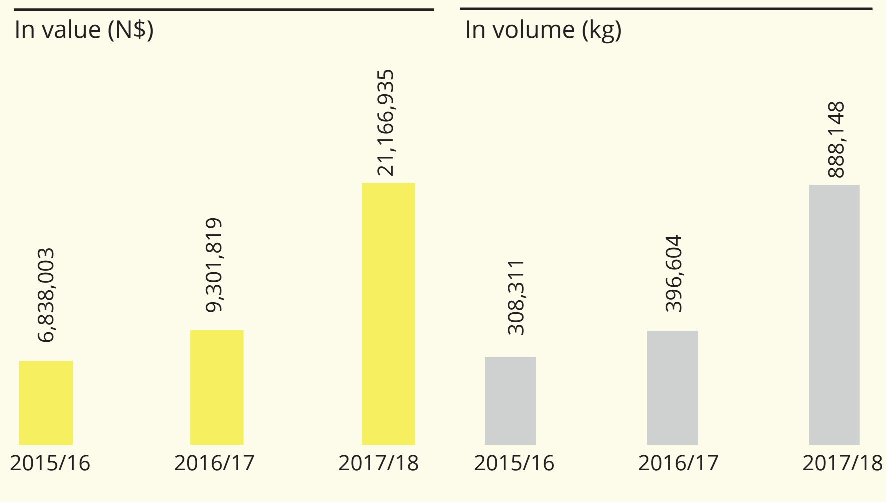
Purpose of value-added meats

- Provide valued, variety and convenience meat products
- Meet life style requirements
- Utilises different carcasses and by-products beneficially
- Increase demand and marketability
- Utilises tougher carcass cuts with combined technology
- Improves safety and product attributes such as appearance, juiciness and flavour
- Incorporate extenders for quality and economy
- Enable the economic utilisation of waste
- Facilitates diverse products, cost reduction and competitive pricing
- Promote entrepreneur ventures and employment
- Produces high demand value-added products
- Lower cooking costs and losses for the consumer

"We are extremely proud of the MeatMa team – what we achieved in a short time, the way we grew and the confidence our clients gave us by stocking our product even though it is a completely new brand in the marketplace, is remarkable. From the beginning our aim was to provide Namibians with hygienically produced, affordable value-for-money meat product -- and we believe we achieved it with the MeatMa brand."

Martina Kröller, Wholesale Operations Manager, who is in charge of local markets and value addition at Meatco.

MEATMA SALES: 2015/16-2017/18



Realising that volume growth is essential for sustainability, the MeatMa team actively expand its client base beyond supplying Meatco's own outlets. Currently, Namibians are able to buy MeatMa products from Keetmanshoop to Katima Mulilo – yet another proud achievement.

As this level of food processing was new to Meatco, the first year focused on sorting out growth pains in the production lines, and learning to understand the needs of the market in terms of product range. Although the sales volumes were relatively low in the first year, over the past two years the brand has grown by 50 per cent year-on-year – indeed a proud achievement.

In the reporting year, Namibians consumed over 2,256 tonnes of soup-bones and stewing neck, as well as 297 tonnes of sausages and patties, purchased country-wide from MeatMa outlets.

However, with exceptional growth comes the need to ensure production can keep pace with demand. One of the main challenges the team had to deal with in the reporting year was to secure sufficient raw material. Bulk meat is sourced from Meatco itself, and as a result of the lower slaughtered cattle volumes, is in limited supply. The MeatMa team works together with Meatco's canning department to source mechanically deboned meat (MDM) on the international market, where price increases are in the order of the day.

The MeatMa production line is completely separate from Meatco's main plant, but the same high quality assurance processes are in place to guarantee product integrity. Since inception, no complaints from customers were received, attesting to the adherence of high quality standards.

Changes to the production line were also done in terms of employing more production people and adjusting the flow of products through the line. Most of the production is still done by hand since the volumes are not yet large enough to justify an automated line.

With household disposable income under pressure due to the current economic challenges, the MeatMa products offer an affordable protein meal to thousands of Namibians. However, MeatMa's team is well aware that they have to think different to remain competitive. Alternative proteins, especially imported frozen chicken, are its main competition.

Going forward, the aim is to increase volumes to existing clients. To this end, ensuring distribution of products is in line with their needs, and cementing of relationships with existing retailers will remain key to the success of the MeatMa brand. In addition, the team will focus on broadening the net of retail and wholesale outlets stocking MeatMa products.

Securing raw material and the fluctuating prices of imported MDM products used in value addition process are expected to remain a challenge. In an effort to increase efficiencies and prevent blockages in the production lines, the team is investigating remodelling of the plant during the next financial year.

MEATCO STANDS OUT AT THE **2018 PMR AWARDS**

Meatco achieved yet another milestone by winning two Professional Management Review (PMR) Africa Awards, for a third consecutive year on 12 March 2018.

The company was awarded for Outstanding First Overall in the categories Agriculture (Abattoirs), Agriculture (Livestock) and in the usual threshold Meat Processing Companies, amidst the current industry difficulties.

The second award — one that Meatco is particularly proud of — was for Outstanding First Overall in the category companies/institutions doing most to promote the production of local goods and products.

The category is testament to Meatco's commitment to support the 'Growth at Home' strategy of the Ministry of Industrialisation, Trade and SME Development, aimed at diversifying the economy and encouraging local value-addition and manufacturing.

"I would like to acknowledge all our staff members for their assistance and contribution towards achieving these awards. The new award indicates how we strive as an organisation to assist the Government in empowering our local industry by supplying a service to local consumers through the MeatMa brand," Acting Chief Executive Officer and Executive: Operations, Jannie Breytenbach said. "I, therefore, am particularly proud of our Wholesale Department for being innovative during the production of various products sold at affordable prices to consumers."

Acting Chief Executive Officer and Executive Operations, Jannie Breytenbach and Executive Stakeholder Relations and Corporate Affairs, Vehaka Tjimune with the PMR certificates.

The PMR Awards are held annually with the main purpose of recognising business competitiveness locally, regionally and internationally.

Awarded companies are rated by a random sample of 160 respondents comprising of chief executive officers, managing directors, business owners, company directors, managers and senior Government officials based in Namibia.

MEATMA CELEBRATED ITS **THIRD ANNIVERSARY**

In the reporting year, the MeatMa brand celebrated its third anniversary with its valued and loyal clients.

The event was not only a celebration, but also a thank you to its loyal customers who continue to support the young brand.

The anniversary special offers ran for the week of 25th to 30th September and offered customers the chance of winning various prizes. Walking away with MeatMa hampers were Hileni Haikali, Ndapanda Shigwedha and Thomas Mwashekele, who won products to the value of N$1,000, N$700 and N$500 respectively.

MEATMA SPONSORS **KAPANA COMPETITION**

For the past two years, Meatco, through its MeatMa brand, has been involved with the annual Nedbank Kapana Cook-off Competition where the focus is to bring kapana to everyone. Kapana has different meanings to different people, but everyone agrees that it is a truly Namibian dish.


The winner of the 2017 Kapana Competition, Rebeka Sebulon, beat 14 other entry-level cooks to win N$15,000, a mobile kitchen van worth N$80,000 and a SME mentorship programme.

Nedbank Namibia started the competition three years ago as a platform to bring Namibians together to celebrate diversity, entrepreneurial spirit, and being Namibian. MeatMa sponsored the meat products the competitors were using. Nedbank and MeatMa have a mutual vision to make the competition fun.

Their long-term vision is to motivate every restaurant to offer a kapana meal as a local Namibian dish demanded by tourist and visitors alike.

Separate rounds of cook-offs were held in Windhoek, Swakopmund and Oshakati before contestants battled it out in Windhoek in July 2017.

Rebeka Sebulon, an aspiring entrepreneur, was crowned the 2017 winner after she battled it out against 14 other entry-level kapana connoisseurs from across the country to emerge the winner of N$15,000, a mobile kitchen van worth at least N$80,000, as well as entry to an all-expenses paid SME mentorship programme administered by businesswoman Twapewa Kadhikwa.

The second runner-up in the entry-Level category was Jacqueline Kahiha, who walked away with N$10,000, while Ignatius Uushini came in third place and walked away with N$5,000.

In the professional chefs category, which had 19 finalists, Elias Abel walked away the winner, winning a cash prize of N$10,000. The category includes chefs already working at established hospitality outlets and the category was included for the first time in the competition to encourage these already established outlets to start incorporating kapana on their menus as a Namibian delicacy.

The judges, who amongst others came from the Namibia Chefs Association, looked at hygiene conditions under which the finalists prepared the kapana, in addition to judging the taste of the meat prepared, as well as the quality of everything presented by the finalists.

MeatMa will increase its partnership with Nedbank in next year's competition to make the event even more successful, as the competition is an ideal vehicle to increase brand recognition and consumer awareness that MeatMa products are hygienically produced, safe to eat and affordable.

2017/18 REVIEW: **CATTLE PROCUREMENT**

Meatco exercises different approaches to procure livestock, namely procurement through commercial farmers, Meatco's backwards integration initiatives including feedlots and through communal farmers.

COMMERCIAL FARMERS

One of the main challenges Meatco had to face this reporting year was the large number of animals on the hoof that were exported to South Africa – not only weaners, but many adult animals as well. A total of 484,921 animals were marketed in 2017 (compared with 345,765 during a 'normal' year) of which approximately 313,000 were exported to South Africa. (Source: Meat Board)

It is even more concerning when viewed in the context of 2017 being a post-drought year, which was supposed to be a herd-building year. It is clear that little, if any, herd building took place in 2017.

> "To see a record number of cattle being marketed in a post-drought year – even more than during the drought – is a big concern for the long-term sustainability of Namibia's beef industry."
>
> Heiner Böhme, Executive: Livestock Procurement

The high number of live exports were driven by high prices paid by South African agents at local auctions. The demand for live animals can be ascribed to the good rains South Africa received in the past rainy season which created a bumper grain harvest.

This resulted in an oversupply of animal feed that prompted feedlots to fill the current gap in that country with weaners sourced from Namibian farmers to revive South Africa's cattle industry.

As can be expected, this situation had a major negative impact on Meatco's entire business value chain. The high prices for cattle affected the number of live animals or raw material available for purchase by Meatco's feedlots and other facilities, as well as the throughput of slaughter animals to its abattoir.

In fact, the reporting year saw the lowest number of cattle procured from commercial farmers ever recorded in the history of Meatco — only 31,984 compared with 56,766 the previous reporting year (which was a drought year) and more than 100,000 ten years ago.

The average weight of cattle procured remained nearly the same, while the number of 'A' and 'AB' graded animals increased.

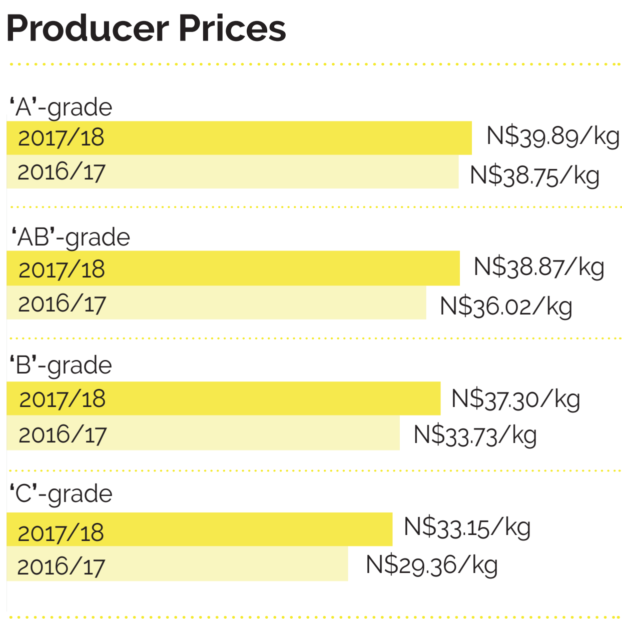
PRODUCER PRICES

2017 was a particularly good year for producers in terms of producer prices. Overall, the average producer price increased by 10.5 per cent from N$34.06/kg in 2016/17 to N$37.64/kg. The average weight per carcass decreased from to 238.2 kg to 237.9 kg. The average producer price paid by Meatco to Namibian producers was 4.9 per cent lower than the South African parity price.

PAID TO NAMIBIAN PRODUCERS

Producer Prices (N$/kg)	**2017/18**	**2016/17**
'A'-grade	N$39.89	N$38.75
'AB'-grade	N$38.87	N$36.02
'B'-grade	N$37.30	N$33.73
'C'-grade	N$33.15	N$29.36
Average	**N$37.64**	**N$34.06**

Annual Averages	**2017/18**	**2016/17**
Producer price (N$/kg)	N$37.64	N$34.06
Weight (kg/carcass: all factories)	237.9 kg	238.2 kg
Live weight	441.0 kg	419.5 kg



Producer prices (N$/kg), 2016/17-2017/18

It is understandable that the high prices offered by South African feedlots served as a strong motivation for cash-strapped producers recovering from a drought year to sell their weaners. However, the long-term impact on the sustainability of Namibia's beef industry cannot be underestimated.

It also means that the national herd has not only diminished in size, but has become younger – a trend that is ongoing for several years now. Farmers have moved away from ox to weaner production due to cash flow constraints, and it remains to be seen if producers will have the financial resources to move back to ox production in the years to come.

It is therefore to be expected that availability of slaughter cattle from commercial producers will remain a major challenge for Meatco going forward into the next two years.

As was the case the previous reporting year, Meatco is becoming more and more dependent on its backwards integration initiatives, Meatco-owned cattle (MoC) by which contract feeders and profit-share producers raise cattle for the Corporation, and its own feedlots. Combined they contributed 49,008 cattle to the throughput of Meatco's abattoir — representing nearly 60 per cent of throughput during the reporting period.

The budget cuts and cash crunch experienced by Government during 2017 also impacted directly on Meatco. In some instances the Department of Veterinary Services (DVS) were challenged to provide essential services to ensure EU compliance – such as traceability of cattle. It is a concern and an aspect that the Corporation is monitoring carefully to ensure it does not become a major threat to the EU status of its abattoir and processing plant.

In 2017/18, the IT department also fine-tuned the redesigned livestock procurement system that was implemented in the previous reporting year. Channels, processes and procedures were streamlined and automated to ensure that Meatco's interaction with producers is efficient and accurate.

Producers are now better served with the new system which is intended to accelerate and streamline procedures to plan slaughter dates. It also assists in costing of the various livestock procurement channels, enabling Meatco to make strategic decisions based on hard facts and figures.

"Meatco is the only company in this country that can access international markets as well as sell and market value-added products to niche markets. Being an advocate for organic beef or naturally produced beef, I deliver to Meatco as I feel they are the only ones who can pay me a higher premium for naturally produced beef. I regard Meatco as the only company that can provide an added income for all the hard work I put into beef production. It makes sense to deliver to Meatco because the company exploits superior markets and maintains healthy cattle prices in the country."

Diethelm Metzger, commercial farmer, Seeis, Khomas Region

PRODUCER OF THE YEAR 2016/17: **DIRK UYS**: A MULTI-TASKING MASTER

Dirk Matthysen Uys was announced as Meatco's Producer of the Year for 2016/17 thanks to his dedication and hard work towards delivering quality animals to Meatco. Despite being a weekend farmer, Uys has a reliable team that ensures the farm runs according to plan.

Uys and his family work on Farm Dalmuta near Steinhausen in the Omaheke Region, affectionately known as 'cattle country'. Despite producing the high quality animals he does, 2016 was a drought year. He says the hardest part of the drought was that he had to cull almost 40 per cent of his breeding cows.

"The chances of a part-time farmer like myself being awarded the title ahead of respected producers in the industry like so many of my fellow nominees, is an honour since we all know how tough and challenging the farming environment is," Uys says.

Having a partner like Meatco to provide a marketing platform, allows farmers to do what they do best, he maintains. According to him, Meatco provides a stable marketing environment while the producers farm in an unstable environment due to aspects like the weather, and through it all Meatco has the farmers' interests at heart.

"I have produced for Meatco from the beginning, albeit on a much smaller scale," he says.

Apart from producing for Meatco, the Uys family also owns Savannah Brahman Stud that was registered with the Namibian Brahman Breeders Society and the Namibian Stud Breeders Association in 1993. Today the stud consists of about 300 registered

Dirk Uys and his wife, Hannetjie Uys

animals, with some 180 cows and heifers in production. Savannah bulls and cows have become sought-after breeding stock that is recognised by both stud and commercial farmers as one of the leading Brahman seed-stock producers in the country.

Thanks to a consistent breeding philosophy and a strong focus on veld-adapted cattle over more than 20 years, the Savannah stud has developed into a recognisable brand popular amongst farmers understanding the value of farming with animals that are bred in harmony with the environment.

Like many modern farmers, Uys is a weekend farmer. However, towards the end of 2017 the Producer of the Year will be retiring from his regular job and plans on becoming a full-time farmer then.

Apart from the top award, Uys also won the Top Regional Producer (slaughter commercial) award and was one of the Top Five Producers (slaughter commercial).

"I feel happy about finally having sold my cattle for a decent price. Not having had a market for more than two years was not easy. But we hope for a better future with more market options."

Oiva Mahina, Acting Chairperson, Kavango Regional Farmers' Union

COMMUNAL FARMERS

A highlight during the reporting year was the expansion of permit days and the positive relationships Meatco cemented with Communal Farmers' Associations (FAs). Meatco regularly holds assembly or permit days in communal areas when farmers can bring cattle to a centralised location to be purchased immediately.

The permit days are arranged through the Farmer's Association (FA) of the area where they are held. The FA selects the date on which the assembly occurs and approves the prices Meatco offers for the cattle.

For their part, producers need to adhere to the days advertised and accept the offered prices to ensure these events are well-coordinated. Animals auctioned for slaughtering must meet the 90/40-day requirements which are stipulated by the Meat Board of Namibia.

Producers must also produce FANMeat or brand cards on the permit days, as well as identification cards to prove cattle ownership for traceability purposes.

During the year under review, 31 permit days were held (2016/17: 18), at which 1,245 communal producers were represented (2016/17: 722).

A record number of cattle was procured from communal farmers — 7,218 head of cattle, compared with 3,676 the previous reporting year.

Of the 7,218 cattle sourced, 1,673 were selected for slaughter, 1,814 as feedlot cattle, 826 small weaners were sold to commercial auctions, 1,447 to private buyers, 286 were sent to MoC producers for backgrounding and 1,150 were sent to Meatco farms for backgrounding. Only 0.3 per cent mortalities were recorded. No cattle were sent to South African feedlots during 2017/18 reporting year.

(Backgrounding is a beef production system that involves maximal use of pasture and forages from the time calves are weaned until they are placed in a feedlot.)

Communal producers also delivered 48 cattle directly to a Meatco abattoir for slaughter (2016/17: 1,682).

Permit days are also an effective way to 'recruit' new members; 351 new producers registered with Meatco as members in 2017/18 (2016/17: 614). Membership enables farmers to voice their opinions, to vote or take part in strategic decisions at annual general meetings or other platforms.

"I am a MoC farmer and one of the first beneficiaries of the Mobile Slaughter Unit. By selling my animals after a two-year waiting period, I was able to supplement my children's school needs, as well as my loans with Agribank. I was very happy with the service and price I received."

Virginia Kaimbi, Farmer, Mashare area, Rundu

"In a unique way, Meatco communicates through the media and their website and constantly tries to help the producers understand the company better. Being transparent, Meatco shows that it has producers' interests at heart."

Dr Jorry Kaurivi, Farmer, Otjominde Communal area in Omaheke Region

To qualify for membership, farmers must market at least one head of cattle at Meatco's abattoir or the Mobile Slaughter Unit (MSU) in the Northern Communal Areas (NCA), Meatco facilities such as the feedlots or directly on permit days every five years.

The multipurpose auction pens at Helena in the Otjombinde constituency, located 162 km east of Gobabis in Omaheke Region, were completed in 2017 and can now handle 1,500 cattle per auction.

The pens were built specifically for permit days, and in September 2017 Meatco held the first permit day. The world-class infrastructure proved to be ideal for cattle buyers in the area to operate from. A total of 1,400 cattle were processed through the pen throughout the year.

In the coming year, Meatco is well positioned to service the communal producers. Approximately 55 permit days have been planned for 2018/19, which bodes well for communal farmers.

However, some challenges will need to be addressed, such as accommodating light weaners, since Meatco is committed to buy all animals brought to the permit days.

The risk associated with cash-in-transit to permit day venues was eliminated by the use of a local security company to assist with the transport of cash to the venues.

COMMUNAL FARMER OF THE YEAR 2016/17:
ESEGIEL NGUVAUVA: A BORN AND BRED FARMER

Esegiel Nguvauva at his farm in the Ovitoto area.

Hailing from the Ovitoto area in the Omatako constituency, Nguvauva scooped up the prestigious award for 2016/17 in a highly contested category. This weekend farmer's journey with Meatco is an exceptional one. Having produced for other abattoirs and not being content with the benefits, Nguvauva conducted research and then began to produce for Meatco for the past few years.

"Meatco gives me a competitive price for my livestock in comparison to other players in the industry. Also, Meatco provides extraordinary incentives for farmers by engaging and motivating us in many different ways," Nguvauva says.

According to him, being a weekend farmer means one needs to make time whenever one can to be at the farm and assist where possible to achieve your goals.

"I'm very fortunate to have Ursula, my wife who supports me in everything I do. Our children are also very supportive and helpful with the farming," says Nguvauva.

Winning the award was a huge honour and, according to him, a yardstick with which to measure the hard work he put into farming. In addition to winning the communal producer award, Nguvauva won the Top Regional Producer award (slaughter communal) and was one of the Top Five Producers (slaughter communal) award winners.

"The award certainly gives me the willpower to put more into my farming and to produce better results. The awards show Meatco's commitment to encourage meat producers to reach greater heights by producing better quality," Nguvauva says.

Along with the communal producer award, comes a bull chosen by Esegiel himself. The bull is a means to improve his herd quality, enabling him to produce even better quality animals.

Esegiel and his wife, Ursula, at his farm's entrance.

Esegiel and the stud bull he won as part of his prize..

MEATCO'S FEEDLOTS

To partly compensate for the much lower number of cattle procured from commercial producers compared with the previous reporting period, nearly 10,000 more cattle was sourced from Meatco's feedlots than in 2016/17. In total, 33,506 of the cattle slaughtered came from feedlots (2016/17: 23,662).

At Meatco's Okapuka feedlot, the focus in 2017/18 was on improving efficiencies and reducing mortalities even more. It is interesting that when benchmarked against South African feedlots, Okapuka feedlot performs well, even though South African feedlots are much larger in size and make the use of biotechnology to improve efficiencies. However, continual improvement in efficiencies and productivity remains key.

The first phase of the Annasruh feedlot situated in the Omaheke Region, 10 km from Gobabis, was completed during 2017, and offloading of the first animals took place toward the end of August 2017. Approximately 800 animals were offloaded in the first week through the new off-loading ramp and sorting station.

The feedlot can now accommodate 3,000 animals. Construction created a number of employment opportunities for the town and region, since Meatco used local construction companies.

Annasruh also accommodates a sorting station for communal farmers in the region, whose cattle must remain at the feedlot for 40 days prior to slaughtering to meet EU export requirements. The groundwork for phase two was also completed, enabling Meatco to activate phase two facilities relatively quickly when the need arises. Pens can be erected on short notice, accommodating 6,000 standing animals.

The feedlot has the capacity to be increased to 12,000 animals with fully functional facilities, a weighbridge, integration of space, feed, water, waste management and handling facilities.

Currently Meatco employs 18 people in the first phase, with more employment opportunities as the feedlot expands. Once completed, the feedlot will increase marketing opportunities to farmers in the surrounding areas, as well as ensure consistent throughput to Meatco's factory.

Construction of the Kombat feedlot, situated 4km east of Kombat in the Oshikoto Region, which begun as part of Meatco's backwards integration initiative in 2014, was delayed due to an Environmental Impact Assessment (EIA) that is currently underway. Although the Ministry of Environment and Tourism (MET) does not require environmental clearance, the assessment is being done for feedlot development purposes.

The EIA is conducted based on the activities associated with the feedlot to make the area feasible for a standing capacity of 12,000 cattle. The Ministry of Agriculture Water and Forestry (MAWF) provided a permit to drill two boreholes, although no sufficient water was found. Further drilling of underground water is currently underway in the quest to meet the requirements set out by the commissioned environmental consultants.

The EIA also lists activities that are a priority on the premises, including the extension of an existing power line to provide power to the feedlot, the construction of storm water control dams due to the high volumes of manure as a result of the number of cattle, the removal of protected tree species where necessary, and the extraction of material from borrow pits on the site.

Ministerial approval is expected to take 11 months, after which construction work will commence. The feedlot is being established to create marketing opportunities for producers from the Otavi and Grootfontein areas as well as those in Kombat.

LOOKING AHEAD

Going forward, 2018/19 will most likely be an extremely challenging year. The focus will be on maximising efficiencies and as soon as Meatco's cash situation improves, it will be imperative to 'sweat its assets'. Due to many cost-cutting exercises in response to the Corporation's cash crunch experience towards the middle of 2017, the focus will be to 'work smarter' without compromising service levels, which remain non-negotiable.

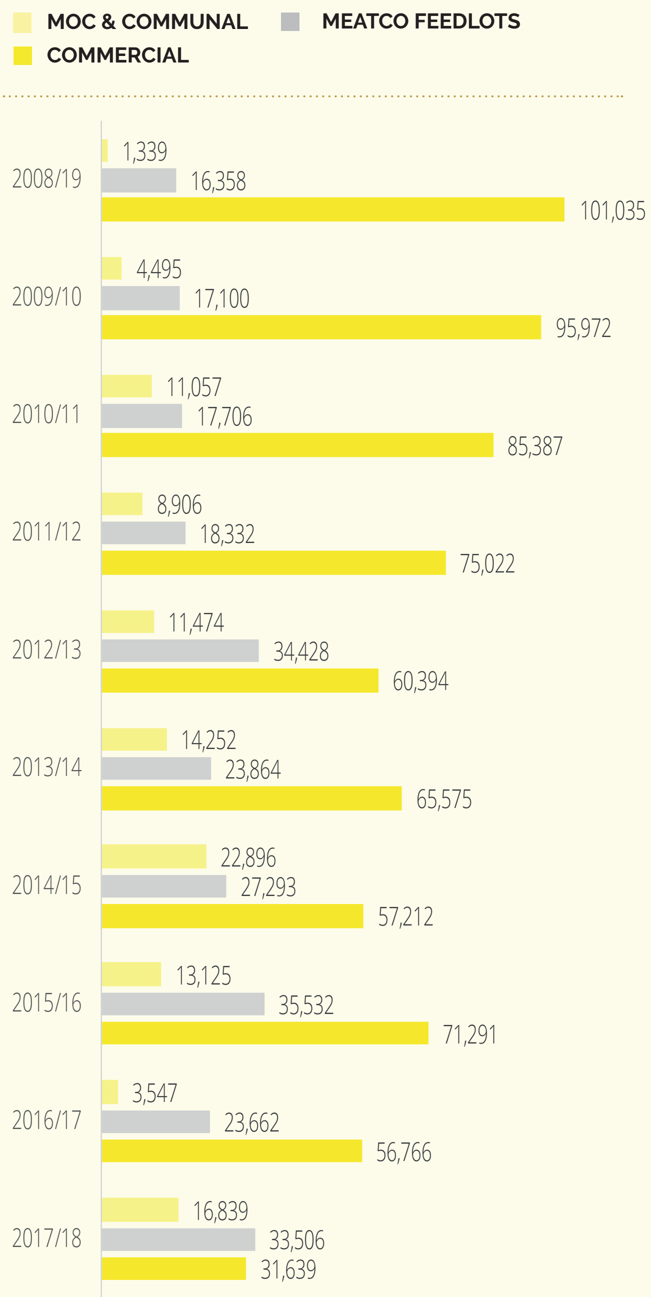
Permit days will remain an important focus area to ensure the time and effort invested in cementing relationships pays off for Meatco.

In light of the high volume of exported cattle to South Africa in the reporting year, Meatco anticipates less slaughter cattle will be procured from commercial producers during the next few years. Therefore, it is vital that feedlots and backwards integration cattle must be available to ensure consistent throughput in the plant. Feedlots are expensive and impact negatively on profitability, while backwards integration activities impact negatively on Meatco's cashflow situation. It will be a challenge to keep a positive balancing act.

In the past few year, weaner production has gained ground to the detriment of ox production, and this was the case especially during the reporting year. However, it is vital for the sustainability of Meatco and the whole beef industry to ensure the ratio between ox and weaner production feasibility again starts favouring ox production.

CATTLE PROCURED

Procurement Sources



Cattle procured (SVCF): 2008/09-2017/18

"I have always delivered my cattle to Meatco, even when it was still called Damara Meat Packers. In the beginning of my farming activities, it wasn't easy with the bigger producers in the industry being able to deliver while the smaller producers such as myself couldn't do so due to the points system. However, with Meatco came an easier way to deliver with the use of the new system. For me, Meatco became a reliable link to the markets – something that is certainly appreciated in comparison to the times when slaughtering was hard. But it is not only I who benefited. Their MoC programme, Ekwatho and the feedlot initiatives give farmers who have cattle that are not in the best standing an alternative option to market their animal."

Horst Kronsbein, Summerdown, Omaheke Region

2017/18 REVIEW: **PROCESSING OPERATIONS**

The slaughtering and processing of meat products are highly regulated, inflexible, energy-demanding and costly operations. To safeguard its sustainability, Meatco's strategic focus remains on ensuring its operations are scalable, flexible, affordable and effective.

"The focus was to grow Meatco's bottom-line through increased efficiency."

Jannie Breytenbach, Executive: Operations

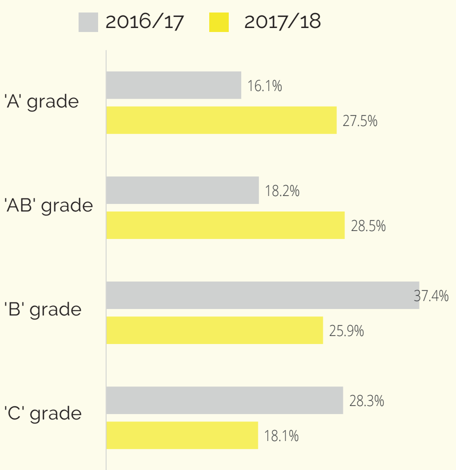
As can be expected, the tough economic circumstances Namibia found itself in during 2017 also impacted on Meatco's operations. The reporting period year was therefore tough for the Corporation, with less available slaughter animals, cash flow pressure and ever-increasing input costs of greatest concern.

Meatco's strategic commitment to improving efficiency spans all its processing operations: abattoir and meat processing plants, the mobile slaughter unit operating in the northern communal areas, the canning and the tannery operations.

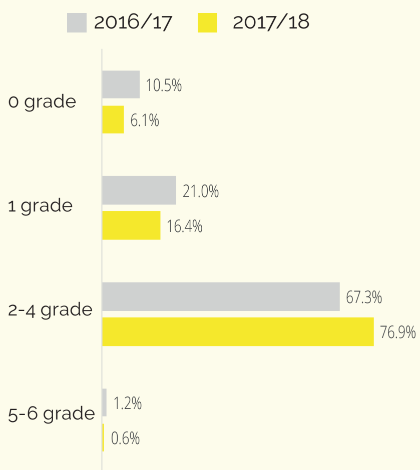
Relationships with stakeholders such as employees and regulators that have direct impact on the efficiencies and flexibility of the plant, were nurtured throughout the year.

Conformance to health and safety of its employees, as well as product safety and quality was ensured through an internal management drive to focus on delivering consistently in these areas.

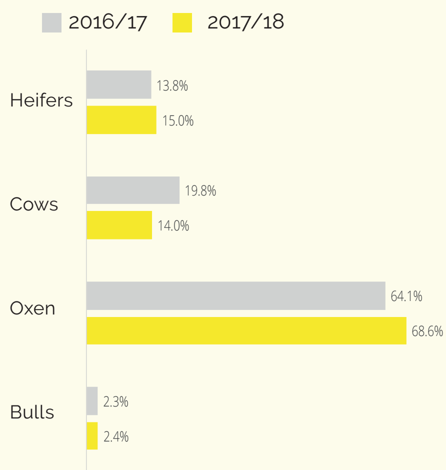
GRADING DISTRIBUTION



FAT DISTRIBUTION



TYPE OF CATTLE DISTRIBUTION



ABATTOIR AND MEAT PROCESSING PLANT

In the year under review, the focus was to grow Meatco's bottom-line through increased efficiency. Throughput levels, flexibility and efficiency received management attention as drivers of maximum value creation with the reduced cattle numbers available for slaughter. Costs were literally monitored on a daily basis to ensure maximum efficiencies were obtained.

The Windhoek plant was operational all year long. The number of cattle slaughtered for the reporting year were 81,984 (2016/17: 91,558), which is 14,827 less than the previous year, representing a decrease of 16.2 per cent. It is also 15.3 per cent lower than the budgeted number of 96,811. Private cattle slaughtered for the period were 5,045, representing 6.2 per cent of all animals slaughtered at the plant.

The number of animals graded 'A' and 'AB' increased, while the number of 'B' and 'C' grade cattle decreased. The average carcass weight was 237.9 kg, which is 0.30 kg less than the previous reporting year.

Capacity utilisation for the current reporting year was 84.6 per cent of the quota allocated and 68.8 per cent of the slaughter capacity.

Most animals slaughtered at the abattoirs were a fat grade of 2 to 4. Overall, the condition of the cattle was fair throughout the year, though volumes were lower than expected.

Meatco processed a total of 19,504 tonnes of meat for its markets during the reporting period, compared with 21,809 tonnes recorded in the previous reporting period.

	2016/17	2017/18
Average carcass cold mass	238.20/kg	237.9/kg
Average producer price	N$34.06/kg	N$37.64/kg

	2016/17	2017/18
Quota utilisation	82.77%	84.6%
Capacity utilisation	84.4%	68.8%

On 8 March 2017 the Windhoek plant experienced an ammonia leak whereby seven people were affected, one was seriously and needing hospitalisation. Fortunately no fatalities occurred, but business disruption and the destruction of 70 carcasses resulted from this incident.

The leak happened when a flexible ammonia pipe was torn off during the hydraulic lifting of the plate freezer when loading. An extensive investigation was launched, followed by additional awareness and training of staff on the danger of ammonia and how to mitigate the associated risks. No major unplanned breakdowns occurred in the plant and thus the factory uptime of 97.8 per cent was achieved for the year.

In a pro-active drive to maximise income streams, the team pursued and implemented the sales of non-conventional offal (such as noses, ears, hooves, red tripe, among others) as fresh offal, as well as the sales of organs for pharmaceutical uses, with pleasing results achieved. The sales of fresh offal to local small- and medium-sized enterprises (SMEs) assisted in stimulating job creation in the local market.

The focus was also on minimising incidental cost across the plant. Through constant engagement with suppliers Meatco was able to negotiate no price increases on items such as cartons, cleaning materials, among others.

During the reporting year, a study was commissioned to determine the environmental impact of the plant's operations in pursuit of ensuring environmental sustainability of the physical environment around the plant. It is envisaged that the study will be concluded in July 2018.

In conclusion, the Windhoek plant is confident that it is well geared for capitalising on future opportunities.

NORTHERN COMMUNAL AREAS

The journey of Meatco's Mobile Slaughter Unit (MSU) that was introduced into the Northern Communal Areas (NCAs) in mid-August 2016, has been a good one thus far. Honouring its commitment to remain present in the NCAs and provide a mechanism for the communal farmers to sell their cattle, Meatco has operated its MSU for the past two reporting years with positive results.

The NCA has always been a tough market due to the veterinary cordon fence, which means that marketing opportunities in the area remain limited, as the meat can only be sold there and not exported to foreign markets.

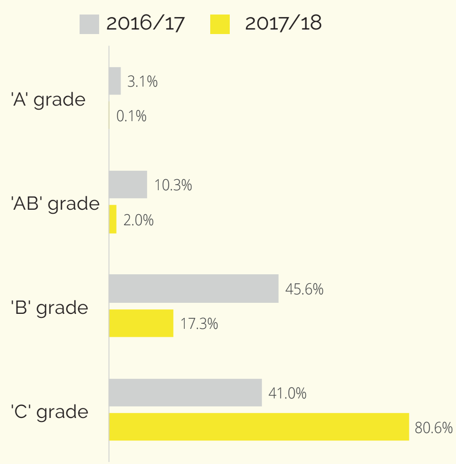
As a result, the need to constantly seek new clients in this area is of great importance, a task that Meatco is continuously involved with. The limited market also has a bearing on the efficient operation of the MSU, as few cattle are slaughtered compared with its capacity.

The MSU began operation in the Kavango East Region at the Matumbu Ribebe Quarantine camp, 60km south of Rundu, and by the end of the first year, 746 cattle had been purchased from 40 communal farmers at slaughtered. This provided an income of N$4.2 million to the farmers.

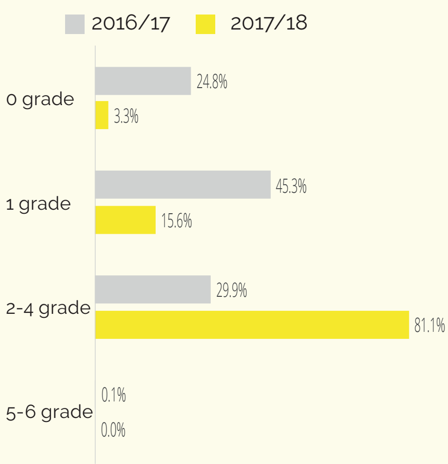
In the reporting year, slaughter operations resumed on 13 February 2017 after a slow period in the festive season.

Producers praised the mobile abattoir for catering to their needs, which translated into increased consumer access to high quality meat products in the local area, as well as other marketing opportunities.

MSU GRADING DISTRIBUTION



MSU FAT DISTRIBUTION



MSU CARCASS COLD & LIVE MASS/KG

	2016/17	2017/18
Average carcass cold mass	208 kg	210 kg
Average cold mass price/kg	N$27.11/kg	N$31.19/kg
Average carcass live mass	407 kg	431 kg
Average live mass price/kg	N$13.85/kg	N$15.59/kg

In the reporting year, 896 cattle were purchased and slaughtered. Sixty communal farmers received N$6 million for their cattle, while 16 farmers sold 296 cattle destined for Angola.

This brought the total number of MSU slaughtered cattle from deployment in August 2016 to end of this reporting period to 1,938 cattle which were purchased from 116 communal farmers.

The total value of animals purchased by Meatco in the Kavango East amounted to N$11.9 million. Most of the carcasses (1,642) were sold to retailers in the north-central area and 296 cattle were sold to Angolan buyers.

Throughput is still lower as budgeted due to marketing challenges (that is, limited marketing opportunities) in the NCA.

Meatco plans to relocate the MSU to Onyuulae in the Oshikoto Region. The team is in discussions with the local councillor, members of the local traditional authority and the kraal committee to link the kraal facilities to the MSU.

A meeting was held on 15 January 2018 and all participants wholeheartedly accepted Meatco's request to make use of the facilities.

NCA FARMERS IN KAVANGO WELCOME MSU

Communal farmers in the Kavango East Region expressed their thanks for marketing opportunities offered through Meatco's Mobile Slaughter Unit (MSU), since they have been without access to a commercial abattoir since Meatco restrategised its business model in the Northern Communal Area (NCA).

The MSU began slaughtering Meatco-owned cattle (MoC), as well as the animals purchased from farmers who had registered to supply to the company. Among the first farmers to supply to Meatco, was regional governor of the Kavango East Region, Dr Samuel Mbambo, who applauded the initiative, since it provided a much-needed outlet for farmers who were reducing their stock levels due to the drought conditions.

Chairperson of the Kavango East Regional Farmers Forum, Hannes Balzar, echoed the feelings of many farmers in the region, saying: "The MSU is the chance we have been waiting for to sell our excess animals and to generate much-needed income. Some farmers have no other source of income except from their cattle, so this is good for them."

Since the MSU has been in full operation, many quality MoC cattle and non-MoC cattle were slaughtered with the majority being B-grade and C-grade.

"The Mobile Slaughter Unit is a welcome marketing option. Despite not having been one of the first to slaughter through the unit, I am eagerly waiting my turn."

Hannes Balzar, Kavango East Regional Farmers Forum

"The situation for livestock farmers was very difficult during the past few years. Meatco's MSU is a solution to so many problems that farmers in the NCA face. Meatco is trying to move the market closer to the farmer, which is very good in my view."

Robert Mupiri, Farmer, Gciriku area, Rundu

A major benefit of the MSU is that the animals are subject to a minimum amount of stress in comparison to conventional pre-slaughter handling that often includes stressful loading, transport, mixing and crowding, as well as rough handling by humans unfamiliar to them.

In the case of the MSU, a virtually stress-free kill occurs as the animals are handled by familiar people and in familiar surroundings.

Meatco's MSU is an effective way for producers to minimise animal stress before slaughter while also reducing transport costs and providing greater flexibility for specialty meat products.

The slaughter system can be modified easily to meet unique certification requirements. It will likely become an attractive option for a new generation of agricultural entrepreneurs.

SYSTEMS IN PLACE TO AVOID BUYING STOLEN CATTLE IN THE NCA

Meatco has put various systems in place to ensure that no stolen animals are procured by the Mobile Slaughter Unit (MSU) used in the Northern Communal Areas (NCAs).

The MSU is tailored to the unique circumstances of our communal producers by aiming to bring slaughtering services closer to farmers in the area.

In the procurement stage, Meatco's Procurement Officers (Technical Advisers) will go to the villages or farms to inspect the cattle prior to loading. The officer will then select the cattle with the appropriate quality and that have NAMLITS ear tags for purchase.

Before leaving any settlement, the producer, with the assistance of the officer, will need to obtain a Movement Permit from the Directorate of Veterinary Services (DVS) for cattle to be transported.

The farmer is also required to complete a separate Departure Form that should be attached to the Movement Permit containing the details of each and every animal loaded on the truck.

Upon delivery to the MSU on site, the DVS Movement Permit and Departure Form will be collected from the truck driver and inspected thoroughly.

Meatco is in constant contact with stakeholders within the respective regions, including the Stock Theft Unit of the Namibian Police, Farmers' Associations and Marketing Cooperatives.

Therefore, it will be nearly impossible for stolen cattle to go through the entire process undetected.

In addition, Meatco will keep records of all slaughtered cattle for future reference and for the identification of cattle sold to the unit.

As a rule, Meatco procures cattle from well-known producers in the regions, therefore avoiding the possibility of procuring stolen animals.

OKAHANDJA COLD STORAGE

In light of the ever-decreasing slaughter cattle available to Meatco, the Okahandja abattoir was converted into a cold storage facility in a drive to maximise on its own facilities. In previous years, cold storage facilities in South Africa's Cape Town harbour was utilised for exports.

The cold storage was audited for the first time against the British Retail Consortium (BRC) standard and awarded the highest grading, namely an AA-grading. Meatco is particularly proud of this achievement, as the Okahandja facility is the only cold storage in Africa with such a high grading.

A fishing company from Walvis Bay commissioned the use of the cold storage for the duration of March to May 2017, storing 270 tonnes of fish.

The rest of the year until the December holiday period the cold storage was utilised to handle all Meatco's chilled and vacuum-packed products, as well as storage of the wholesale and canning departments' frozen products. Frozen export products was done directly from the Windhoek plant to Walvis Bay harbour.

The cold storage facilities in Cape Town harbour were only utilised for exports to Norway and Reunion. The lower utilisation of Cape Town cold storage resulted in a cost saving of approximately N$10 million.

By 22 December 2017, all stock was loaded out. The complete cooling plant was shut down and all staff went on annual leave. The canning department is still storing empty cans that will generate a small income for the Okahandja cold storage. The production team is investigating the possibility to assist the tannery department with dry storage of hides.

Going forward, the plan of action is to close down the cold storage for the off-season period of January 2018 until end of April 2018. All chilled and frozen export products will be done with direct containers from the Windhoek plant to Walvis Bay harbour.

By ensuring the loads are done directly from the Windhoek plant, a monthly saving of approximately N$500,000 (N$2 million for the four-month period) can be achieved at the cold storage. The situation will be re-evaluated in the peak season.

All cold storage staff was moved to the Windhoek abattoir to assist with the loading of chilled and frozen containers directly from Windhoek to Walvis Bay.

CANNING

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

In terms of production, the reporting year was exceptional – a record number of 17 million cans was produced, the highest number ever since the inception of the canning line. This is 11 per cent more than the 15.3 million produced the previous reporting year.

A highlight for the canning department was sorting out of important marketing issues. A change of marketing agent used previously to sell its cans resulted also in a change in the price system.

The complicated pricing system of trade rebates and discounts previously used was replaced by an ex-factory price system.

A major challenge the canning department had to deal with is the import costs of raw material such as mechanically deboned meat, low-value meat products and cans. These costs have increased beyond the return per can which is the main reason why the department made a loss in the reporting year.

In total, 14.6 million cans were sold during this period (2016/17: 14.9 million).

A price increase of 4.5 per cent has met strong resistance in the market place. When the new marketing arrangement came into effect in this reporting year, the prices paid were still at the 2016 level. It was rectified in the beginning of 2018 with 4-6 per cent increase.

From the middle of the reporting year, production levels were adjusted and aligned to the current market demands.

Another challenge experienced in the reporting year was the impact of tariffs imposed by the Namibian Standards Institution (NSI), which increased excessively with more than 250 per cent.

A focus area for the next year will be to get the labelling line adjusted to label round cans, and thereafter, to get the new round-can products into the market.

The strategy will also be to implement a price increase acceptable to the market without affecting sales quantities.

More lucrative markets have to be found to increase margins and to reduce dependence on current markets. This will enable Meatco to have more bargaining power when it comes to negotiating price increases.

Managing cost savings on fixed cost items such as overtime and maintenance remains an ongoing activity.

OKAPUKA TANNERY

Meatco's Okapuka tannery is located 25 km north of Windhoek and has been in operation since 1987. It currently employs 38 people.

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

Green hides were in limited supply; therefore Meatco had to procure more salted hides externally from sources other than Meatco.

Hides are sourced throughout Namibia, from Meatco and other abattoirs, as well as from South Africa and Mauritius. A total of 213,575 hides were procured in the reporting year, of which only 38.2 per cent was from Meatco and 61.8 per cent from other suppliers.

Of the procured hides, 196,593 hides were processed (2016/17: 204,846). These were sold locally to NAKARA and internationally mainly to Italy. The China market has for all intents and purposes collapsed; a very small portion of hides were sold to that market in the reporting year.

Sales prices globally remained under pressure due to oversupply from Brazil and low production numbers from China.

As in the previous reporting years, lower grade hides still have no real value in the market. The tannery remained with its strategy of refraining from purchasing low grade hides before the market adjusts.

The fluctuation of foreign currencies and the strong South African rand experienced in the last quarter of the year added substantial pressure on the tannery's income.



On the positive side, strict cost management paid off. Importing chemicals directly from main suppliers, rather than purchasing it from middlemen, resulted in significant cost savings.

The tannery still have 80 per cent market share in the local market and is a vital element in Meatco's mix of revenue streams.

GROUP ENGINEERING

In light of the cash crunch experienced nationwide and at Meatco during the reporting year, all capital projects were put on hold, with the exception of the fire main ring line that was completed and the installation of the X-ray machine.

The focus of the engineering team was on reducing costs and maximising efficiencies without incurring risk of breakdowns in plant and equipment.

Nevertheless, the technical uptime for the Windhoek plant was higher than the targeted 95 per cent; in fact, in October the technical uptime was 99.1 per cent; in November 98.8 per cent and in December 99.3 per cent. An average technical uptime of 97.8 per cent was achieved throughout the year.

The annual maintenance shutdown of the Windhoek plant was completed successfully and in time; the start-up of operations in January 2018 commenced without any problems.

The Windhoek plant received the wastewater discharge permit for 2018 and could prove that the effluent was less than the previously charged amount of 85 per cent of incoming water; the charge was reduced to 76 per cent. This resulted in an additional saving on effluent charges. The discharge permit is valid for one year and has to be reapplied again for 2019 with new proof of effluent discharge volumes.

With the conversion of the Okahandja plant to a cold storage, the old scrapped boiler was sold back to the original supplier.

Due to the low cattle numbers it was decided to keep the Okahandja cold storage closed until cattle slaughter number increase in the next financial period.

At the Okapuka tannery, the boiler was damaged due to failure of the low-water cut-out system and had to be replaced. An insurance claim lodged during the reporting year was paid out.

A new location for the Mobile Slaughter Unit was found at Onyuulae in the Oshikoto Region and preparations are currently under way to move the MSU to its new location.

IN CONCLUSION

Despite having had to operate in challenging circumstances, the operations department has managed to negotiate its challenges successfully.

By proactively scanning its environment, it was able to adjust and innovate, scale its operations and continue to support the creation of value required by customers and producers.

2017/18 REVIEW: **QUALITY ASSURANCE**

Food safety is a key component for product integrity, and a standard expectation of all consumers. Stringent quality controls and the knowledge that Meatco's products conform to the highest international standards of food safety and quality are at the heart of what we do. The Corporation remains committed to produce meat of the highest quality because access to the most lucrative markets depends on it.

Meatco utilises world-class processes and adheres to strict international food safety and hygiene practices, which enables it to meet the demands of the global and local marketplaces, to increase revenue earnings and to build strong, reputable brands.

USA MARKET ACCESS ACQUIRED

In September 2017, Namibia, through the Directorate of Veterinary Services (DVS), underwent a public health audit by the United States of America's inspection body, Food Safety Inspection Services (FSIS). Meatco as a food business operator was audited at plant level by a FSIS auditor.

USDA FSIS

No deviations (findings) were raised and the Meatco plant was found to be fully compliant. This positive result can be attributed to the fact that Meatco's quality assurance systems have been in place for many years to ensure compliance with most international requirements.

The audit allowed for American authorities to verify that Namibia remains in compliance with maintaining their required standards. This routine audit is conducted on an 18-month to 2-year basis.

Namibia was audited on the following topics:

- Handling of specific risk material and controls over condemned material
- Microbiological sampling and testing
- Human handling of animals
- Non-conformance and corrective actions
- Hazard analysis and critical control points plan
- Sanitation standard operating procedures
- Standard operating procedures and verification, and
- Verification and review of documents.

"We don't compromise on the quality of our beef. It is the best or nothing at all times, to keep the trust our clients have in our meat – from when it is delivered to our abattoirs until the time it leaves."

Rosa Katjivena, Executive: Quality Assurance

DVS and Meatco performed exceptionally well in the audit, confirming how seriously they regard the commencement of exports to the US market.

Although Namibia was granted access to the American market, the Corporation awaits final approval on the labelling of its products before exporting can commence. Product labelling is not part of the market access process — it is a separate, administrative process which needs to be completed for every product entering the US.

Once exports to the US market commence, Meatco intends to market boneless raw beef products, such as primal cuts, chuck-and-blade and beef trimmings.

AUDITS CONFIRM QUALITY ASSURANCE PERFORMANCE

Meatco implemented a new international standard, FSSC 22000, which is a combination of the Hazard Analysis Critical Control Point (HACCP) and ISO 9001 standards used previously. The FSSC 22000 (Food Safety System Certification) provides a framework for effectively managing food safety responsibilities. FSSC 22000 is fully recognised by the Global Food Safety Initiative (GFSI) and is based on existing ISO 9001 standards.

Transition to this one standard, rather than two (HACCP and ISO 9001) separate ones, resulted in substantial cost and time savings for Meatco.

After the Okahandja abattoir was converted to a cold storage, it underwent an audit conducted against the British Retail Consortium (BRC) for the first time. The BRC is a body which maintains a strict watch over food safety and quality and upholds global standards which must be met by manufacturers.

The BRC facilitates standardisation of quality, safety, operational criteria and manufacturers' fulfilment of legal obligations. The BRC grading is awarded based on the assessment of the applicable food safety management systems of the Okahandja Cold Storage. The cold storage received an 'AA'-grading, the highest grading possible.

The Windhoek plant was also audited by BRC and received an 'A'-grading, which is still a good performance.

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

UPGRADED LABORATORY

Meatco's upgraded laboratory was commissioned in January 2017. It is a level 2 bio-safety laboratory, equipped to conduct all microbiological and chemical tests such as *Clostridium perfrigens*, *Enterobacteriaceae* and the Shiga toxin-producing *Escherichia coli* (STEC) group.

The laboratory was set up primarily to monitor internal hygiene and provide early detection of bacteria. However, Meatco also tests for bacteria on request by customers and markets, for example for STEC (Shiga toxin-producing *E. coli*) which is a requirement of the US market.

As the laboratory is a cost centre, in the next financial year Meatco will focus on offering laboratory-related services to outside entities, for example analysing water samples, in an effort to generate a revenue stream for the lab services.

In the next year, the focus will also be to get the laboratory accredited by the Southern African Development Community Accreditation Services (SADCAS), which is a multi-economy accreditation body.

The accreditation process is already underway and is likely to be completed in 2019. DVS's main veterinary lab is also accredited by SADCAS.

This means that when DVS's laboratory is being audited, Meatco's lab can be done the same time, making the auditing process more cost effective and efficient, as audits are expensive.

STAFF MEDICAL EXAMINATIONS

EU legislation stated that medical examinations of all food handling staff must be done annually. This was done at the beginning of the year. The programme of staff medical examinations was reviewed and new procedures will be implemented commencing 2018.

MEATCO APPROVED FOR THE e-MARK

During the reporting year, Meatco applied for, and was successful in being granted permission to use an international quantity control packaging scheme, called the *e-mark*.

The e-mark ensures that the consumer will receive the quantity declared on the pre-packed packages. It is a way to facilitate international trade and minimise red tape, protecting both consumers and industry.

The e-mark is administered by the South African National Regulator for Compulsory Specifications (NRCS), which is an entity of the South African Department of Trade and Industry, with the view to protect human health, safety and the environment, and to ensure fair trade in accordance with policies and guidelines.

It is a measurement mark, placed immediately after the quantity statement of packaged goods as a metrological passport that assures all stakeholders throughout the supply chain of such goods that these goods have been subjected to a system of net quantity control to ensure that each batch of such goods comply with the trade or legal metrology acts and regulations.

The e-mark is not obligatory but, when used, is a guarantee that the goods to which it is applied have been packed in accordance with SANS 1841 Control of the quantity of contents in pre-packed packages within the prescriptions of metrology legislation.

The mark assists local packers or manufacturers to access markets in the EU since the e-mark is recognised in other countries when supported by relevant documents.

Being granted permission to use the e-mark on its packaging will show Meatco's major trading partners that it is a serious and ethical business entity, which can open more export opportunities for Namibian meat products.

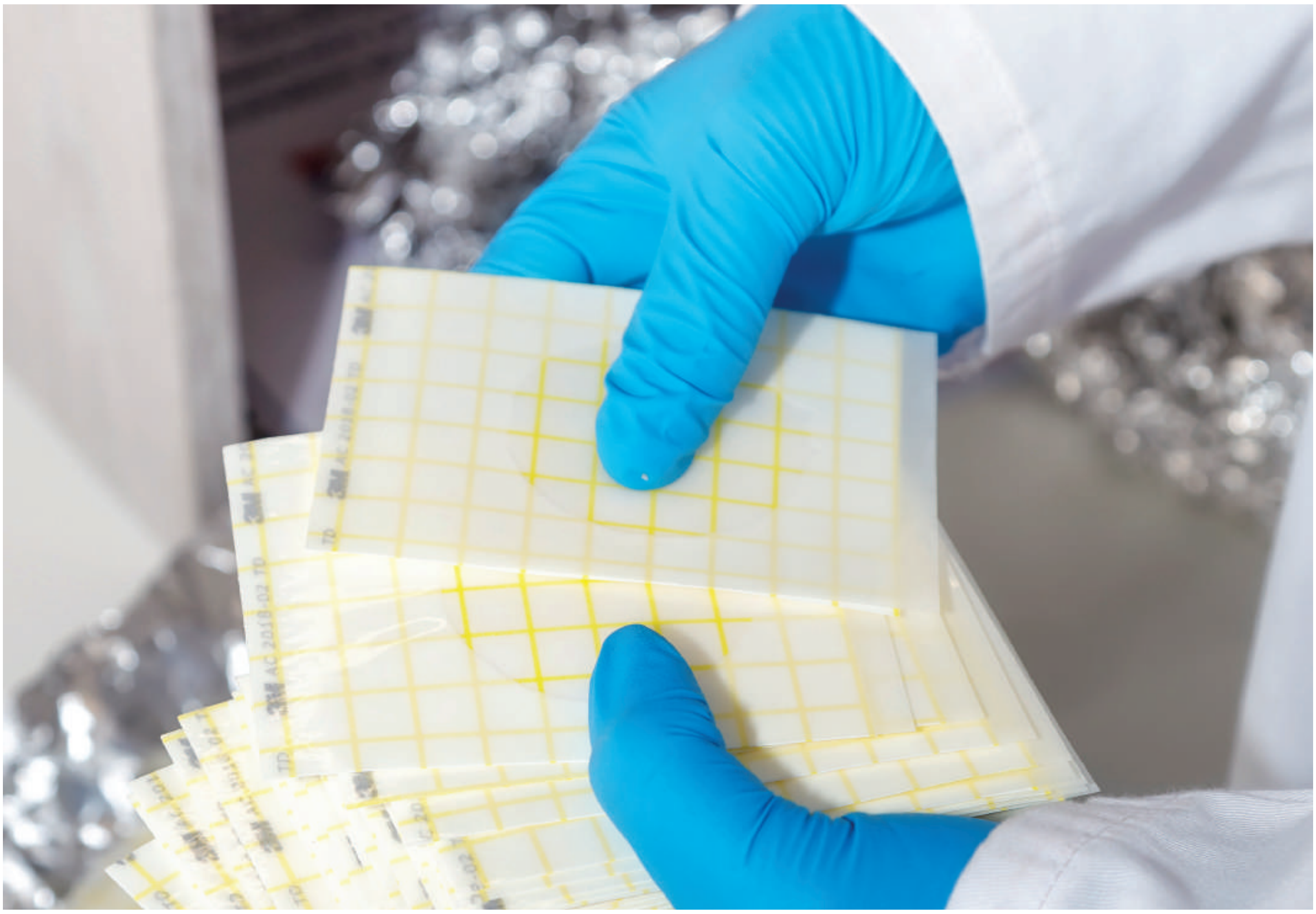
LOOKING AHEAD

A focus for the Quality Assurance Department will be to maximise a paperless system in the laboratory. Previously standard forms that needed to be completed for different tests were paper-based.

Tablets were introduced towards the end of the reporting year, enabling operators who work on plant floor level to capture information and data directly on to the system, making real-time results immediately available.

The paperless system results in reliable recordings, more efficient, accurate and timely data, while being much more environmental friendly. In the next year the system will be expanded to capture more data directly.

Due to the expected lower number of slaughter cattle in the coming years, resulting in the need to streamline all of Meatco's activities, the Quality Assurance Department will be guided by the actions of other departments to maximise its own efficiencies. The department will right-size to make it lean yet flexible to ensure all needed checks and tests.



2017/18 REVIEW: **MARKETING AND SALES**

One of the key drivers for the Sales and Marketing Department was to maximise carcass returns. In this respect, overall the reporting year was a successful year as, year-on-year, the prices increase with N$5.52 per kilogramme, representing 10.0 per cent: from N$54.83/kg to N$60.35/kg.

However, this increase was eroded by the less favourable exchange rate (that is, the strengthening of the South African rand) for the same period reporting. Meatco's strategy is not to sell to all the markets that are open for its products, but to time the selling of products with the right sales mix to increase sales revenue, considering the decreasing cattle available for slaughter. Meatco exported to the European Union (EU), United Kingdom (UK), Norway, Asia and South Africa.

International markets

The EU, UK, Norwegian and Asian markets accounted for 35.37 per cent (2016/17: 43.2 per cent) of Meatco's sales by volume, but 68.26 per cent (2016/17: 75.41 per cent) by value.

South African market

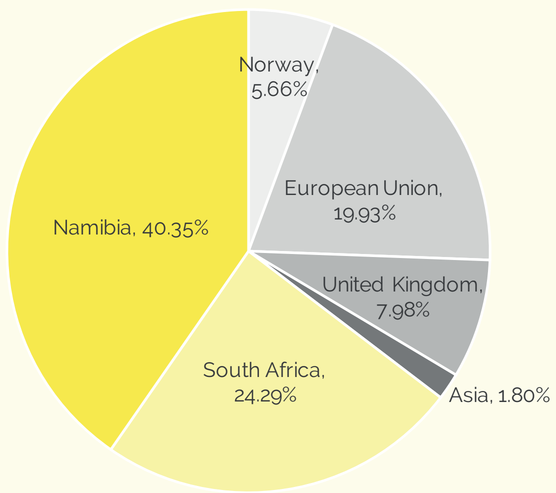
The South African market, consisting of cuts used for manufacturing of meat products, offal and bones, accounted for 24.29 per cent in volume, but only 16.51 per cent in value.

Namibian market

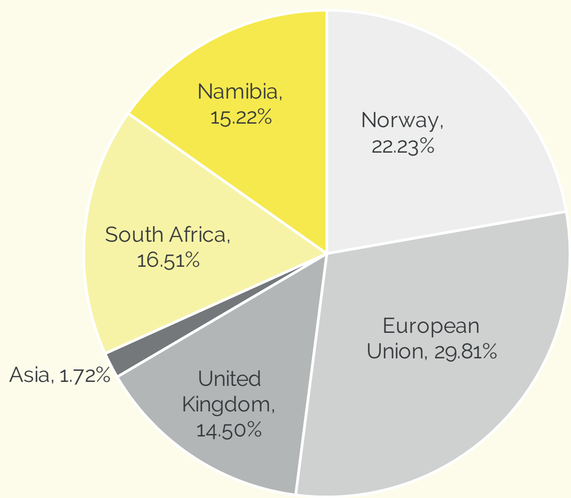
The Namibian market, consisting of cuts, offal and bones, made up 40.35 per cent in volume, and 15.22 per cent in value.

As South Africa and Namibia combined accounted for only 31.73 per cent in value, clearly Meatco's international markets, which accounted for 68.26 per cent of the value of the Corporation's sales, is vital for the sustainability of its business. The different needs of these two main markets are essential: Meatco's prime cuts exported to the international markets at good returns, while South Africa and Namibia absorbed the lower-value cuts and carcass parts.

ACTUAL SALES DISTRIBUTION IN VOLUME, 2017/18



ACTUAL SALES DISTRIBUTION IN VALUE, 2017/18



International markets

Meatco's key international markets in terms of sales revenue remain Norway, the European Union (EU) and the United Kingdom (UK). These markets, together with the Asian market, make up only 35.37 per cent of the total volume, but the sales revenue is much higher at 68.26 per cent of total sales revenue.

Norway, with only a small 5.66 per cent in volume, has significant sales revenue of 22.23 per cent. This further demonstrates year in and out that Norway is a critical market for Meatco and every kilogramme that can be sold in this market will assist Meatco's revenue greatly to the benefit of the country's livestock producers.

In 2017/18, Meatco again filled its full quota — 1,400 tonnes — for the year amidst challenges, proving to the Norwegian authorities and Namibian Government that it had the capacity and capability to fully utilise its allocated quota, thereby maximising yields for its producers.

A reduction in the 2018 quota allocation to 1,300 tonnes will just achieve the opposite, in particular during a period that world prices are slightly under pressure. Without a doubt, Meatco will find it challenging to make up for the lost revenue caused by the potential loss of 100 tonnes' worth of revenue.

The overall risk of decreased volumes also increases the overall pressure on increasing sales revenue.

In terms of adding value and extracting maximum returns from their carcasses, Meatco is continuing to work with the largest retail and foodservice company in Norway, the largest retailer in Denmark, the largest retailers packing house in Holland and international manufacturing names such as McDonalds, Heinz and Burger King.

The People's Republic of China (PRC) and United States of American markets have not realise any exports for the reporting period. The challenge with the PRC market is the existing protocol on lumpy-skin disease (LSD) and exclusion of offal and chilled products to the market.

The respective authorities are busy re-negotiating the protocol and it remains uncertain when this will be sorted. The PRC is potentially a good market for Meatco's products, as we can extract good value from some parts of the carcass which is in demand in this market.

While we received approval to export to the US market two years ago, there are labelling issues to be sorted out. Meatco received principle approval on the labels, and only waits for the official letters from the FSI authorities.

It seems that exports to the USA market will realise earlier than the PRC market.

South African markets

The Republic of South African (RSA) market has shown a significant improvement during the reporting year, which was also influenced by the price and sales mix.

A significant reduction in the lower value products, specifically offal, has also increased the average returns from this market.

The exchange rate has decreased year-on-year and we expect that the rand will continue on its stronger levels, further affecting our sales revenue negatively.

Going forward, Meatco's key focus will be maintaining the current price levels and increasing it, wherever possible, to make up for the possible loss in revenue as a result of the anticipated volume drop and the stronger exchange rate.

"In 2017/18, Meatco again filled its full quota of 1,400 tonnes for the year amidst challenges, proving to the Norwegian authorities and Namibian Government that it had the capacity and capability to fully utilise its allocated quota, thereby maximising yields for its producers."

Cyprianus Khaiseb, Executive: Marketing and Sales

Producer of the Year shared his experience in London

Dirk Matthysen Uys, Meatco's Producer of the Year for 2016, and his wife Hannetjie were treated to a 14-day trip to the UK as part of his prize. He shared his experience after the trip.

"We returned to Namibia not only revitalised and with many fond memories of a wonderful time shared with the staff of Meatco UK, but also with a much deeper understanding and appreciation for the important role Meatco plays in the national economy in general and the farming community in particular.

"As Namibian beef producers, we are indeed proud to be involved in the supply of such a superior product and sought-after brand.

"The most eye-opening experience on the trip was the realisation how complex the marketing side of the value chain has become in the past couple of years and how important it is to have a truly professional team in place to look after this business component.

"It is probably not that difficult to sell our Namibian beef in Europe purely as a commodity, but by doing that we will always receive a commodity-type price for our superior product due to price competition from a host of other countries able to produce beef under more favourable farming conditions.

"If we want to earn top dollar for our Namibian beef, we simply have to identify, secure and maintain a foothold in those niche markets where better-than-average prices are paid. To be able to do that, you have to have a professional marketing team with intimate knowledge and understanding of those markets.

"One of the most valuable lessons learnt from my counterparts in the UK, is that there is indeed a market for each and every part of the carcass and that with the right marketing team, all those niche products can be utilised to increase the value of each carcass slaughtered in Namibia.

"Secondly, that those special niche markets are being identified and served by the Meatco UK team not only all over Europe but also in the rest of the world.

"What impressed me most about Meatco's UK operations is the energy and enthusiasm with which a rather young Meatco UK marketing and sales team promotes and sells our Namibian beef. Also, that every team member has a solid knowledge of the meat industry and that most of them are in fact, trained and qualified butchers!"

Making inroads in the local market

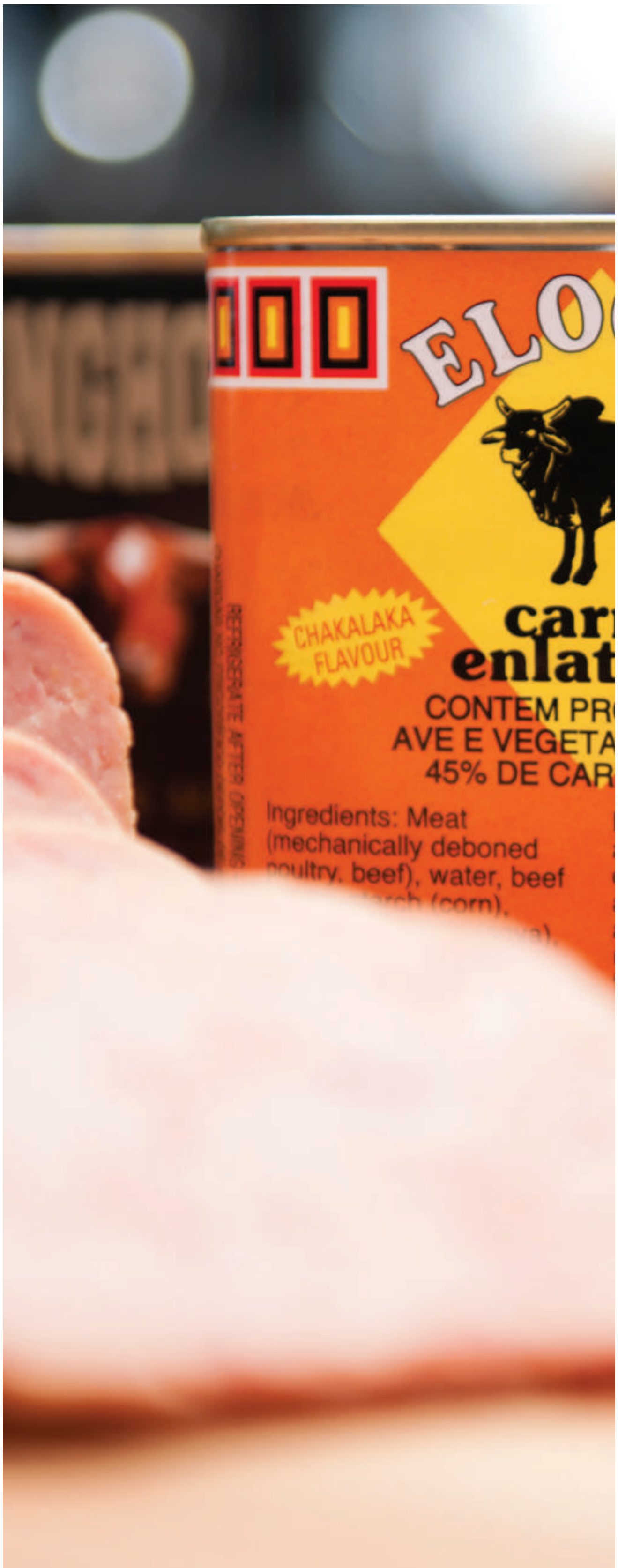
Meatco's MeatMa range of products is a local brand which provides a good source of protein to a large number of consumers.

Celebrating its third anniversary in the reporting year, its product range comprise of barbeque sausages, burger patties, hindquarters, shin and club steaks.

The brand has created a space for itself in the local market and has been well received. Its success may be attributed to the fact that customers are confident that the rigorous quality standards applied to exported products are also applied to a local range.

Part of the strategy to expand the presence of the range on the local market, Meatco partnered with local wholesalers and retailers, whose outlets throughout Namibia increased the visibility and availability of these products.

Meatco's general approach is to maximise returns from this brand by operating as close to the end user as possible, and to ensure the sustainability of the brand. (More details on the MeatMa brand were provided earlier in the report.)



Cannery

During 2017/18, the cannery marketing structure and the business model of the cannery was changed. Previously the sales structure involved complicated invoicing of trade rebates and discounts.

Changing it to an uncomplicated ex-factory gate pricing mechanism delivered N$1.23 per can benefit. This has improved the net returns to the cannery substantially.

Unfortunately, this benefit was eroded by higher raw material costs, specifically MDM (mechanically deboned meat) and cans. However, going forward, the new ex-factory pricing system should result in increased efficiencies.

Facing challenges head-on

One of the main challenges experienced over the past few year was the market disturbance caused by the dumping of Brazilian meat, which resulted in the availability of cheap South American beef in the EU and UK markets.

Since Meatco cannot compete on price in a commodity market, it remains important that when and where we see a commodity market developing, we must find ways to reduce our volumes in that market and find other niche markets.

The food safety problems experienced with Brazilian meat exports to the US and other countries, which resulted in the banning of Brazil meat towards the end of the reporting year, unfortunately also impacted on Meatco's exports, as consumers tend to regard all imported meats as suspect. Meatco felt the impact in the UK and EU market, and it remains a challenge.

In the reporting year, there was also an oversupply of carcasses from Germany in the Norwegian market, causing Meatco's highest value market to destabilise. Meatco was able to manage the falling market prices towards the end of 2017 through the strong relationships we forged over the years with Norwegian suppliers and distributors, as well as the growing customer loyalty towards the Natures Reserve brand.

The fact that Meatco had six-month fixed-price contracts with most of its suppliers enabled it to counter the lower prices, but these contracts are renegotiated to shorter contracts going forward. Shorter contracts could work in the Corporation's favour in times when high demand causes the prices to increase, enabling Meatco to capitalise on such situations.

In addition, Meatco continued its strategy of spreading its product through a number of markets, preventing a situation of not being exposed too greatly in any single market. These strategic moves ensured that the Corporation maintained and increased prices, which insulated it from the commodity price war that developed in the EU and UK markets during the second half of 2017.

Meatco also continues to work with the largest farmer cooperative in Norway to ensure that its products are in harmony within the marketplace needs as far as possible.

Through working smart, Meatco ensured that the vast majority of its Norwegian quota had been filled prior to the last quarter of the year, unlike other importers, and therefore had largely secured its Norwegian realisations before the market values falling at the end of the year.

Going forward

One of the Corporation's important strategic objectives is to develop a brand for grain-fed meat from its feedlots. With the increasing number in feedlot cattle which will be slaughtered in the next few years, Meatco's plan is to aggressively develop a feedlot brand that will maximise returns.

Meatco will also develop more market opportunities for its bone-in cuts, mainly in RSA and Far East markets. However, it will remain a balancing act to expand the export markets for bone-in cuts without compromising the availability for the same cuts in the local market.

We will continue working on the development of the USA market on free-range meat, as currently the US meat market is dominated by feedlot or hormone cattle. On the other hand, the opportunity in the Chinese market lies with grain-fed meat, which is ideal for meat from Meatco's feedlot.

The focus will also be on streamlining the meat cuts, as currently there are approximately 400 individual cuts in its product range. Focusing on reducing the number of cuts has the potential to increase productivity and efficiencies.

The overall objective remains to maximise carcass returns year-on-year through ensuring the correct sales mix in all five of Meatco's key markets.

2017/18 REVIEW: **HUMAN RESOURCES**

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

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

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

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

Meatco firmly believes that its long-term commitment to its employees' development, i.e. broadening their skills and welcoming their contribution to the Corporation, their lives and their communities, will make a significant contribution to reaching Namibia's development goals as they have been envisioned in the NDP5.

BENEFITS

Meatco employees enjoy the following benefits:

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

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

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

Understandably, the challenges experienced on the corporate and operational levels always translate to testing the resilience of employees, which is the

“Meatco's long-term commitment to employee development, that is, broadening their skills and welcoming their contributions, will make a significant contribution towards achieving Namibia's development goals."

Stanley Hoveka-Mbura,
Executive: Human Resources

responsibility of the Human Resources (HR) Department. It remains a tough task to strike a balance between the interests of both the Corporation and the employees.

During the reporting period, Meatco had to deal with limited cattle numbers for slaughter, which affected the actual production figures and, in turn, employee's livelihood. However, the HR Department prides itself on the maintenance of relations with its stakeholders through which the Corporation could conclude and resolves challenges in the best interest of both Meatco and the employees.

The aftermath of the closure of the Okahandja factory — which was converted to a cold storage facility — it resulted in the retrenchment or voluntary early retirement of some employees. The voluntary retirement option was offered to employees older than 55 years to reduce the impact of job losses due to retrenchment.

Negotiations with employee representatives of the Namibia Food and Allied Workers Union (NAFAU) — which were tough — were positively concluded through good working relations built up through the years.

In the context of the difficult financial circumstances experienced during 2017 in Namibia in general, and at Meatco in particular, the HR department also had to manoeuvre through the storms of wage negotiations.

The process was further influenced by the directive from the Ministry of Public Enterprises which curbed the salary increase to inflation for all public enterprises. In the end, we managed to sign a three-year deal with NAFAU for the period 2017 to 2020.

In addition, the HR department have to manage a very tight budget which limited the execution of many of the HR activities such training and staff development initiatives. It is envisaged that those activities will be continued as soon as the Corporation's financial situation improves. However, mission critical training interventions are considered on merit.

As in the past years, Meatco was certified as a Compliant Employer in line with the Employment Equity Act for its 2016 AA Report.

OCCUPATIONAL HEALTH AND SAFETY

EMPLOYEE WELLNESS

Meatco conducts annual Occupational Hygiene surveys. One aspect of the annual surveys entails monitoring occupational exposure such as various noises encountered within the workplace. As a result, employees working in and around noise areas above 85 decibels (db) are required by law to wear hearing protective devices and undergo medical examinations.

The protective devices, namely earplugs and muffs, which aim at preventing or minimising noise-induced hearing impairment, are supplied to employees by the Corporation.

The clinic at the Windhoek factory provides an invaluable service to Meatco's staff and their families, enabling them to gain quicker access to healthcare and to promote a proactive attitude towards maintaining health and employee welfare.

In order to encourage employees to live a healthy lifestyle, Meatco participated in the annual corporate *NBC Battle of All* sport event. The tournament created an opportunity for employees of private companies, public enterprises and Government ministries to battle it out in soccer, netball and volleyball. All teams that represented Meatco did exceptionally well and the team spirit among employees remained high during the tournament.

The Corporation continues with the dissemination of information to its staff via internal media such as the MeatUs newsletter. Topics of mental health, such as depression and suicide prevention, as well as subjects like heart disease and breast cancer, are presented on an ongoing basis and staff is encouraged to visit the clinic if they have health-related questions.

WORKPLACE SAFETY

Workplace safety remains a legal responsibility. To Meatco it means creating a safe working environment to ensure that everyone returns safely to their home at the end of a working day.

The Corporation introduced an important facet of managing safety in Meatco by conducting weekly safety training sessions to equip and educate management and staff on safety practices within the workplace.

The training focuses on taking ownership and responsibility should an injury occur, and on advancing and broadening the scope of workplace safety. It also ensured that safety at Meatco remains a team effort and not an individual undertaking in order to improve safety at an organisational level.

Management also undertook a review of policies and procedures, while ensuring enforcement and implementation. This included the implementation of corrective actions conducted in the form of follow-ups by supervisory staff in the case of a reported injury, as well as preventative measures that were taken.

Early in 2017 an ammonia incident took place at the Windhoek factory when an ammonia gas pipe leaked in the dispatch area. A total of 671 employees were in the plant when the incident took place. As part of Meatco's emergency plan all workers were quickly evacuated from the plant to determine the level of damage at the cooling system and to prevent employees getting in contact with the gas which affects the skin.

Seven employees who had inhaled the gas were treated in hospital and six released by the next day. One employee, Shiyukifeni Kashikola, returned to work following a lengthy recovery process of psychological sessions and medical treatments, funded by Meatco.

The incident raised the importance of workplace safety among employees as more staff members are now committed to report workplace risks and hazards to reduce injuries.

A reduction in the number of injuries has already been noted compared with the previous year.

ORGANISATIONAL DEVELOPMENT

In the reporting year Meatco subsidised the studies of four university students in fields pertaining to the Corporation's operations, such as veterinary science, electromechanical engineering, information technology and animal science. Selection of students to receive bursaries is based on considerations of merit.

Due to current economic constraints, Meatco has decided to support only these bursary holders to completion of their studies and will not grant new bursaries for 2018/19.

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

A total of 54 students were accommodated in internship programmes in 2017.

Due to financial support on staff training and development, Meatco qualifies for a rebate of 50 per cent on its Namibia Training Authority (NTA) training levy.

One of the highlights for the HR department was the refund of N$850,000 received from the NTA levy fund based on the ongoing training and organisational development initiatives Meatco conducts for its employees.

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

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

During the reporting period, four Meatco employees applied for and received study loans.

LOOKING AHEAD

The focus areas for the next reporting year will be to manage the cost related to HR activities stringently.

The implementation of the restructuring process will be managed within the provisions of applicable legislation and policy compliance, while the HR team will cooperate closely with the operational and core business units, providing them with necessary expert advice and support.

"I have been a Meatco employee from 2011 as a contract worker. I read the information on the Staff Study Assistance Programme on the notice board in our department. I applied; obtaining the loan was easy. Meatco paid the full amount to the NAMCOL for my entire study duration. I have a standing agreement to pay back the loan. I was struggling to pay for my studies, but now I can concentrate on finishing my studies. I encourage my colleagues who want to further their studies to apply."

Abraham Ndeiwedha (Deboning)

"Due to Meatco providing the payment for my studies upfront, I was able to overcome financial constraints and successfully complete my studies. Unlike other schemes offered at other companies, Meatco's loan is equivalent to studying for free, because once the applicant successfully completes his/her studies, the money that was deducted, is paid back in full. I would advise my fellow staff members to make use of this initiative as it is self-fulfilling and wearing a graduation gown is worth it."

Abraham Christiaan (Senior Manager: Employee Relations & Wellness)

2017/18 REVIEW: **STAKEHOLDER RELATIONS AND CORPORATE AFFAIRS**

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

During the period under review, the focus of Meatco's Stakeholder Engagement and Corporate Affairs Department was threefold:

- To identify factors in the business environment that bear on the conduct of its business;
- To build and maintain beneficial relationships with external and internal stakeholders; and
- To proactively identify the Corporation's communication needs across the business and design innovative approaches to communication.

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

As stated in earlier sections of this report, the sustainability of Namibia's beef industry — and therefore, Meatco's business — is under threat with the low number of cattle procured from Namibia's commercial producers during the reporting year.

BUILDING AND MAINTAINING RELATIONSHIPS

During the review period, a wide range of stakeholder engagements were conducted to manage key issues, to keep abreast of developing issues and achieve mutual understanding between Meatco and its stakeholders.

A visit was paid to the EU delegation early in the year, while Meatco sponsored the Namibian Veterinary Student Association with N$10,000 in view of building a collaborative framework and working relationship with the current authoritative scientists. The sponsorship facilitated the launch of clinical studies.

Meatco welcomed numerous visitors' groups who wanted to familiarise themselves with its operations, among others, a delegation from China (left) and from the Iranian Embassy (right).

“The department conducts interaction with external and internal stakeholders on a continuous basis with the aim to create effective communication vehicles to serve Meatco's activities."

Vehaka Tjimune, Executive: Stakeholder Relations & Corporate Affairs

Various visitor groups were exposed to Meatco's operations, among others, members of the Iranian Embassy in Windhoek who toured the abattoir in view of exploring export opportunities of Namibian beef to that country.

Twenty members of the China Meat Associations were engaged in October 2017 in the context of hindered beef exports to China. The visit was facilitated by the Meat Board and included importers, exporters, operators and the CMA's secretariat.

This engagement was followed up by a visit to Meatco by the Chinese Vice Minister in January 2018. The Chinese Vice Minister Qu Dongyu led a delegation of officials from his ministry, accompanied by H.E. Zhang Yiming, Chinese Ambassador to the Republic of Namibia and Ministry of Agriculture Water and Forestry Permanent Secretary Percy Misika, to meet Meatco Executives Vehaka Tjimune, Cyprianus Khaiseb, Rosa Katjivena and Jannie Breytenbach, at the Windhoek abattoir.

Throughout the reporting year, several discussions were held with stakeholder groups such as the Namibia Trade Forum.

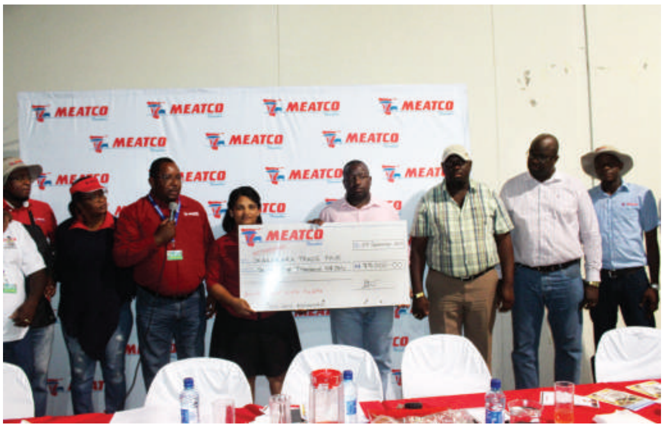
The Environmental Investment Fund of Namibia, project partners and stakeholders visited the Okapuka Feedlot with the aim of developing a feasibility study for a feedlot in other parts of Namibia. Proposed sites discussed were Opuwo and or Zambezi, which could be linked to existing local abattoirs for local value addition. Funding, estimated at US$10 million per project, could possibly be accessed through the Green Climate Fund based in South Korea.

An engagement with the Namibian National Farmers Union (NNFU) was held in September 2017 under the theme “Exposure for empowerment”. Points of interests included Meatco's business model in the NCA, corporate structure, slaughter operations, products, quality control, key cost components and its approach to cost management.

Meatco also attended the Communal Farmers Consortium Farmers' Evening held in September 2017 at Aminuis in the Omaheke Region. Meatco provided a joint sponsorship of N$200,000 to communal farmers in communal areas, which was presented on behalf of the members to the Interregional Show.

Namibia's subsistence livestock production system was at the centre of a visit by Ethiopian agriculture specialists to Meatco in December 2017. The visit was facilitated by the Meatco Foundation's development partner, GiZ Windhoek, in partnership with GiZ Ethiopia. The objective was to share insights into experiences by Namibia's system and its linkages to commercial livestock production.

Farmers' Liaison Meetings held in August in Opuwo, Kunene Region, and Okakarara in the Otjozondjupa Region, under the theme “The future of livestock farming in Namibia: where to from here?” were well attended.



Meatco supported worthy causes that are directly related to its business, such as the Okakarara Trade Fair (left) and the Omaheke Regional Farmers Union (right).

INTERNAL AND EXTERNAL STAKEHOLDERS' COMMUNICATION

During the reporting year, the Corporate Affairs unit was involved in activities concerning the managing of all internal and external communications aimed at creating favourable points of view among Meatco's various stakeholders.

An important element in all activities was to ensure coherence and credibility at all times. To this end, Meatco utilised various communication channels, ranging from an online platform and electronic channels to conventional print media.

Meatco's website was updated, with links to various activities across the Corporation's activities, thereby providing accessible sources of information.

Equally, internal communication with staff members received attention, especially through the monthly distribution of the MeatUs, Enews and other electronic channels. These channels assist Meatco to fine-tune the balance between business and the Meatco culture in our communications.

The unit participated in various planning meetings, public dialogue on parliamentary bills, and sector-specific conferences.

A particularly effective means of engaging with stakeholders and the public is participation in agricultural fairs and invitations to observe Meatco's operations through factory tours.

Throughout 2017, Meatco generated high volume coverage in the mainstream media, paired with 42 per cent positive public perceptions, as reported by NaMedia, a Windhoek-based media content analysis and research firm.

Of all Namibian companies, Meatco was ranked fourth as an organisation that set the national agenda among corporates in Namibia. This is despite the fact that the agriculture sector was ranked 21st in terms of sector-ranking.

It is a remarkable achievement for Meatco to be among the top four companies on the national agenda, despite the number of challenges faced during the reporting year.

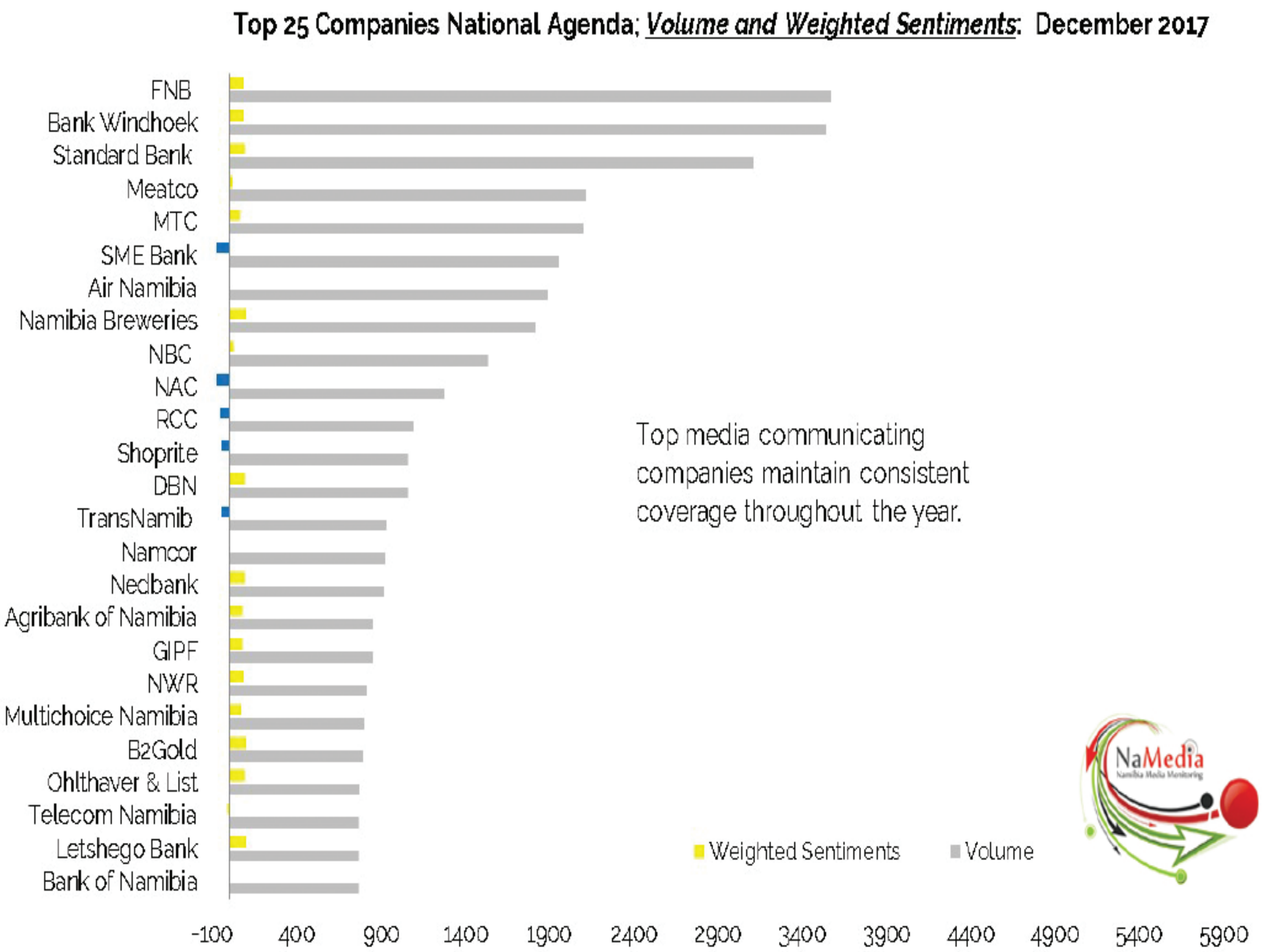
The Meatco brand as a company with high quality products continued to outshine other negative issues surrounding its business, attesting to the Corporation's persistent communication efforts. It is interesting to note that the topics covered in the mainstream media were a combination of positive, neutral and negative coverage.

Overall, 42 per cent of the coverage was positive and 33 per cent neutral. Although 25 per cent negative coverage is worrisome, it is understandable given Meatco's current context.

Close to 190 articles were featured in the printed media during the review period.

Radio continued to be the most powerful communication channel to our communal producers in NCA and south of the VCF.

A total of 26 talk shows of 7-10 minutes each were produced and broadcast in nine languages. These talk shows ranged from public announcements, topical discussions and various livestock procurement notices. These were all well received by producers.



Source: NaMedia, December 2017

MEATCO: AN AFRICAN INSPIRATION

The London Stock Exchange Group (LSEG) has identified Meatco as one of Africa's most inspiring companies in the United Kingdom.

Meatco, together with 16 other companies in Namibia (among others, Agra, Ohorongo Cement and Power Line Africa), were some of the companies identified as Africa's most inspiring businesses. The LSEG hosted the launch of "Companies to Inspire Africa" on 31 March 2017, which puts forward the most dynamic companies on the continent.

The report identifies Africa's fastest-growing private companies and profiles them based on a country and industry analysis.

The LSEG has always played a central role in bringing together ambitious, growing companies from around the world with global-minded investors.

Key to that role is a continual effort to raise awareness in emerging markets of the investor base that exists in London seeking exposure to new geographies and opportunities. Similarly, they work to educate and introduce investors to the opportunities that these companies and countries offer.

In that spirit, LSEG has undertaken a research project in partnership with the Africa Development Bank Group, CDC Group and PwC, to reveal Africa's most inspiring small and medium-sized enterprises.

The special launch event to celebrate African companies' success, ambition and uniquely African entrepreneurial spirit, was attended by a broad range of Africa-focused investors, as well as senior representatives from African companies to highlight outstanding stories of innovation, bravery and growth across the continent.

At the event, Xavier Rolet, Chief Executive of the LSEG, said they are delighted to release the first

H.E. Mr Steve V. Katjiuanjo, the Ambassador of Gabon, and Mr Xavier Rolet, the CEO of the London Stock Exchange Group.

edition of the group's 'Companies to Inspire Africa' report that follows their research focused on the UK and European SMEs.

"For the first time ever, we have identified hundreds of Africa's most inspirational and dynamic private companies.

"This initiative demonstrates the huge role that small and medium-sized enterprises are playing as the driving force behind African economies: developing skills, creating high quality jobs and delivering growth."

2017/18 REVIEW: **COMMUNITY INVESTMENT:** MEATCO FOUNDATION

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

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

Kingsley Kwenani, Executive Officer: Meatco Foundation

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

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

Together with its partners, the Foundation was able to ensure that beneficiaries received practical assistance, marketing support, as well as training on issues such as sustainable rangeland management.

Its partners included Meatco, the Ministry of Agriculture, Water and Forestry (MAWF), the Ministry of Lands and Resettlement (MLR), agricultural unions, Understanding the Management of Ecosystems (UME) consulting services that have pioneered rangeland rehydration using EMU™ approach, as well as aspects of Community Based Rangeland Management in Namibia, among others.

Sponsors of the project included the EU, Finnish Embassy, Southern African Science Services Centre for Climate Change and Adaptive Land Management, and the United States Forest Services.

RANGELAND AND MARKETING DEVELOPMENT SUPPORT PROJECT (RMDSP-NCA)

The Rangeland and Marketing Development Support Project (RMDSP-NCA), funded with €1.6 million from the European Union and Meatco, and implemented by Conservation Agriculture Namibia (CAN) (a Namibian non-governmental organisation that was formed for the purpose of increasing agricultural production in Namibia), in coordination with the Meatco Foundation, ended in March 2017.

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

Specific objectives of this project include:

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

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

Crop field soil sampling using environmental classification procedures.

The project achieved many successes in spite of two external factors (extended drought conditions and several outbreaks of foot-and-mouth disease). In tandem, these two factors increased pressure on the drought-stricken rangelands by reducing off-take, flooding the market with livestock and meat at reduced costs, and incalculable stress for thousands of communal livestock farmers has resulted.

Critically, these challenges have been felt hardest by the intended beneficiaries for this project: livestock and crop farmers, grazing area committees and locally based traditional authorities have all been coping with the drought, and experiencing a range of stresses including decrease in household income, declining herd quality with increased costs and efforts being incurred for management of livestock herds.

Implementers work directly with the communities who live or have their livestock in the grazing areas, with an estimated 4,354 people (farmers and their families) participating in the project. Improved marketing activities, however, were open to all residents in the seven target regions.

Nearly 30 per cent of various committees consisted of female farmers. Indirectly, approximately 10,000 people benefited, as all residents of the seven target regions benefit from the improved cattle marketing activities initiated by the project.

The project applied a variety of interventions and innovations to alleviate poverty by transferring, adapting and pioneering global best practices in rangeland and cropping management under accelerating climate change to one of the poorest and most climate-vulnerable regions in Sub-Saharan Africa.

It aimed at enabling selected Namibian farmers in the NCAs, as well as livestock producers, to organise themselves to apply the principles of sound rangeland and crop management as mitigating climate change adaptation strategies, whilst creating smart partnerships to increase the offtake of livestock.

Low cost options that also created sustainable jobs and contributed to the flourishing of the rural economy were pursued and implemented.

Despite these challenges, the Meatco Foundation and CAN teams ensured the delivery of outstanding and robust results and community livelihood improvement as a result of this project. The table on the right indicates the results achieved based on RMDSP indicators, showing the actual and percentages achieved during the implementation period, and at the end of the project.

A total of 145,363 ha were under improved rangeland management during the reporting period, exceeding the targeted number of 90,000 ha with 62 per cent.

The improvement was realised through the facilitation of planned grazing and combined herding in some grazing areas, while some areas were practicing strategic herding as a result of the fodder shortage in the NCA. The second drought year resulted in continued difficulty to establish grazing plans in many grazing areas.

By the end of the project, 26 grazing areas managed their resources holistically, representing 87 per

Rangeland and Marketing Development Support Project (RMDSP) summary progress per indicator at the end of the project

Indicator	Indicator	Target	Achievement	% Progress
1.1 Number of hectares of farmland in the NCAs under improved rangeland management	Hectares	90,000	145363	162%
1.2 Number of grazing area communities holistically managing their resources	GA	30	26	87%
1.3 Annual down-time in Oshakati Meatco abattoir reduced	Month	1	0	0%
1.4 Target Co-operatives planning effectively and conducting successful AGMs	Co-operative	5	6	120%
1.1 Number of grazing plans developed & monitored	Grazing plan	25	19	76%
1.2 a. Number of trials of over- seeding range	Trial	10	8	80%
1.2 b. Number of animal treated rangeland		9		90%
2.1 Number of GA's with a bull: cow ratio of 1:40	GA	25	25	100%
2.2 Number of vaccination plans developed and implemented	Vaccination plan	25	25	100%
3.1 a. Animal treated crop fields and/or	GA	10	11	110%
3.1 b. Conservation agriculture applied crop fields	GA	10	20	200%
4.1 Number of new business ventures developed and operational for the RLMCs	New business	18	19	106%
5.1 Number of joint planning and budgeting operational GA's.	GA	15	31	207%
5.2 Sound planning of 5 target co-operatives in place	Cooperative	5	6	120%
5.3 Local land use plans	GA	15	18	120%
6.1a. Quarterly planning meetings. National Level inputs as required	Meeting	10	13	130%
6.1 b. Cooperative Forum meetings. National Level inputs as required	Meeting	10	12	111%

cent of the project target of 30 areas. This resulted in overall improvement in rangeland and livestock management activities, NSCA operation activities, marketing activities, governance and advocacy. The drought impacted negatively on the achievement of better progress in relation to this target.

All six Rangeland Management Committees planned effectively, conducted their AGM in the second year and made sound decisions in the second and third year of the project.

A total of 19 grazing areas reported to have developed grazing plans, thus contributing to improved range-land in those areas. This was 76 per cent of the target. However, many grazing plans were done but the calculation considered only grazing plans done in the last season since the target was about annual grazing plans.

Fourteen grazing areas conducted inventories to determine bull-to-cow ratio, and 19 areas developed vaccination plans, bringing these two indicators to 100 per cent. The average bull to cow ratio was 1:13, which does not exceed the minimum target of 1:40.

In addition, 19 businesses were established during lifespan of the project.

Namibia Specific Conservation Agriculture (NSCA) field on the right, compared with a traditional method field on the left.

Overall, 106 per cent was achieved for this target. However, the profitability of some businesses can be improved. Some of the businesses were seasonal, such as selling seeds and grass. The project facilitated the development of business reports that capture information to determine profitability.

This helped the cooperatives in making decisions to improve their businesses. These businesses, however, could not result in sustainability of the committees and withdrawal of Meatco from the NCAs had a major impact on the income generating potential of co-operatives.

Two up-scalable business possibilities (Conservation Agriculture Service Provision and Bush to Pellets operations) were intensively investigated toward the end of the project. Both of these were believed to be potential viable business opportunities, but were put on hold to ensure that key stakeholders were supportive of the approaches being pursued.

Despite operational and marketing challenges, auctioneering was one of the main businesses during the reporting period.

After six months of being free of foot-and-mouth disease, the target area of the NCAs was allowed to resume sales of livestock. Fifty-four auctions were held in the seven regions during the implementation period.

A total of 703 cattle and 5 small stock auctions were sold at auctions, which generated a turnover of N$6, 349,617.52. The 6 per cent commission payable to the cooperatives who organised the auctions, generated an income of N$379,914.05, which made positive changes in the livelihood of farmers. Co-operatives had the potential to become sustainable through auctions and other business development.

The project management staff also attended 13 Flexpro trainings, enhancing the auction efficiency and administrative systems. Respectively 80 per cent and 90 per cent of over-seeding and animal-treated rangeland were achieved.

Furthermore, the over-seeding and animal-treated rangeland activities conducted in the first and second year of the project implementation were monitored throughout.

Namibia Specific Conservation Agriculture (NSCA) crop fields were conducted in the 20 grazing areas, a 200 per cent overall progress. Other important activities included yield evaluation for comparison of NSCA to traditional methods of cultivation. The results were highly statistically significant with NSCA showing a doubling of yield when compared to traditional methods.

In addition to the specified quantifiable indicators, stakeholder collaboration activities were conducted and contributed in achieving overall implementation of the project.

These activities cemented relationships and generated trust among stakeholders in the operational areas of the programme. It also provided a platform for the project members to plan together and provide feedback to stakeholders on progress, challenges, and support needed from other stakeholders.

Combining business and programme activities improved rural socio-economic well-being through direct livelihood improvement and established marketing and business opportunities. Community cohesion and collaboration also resulted in good maintenance and care for water infrastructure in some grazing areas; improved infrastructure development at school (e.g. community-initiated expansion of the school classrooms at Nsindi grazing area); and increased trust between community and co-operatives.

Staff capacity and skills improved due to this project's implementation. Co-op staff became multi-skilled and were able to execute both field facilitator and regional managerial responsibilities with ease.

From a business perspective, excellent record keeping was done during the NSCA implementation, putting the co-ops in good stead to administer other business opportunities.

Overall, more progress was made in the second year and last six months than in the first year of operations. There was a need to improve livestock marketing activities by revising strategy for livestock marketing activities overall.

Despite an outbreak of FMD, drought, the closing of the Oshakati abattoir, and other challenges, this project made a considerable contribution to the sustainability of the co-operatives. Clearly, it can be stated that the target project achieved its objectives and was successfully concluded.

MULTI-PURPOSE CRUSH PENS AT HELENA, OMAHEKE REGION

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

The construction of the Helena crush pen was completed in the previous reporting year and as it is an EU-compliant facility, for the first time it enables the community to market their animals in Europe.

Several meetings were conducted with the community after the establishment of the pens to finalise the operational modalities at the crush pen.

On the 13 October 2017 a community meeting was hosted by the Regional Councillor and the Traditional Authority to officially inform the community of the completed project. At this meeting it was resolved that the community select a committee that will run the affairs of the crush pen on behalf of the community.

With the support of the Regional Government representatives and the Traditional Authority, the committee was selected and in turn created a welfare entity, namely the Tueripura Welfare Organisation.

This organisation was then mandated to run the affairs of the crush pen, to ensure that the facility is maintained and functional on behalf of the community.

The organisation was also registered with the Omaheke Regional Farmers Union (ORFU) and therefore able to host and conduct auctions.

Since livestock auctioning in the country is still regulated by the Directorate of Veterinary Services (DVS), the organisation had to develop a plan for hosting auctions with the DVS for control purposes.

These are the recognised official auction days that are regulated and endorsed by the Ministry of Agriculture, Water and Forestry, and included in the Regional Auction calendar that is distributed to all buyers and farmers in the Region. Apart from these diarised auctions, individual buyers are also allowed to arrange special auctions with the committee depending on the availability of the facility.

In January 2017 the Tueripura Welfare Organisation hosted the first auction, where a total of 393 cattle were sold. The average price of cattle sold was approximately N$2,470 and the majority of the cattle presented for the auction were heifers and weaners.

The sales at the crush pen generated a total of N$970,750. This, in essence, represents the total of wealth released from the walking assets that the farmers in this area could not release and with the aid of the established crush pen this wealth was unlocked and therefore contributing towards improving livelihoods of the communal farmers.

The committee generated a total of N$19,415 in commission and invested it for use in the maintenance of the facility. The hosting of the auctions also saw a number of local community members using the opportunity to showcase their products and sell food to the farmers.

The second auction was hosted in September 2017. In total 302 cattle were presented at the auction and Meatco purchased all the cattle on offer. Just more than N$1.5 million was release to the community and a total of N$29,830 in commission generated by the committee managing the crush pen.

The crush pen facilities greatly benefited the farmers and the community. Farmers expressed their appreciation of the pens as the distance they had to cover to bring cattle to auction was reduced greatly. The facility allowed them to bring the animals well in advance as there was provision of water and thus improved the animal welfare and handling of the animals.

Animals on the day of the auction showed little signs of stress as they were well rested. In addition, animal handling was of a high standard as the crush pen was built in such a way that farmers do not have to struggle with the movement of cattle from one holding pen to the other.

The loading and offloading of the cattle was also convenient as the farmers could transport their cattle using any form of transport and offloaded them with ease.

The facility also benefited the buyers, as their mobilisation time of cattle they bought have been greatly reduced. Meatco normally takes between two to three days to load the purchased cattle at an auction. At this facility, Meatco saved two days of loading and handling cattle, which amounted to a cost saving of N$103,000.

The DVS also expressed their appreciation of the facility, since they could use it for training farmers on animal husbandry and their routine vaccination.

The design, taking cognisance of animal welfare, received much praise, as animals are handled with minimum stress, while animal movement in and around the facility is quick, making their work fast and efficient. The majority of the livestock buyers, auctioneers, speculators and individual buyers are now able to engage with the community and thus enhancing the negotiating ability of the farmers on their livestock.

The Helena crush pen is proving to be the winning strategy for improving cattle marketing in communal areas and communal farmers' commercialisation.

Looking ahead, the Meatco Foundation will continue to gather information on the impact of the facility on the community and develop case studies which will be distributed widely.

OKANGOHO CRUSH PEN

Aiming to repeat the success experienced with the Helena crush pen, ground works have commenced at the new multi-purpose crush pen site at Okangoho, near Okakarara in the Otjozondjupa Region.

Modifications to the design of the Helena pen was done after community consultations to accommodate some changes in terms of cattle handling facilities.

Construction of the Okangoho crush pen underway.

The Okangoho crush pen was developed in collaboration with the DVS and the Directorate of Agricultural Production, Extension and Engineering Services (DAPEES).

The Otjozondjupa Regional Council is also part of the consultative process and fully support the development. It is expected that the facility will be complete and ready to be used by March 2018.

WATER IN OTJOZONDJUPA REGION

Providing a better water supply significantly improves the quality of life and is a source of socio-economic development. Since its inception the Otjiuapehuri Water Project at Gam in the Otjozondjupa Region has been serving farmers with water for their livestock and for home consumption.

To date 15 households have laid pipes from the reservoir close to their homestead for home consumption.

Previously, the community had to travel between 3 and 7 km daily to fetch water. Cattle had to travel up to 8 km to the nearest water source and this was a problem for the community.

Before the installation of the water infrastructure, farmers indicated that they lost on average 5 to 20 animals per year due to the poor condition of the animals as they spent most of the time walking to the nearest water point. Farmers also could not sale cattle.

Since the installation of the water infrastructure, no animal losses have been experienced and animals have more time to graze.

Cattle numbers per farmer have also increased significantly. This enabled them to start trading with Meatco as they now have sufficient stock sale, unlike previously when most animals died due to thirst.

2017/18 REVIEW: **TAKING CARE OF THE ENVIRONMENT**

The importance of preserving the environment for future generations is more than a moral imperative at Meatco, it is a strategy that makes good business sense. In addition, since its business involves the handling and transportation of animals, the objective of animal-welfare practices is to treat them with respect and as humanely as possible, in order to minimise the stress to which they are subjected.

Meatco is committed to protecting and conserving the environment for itself, the community and future generations. It's Environmental Policy, therefore, centres on this principle.

Furthermore, we consider the natural environment and biodiversity in our country as a unique selling point – and, indeed, as one on which the sustainability of our business depends.

MEATCO'S ENVIRONMENTAL POLICY

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

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

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

DEVELOPING A MASTER PLAN

Although Meatco continually focuses on being efficient and as cost effective as possible, it was decided to further reduce its carbon footprint by commissioning an environmental specialist to draw up a master plan and rank environmental impacts according to a priority list.

The survey will investigate, among others, environmental aspects and activities such as a bio-gas plant, PV-power supply, bio mass and other waste saving measures, following a 'no waste' policy.

During the reporting year, a database with all relevant information was compiled and is in its final stage of completion. High focus on existing saving and good operation practices were given to drive down cost, such as the water and energy reduction per cattle unit.

WATER AND ENERGY SUSTAINABILITY

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

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

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

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

Measured against the GRSB's international benchmarks for cleaner production — with set standards for cattle abattoirs (per 250 kg of carcass weight) — Meatco's plant in Windhoek did well in water and energy savings between 2011 and 2017.

The tables below show the benchmarks and the plant's performance since 2011 until 2017.

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

Water (Litre per cattle unit of 250 kg weight: abbreviated as L/U)		
International benchmark		**Windhoek plant**
Traditional	5 m^3 per L/U	2011/12: 4.7 m^3 per L/U
Average	2.5 m^3 per L/U	2012/13: 3.6 m^3 per L/U
Best	1 m^3 per L/U	2014/15: 3.2 m^3 per L/U
		2017/18: 1.8 m^3 per L/U

Aiming to reduce its carbon footprint and electricity consumption wherever possible, the laboratory building was electrified by solar energy with key instruments backed by an uninterruptible power supply (UPS) system.

Meatco also managed to discharge its effluent without any additional cost or penalties since August 2016 up to date.

Electrical energy (Kilowatt-hour per cattle unit of 250 kg weight: abbreviated as kWh/U)		
International benchmark		**Windhoek plant**
Traditional	300 kWh/U	2011/12: 107 kWh/U
Average	125 kWh/U	2012/13: 87 kWh/U
Best	70 kWh/U	2014/15: 97 kWh/U
		2017/18: 97 kWh/U

ANIMAL WELFARE

The objective of our animal welfare practices is to treat all animals with respect and as humanely as possible, resulting in a minimal amount of stress.

Animal welfare remains a top priority at the Corporation. Meatco benchmarks its animal welfare practices against the best in the world. Its practices are subject to regular internal inspections to ensure we continuously improve them. They are also scrutinised by regular independent audits conducted by bodies such as SAI Global, the BRC, and some of its customers.

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

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

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

Meatco's goal is to ensure that these needs are met at all times: from transport practices and offloading at abattoirs, to the actual slaughter process.

For example, animals being delivered to Meatco are only allowed to be transported if their handling conditions and experience corresponds with the list above. Animals are also kept in natural groups to increase comfort.

At the abattoirs, animals are offloaded without delay, making use of acceptable handling practices only.

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

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

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

Meat Corporation of Namibia

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

ANNUAL **FINANCIAL STATEMENTS**

For the year ended 31 January 2018

ACTIVE USERS REPORT
Where are your users?
Sessions by country
Czechia
Slovakia
10.8%

CONTENTS

ANNUAL **FINANCIAL STATEMENTS**

DIRECTORS' RESPONSIBILITY FOR THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 January 2018

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

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

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

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

The directors believe that the company has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the company is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the company. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the company.

The consolidated and separate annual financial statements for the year ended 31 January 2018, set out on pages 100 to 166, have been approved by the Board of Directors and authorised for issue on 23 May 2018. The annual financial statements were signed on 23 May 2018 on behalf of the Board by:

…………………………

Dr M Namundjebo-Tilahun
Chairperson

…………………………

Mr RL Kubas
Director

Windhoek
Namibia

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MEAT CORPORATION OF NAMIBIA for the year ended 31 January 2018

Opinion

We have audited the group annual financial statements of Meat Corporation of Namibia set out on pages 100 to 166, which comprise of the consolidated and separate statement of financial position as at 31 January 2018, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the annual financial statements, including a summary of significant accounting policies and the directors' report.

In our opinion, the consolidated and separate annual financial statements present fairly, in all material respects, the financial position of Meat Corporation of Namibia as at 31 January 2018, and its consolidated and separate financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We have conducted the audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors Responsibilities for the Audit of the financial statements section of my report. We are independent of the corporation in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B (IESBA Code)) and other independence requirements in accordance with the IESBA Code and in accordance with the ethical requirements applicable to performing audits in Namibia. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter - going concern

Without modifying our opinion, we draw attention to Note 24 in the consolidated and separate annual financial statements, which indicates that the group incurred a net loss of N$ 51 126 701. As stated in note 24, these events or conditions, along with other matters as set forth in Note 24, indicate that a material uncertainty exists that may cast doubt on the group's ability to continue as a going concern.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report as required by the Meat Corporation of Namibia Act, which we obtained prior to the date of this auditor's report. The other information does not include the group annual financial statements and our auditor's report thereon.

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

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

Responsibilities of the directors for the Annual Financial Statements

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

In preparing the group annual financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

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INDEPENDENT AUDITOR'S REPORT (continued)

Auditor's Responsibilities for the Audit of the Annual Financial Statements

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 these consolidated and separate annual financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the annual 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 controls 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's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates 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 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 annual 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 to cease to continue as a going concern.

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

We communicate with the 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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Grand Namibia

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Grand Namibia
Registered Accountants and Auditors
Chartered Accountants (Namibia)
Per: R Theron - Partner
Windhoek
24 May 2018

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DIRECTORS' REPORT

for the year ended 31 January 2018

The directors have pleasure in presenting their report for the financial year which ended on 31 January 2018.

The objects of Meat Corporation

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

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

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

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

Vision of Meat Corporation

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

General review

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

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

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

- Maximising markets returns through a focused drive towards:
  - Value addition;
  - Development and exploitation of niche, high value markets;
  - Movement within the value chain towards focused sales to retail and end-customers;
  - Expanding the overall customer base and composition of the Corporation;
  - Effective management of market segmentation;
  - Effective management of production and overhead costs;
  - Maintaining the quality of assets and other resources to standards as required by the Corporation's stakeholders and customers; and
  - Diversifying procurement sources to stabilise seasonal fluctuations in the marketing of cattle;
- Due to the nature of the Corporation's activities and strategies, it is evident that the overall performance in terms of the corporate goal indicated above, is impacted directly and indirectly by several factors. These include:

DIRECTORS' REPORT (continued)

- Fluctuations and volatility of foreign currencies relative to the Namibian Dollar;
- Global food inflationary trends;
- Market access to niche markets;
- Overall capacity utilisation of slaughter facilities;
- Consistency of cattle throughput at export certified abattoirs;
- Governance and regulation relating to operational and production environment; and
- Weather and production cycles and patterns.

In order to ensure compliance with stakeholders' quality and trade specifications, the Corporation ensures that regular inspections and certifications are conducted by independent external parties. These include annual and quarterly evaluations and inspections by regulatory authorities and certification boards including Namibian Standards Institution (NSI), FSIS, SAI Global and British Retail Consortium (BRC). The production facilities achieved a new FSSC 22000 certification and BRC recertification. They are registered and licensed with the Muslim Judicial Council Halaal Trust as well as the Meat Board of Namibia. The Corporation holds South African and European Union export status and is in the process of obtaining USDA approval. Regular inspections and evaluations are also performed by some of the Corporation's retails clients, including, but not limited to, Heinz and McDonald's.

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

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

Operating results

During the financial year under review throughput of cattle supply in the areas south of the Trans Veterinary Cordon Fence decreased to 81,984 (2017: 91,557). The average cold dress weight increased to 223.57 kg (2017: 238.2 kg), resulting in actual throughput of 18,329 tonnes (2017: 21,809 tonnes).

Cattle supply in the areas north of the Trans Veterinary Cordon Fence increased to 896 (2017: 755). The average cold dressed weight increased to 231.35 kg (2017: 207.2 kg), resulting in actual throughput of 207 tonnes (2017: 156.4).

The revenue for the Group decreased to N$ 1,425.0 million (2017: N$ 1,694.6 million). The net loss for the year after interest and taxation decreased, from a profit in the prior year, to N$42.96 million loss (2017: N$ 19.3 million profit).

We draw attention to the financial statements, which indicates that the Company incurred a net loss of N$42.9 million (2017: N$19.3 Profit) during the year ended 31 January 2018 and, as of that date, the Company's current liabilities did not exceed its total assets. The ability of the company to continue as a going concern is dependent on a number of factors. The most significant of these is that the directors continue to procure funding for the ongoing operations for the company and that the subordination agreement of these annual financial statements will remain in force for so long as it takes to restore the solvency of the company. Please refer to note 24 for the detail on this.

Reserves

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

DIRECTORS' REPORT (continued)

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

Financial position

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

Property, plant and equipment replacement and development

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

	2017/18 N$	2016/17 N$
Additions for the year	32 492 077	47 818 212
Capital budget for the ensuing year	34 535 000	85 939 333

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

DIRECTORS' REPORT (continued)

Subsidiaries

Interest of Corporation at 31 January 2018 in:

		Issued share capital	Percentage holding direct/ indirect	Share investment N$	Loans N$
Investments in subsidiaries				**200**	**11 938 771**
Meat Corporation of Namibia (UK) Limited (United Kingdom)	GBP	1 250 000	100 %	-	--
Namibia Meat Importers & Exporters (Pty) Ltd (South Africa)	ZAR	100	100 %	100	--
Namibia Cattle Procurement (Pty) Ltd (Namibia)	NAD	100	100 %	100	11 938 771
Amounts from/(due) to subsidiaries				-	**705 589**
Meat Corporation of Namibia (UK) Limited (United Kingdom)	GBP			-	(27 466 387)
Namibia Meat Importers & Exporters (Pty) Ltd (South Africa)	ZAR			-	5 609 880
Namibia Cattle Procurement (Pty) Ltd (Namibia)	NAD			-	22 562 095
Net interest in subsidiaries	**NAD**			**200**	**12 644 160**

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

Net amounts from or due to subsidiaries comprises of the net of the subsidiary's accounts receivable, accounts payable and loan amount.

DIRECTORS' REPORT *(continued)*

Subsidiaries

Interest of Corporation at 31 January 2017 in:

		Issued share capital	Percentage holding direct/ indirect	Share investment N$	Loans N$
Investments in subsidiaries				**200**	**11 938 571**
Meat Corporation of Namibia (UK) Limited (United Kingdom)	GBP	1 250 000	100 %	-	-
Namibia Meat Importers & Exporters (Pty) Ltd (South Africa)	ZAR	100	100 %	100	-
Namibia Cattle Procurement (Pty) Ltd (Namibia)	NAD	100	100 %	100	11 938 571
Amounts from/(due) to subsidiaries				-	**(77 542 738)**
Meat Corporation of Namibia (UK) Limited (United Kingdom)	GBP			-	(27 638 925)
Namibia Meat Importers & Exporters (Pty) Ltd (South Africa)	ZAR			-	(248 623
Namibia Cattle Procurement (Pty) Ltd (Namibia)	NAD			200	44 109 784
Net interest in subsidiaries	**NAD**			**200**	**28 160 808**

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

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

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

	Entity name	2017/18 N$	2016/17 N$
Net (loss) after taxation	Namibia Cattle Procurement (Pty) Ltd (Namibia)	(7 675 378)	(6 287 227)
Net profit after taxation	Namibia Meat Importers & Exporters (Pty) Ltd (South Africa)	1 231 360	2 295 899
Net profit after taxation	Meat Corporation of Namibia (UK) Limited (United Kingdom)	132 814	748 677

DIRECTORS' REPORT (continued)

Associates

Interest of Group at 31 January 2018 in:

		Issued share capital	Place of business/ Country of Incorporation	Percentage holding direct/ indirect	Share investment N$	Loans N$
Investments in associates						--
GPS Food Group (Holdings) Limited	EUR	244 443	Ireland	25 %	--	--
GPS Norway AS	NOK	300	Norway	33 %	4 662 844	--
					4 662 844	**--**

Interest of Corporation at 31 January 2018 in:

		Issued share capital	Place of business/ Country of Incorporation	Percentage holding direct/ indirect	Share investment N$	Loans N$
Investments in associates						--
GPS Norway AS	NOK	300	Norway	33 %	216 791	--
					216 791	--

Interest of Group at 31 January 2017 in:

		Issued share capital	Place of business/ Country of Incorporation	Percentage holding direct/ indirect	Share investment N$	Loans N$
Investments in associates						--
GPS Food Group (Holdings) Limited	EUR	244 443	Ireland	25 %	74 110 016	--
GPS Norway AS	NOK	300	Norway	33 %	3 439 817	--
					77 549 833	**--**

DIRECTORS' REPORT (continued)

Associates (continued)

Interest of Corporation at 31 January 2017 in:

		Issued share capital	Place of business/ Country of Incorporation	Percentage holding direct/ indirect	Share investment N$	Loans N$
Investments in associates						--
GPS Food Group (Holdings) Limited	EUR	244 443	Ireland	25 %	41 701 435	--
GPS Norway AS	NOK	300	Norway	33 %	216 791	--
					41 918 226	--

The Corporation obtained a 25% interest in GPS Food Group (Holdings) Ltd on 20 May 2014. GPS Food Group (Holdings) Ltd is the ultimate holding company of an international group of wholly-owned subsidiaries that offer a comprehensive range of meat protein products sourced via a global network of supply partners. This Investment in Associate has been classified as an Financial Asset Held for Sale on 31 January 2018. Please refer to the note 7 in the Financial Statements for further information.

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

As at 31 January 2018 GPS Food Group (Holdings) Limited was reclassified to non-current asset held for sale. Refer to note 7 for details.

BOARD OF DIRECTORS

The following directors held office during the financial year:

Dr M Namundjebo-Tilahun: Chairperson

Mr RL Kubas : Vice-Chairperson

Mr II Ngangane

Ms S Kasheeta

Mr SJ Oosthuisen – resigned 16 February 2018

Mr M Mwilima

Mr E Beukes – (co-opted member)

Ms D van Schalkwyk (co-opted)

Mr S-K Shakumu (co-opted)

Audit and Risk Committee

Mr RL Kubas –Chairperson

Mr E Beukes

Dr D van Schalkwyk

Mr SJ Oosthuizen – resigned 16 February 2018

Mr M Mwilima – appointed 09 March 2018

Remuneration and Human Resources Committee

Ms S Kasheeta: Chairperson

Mr M Mwilima

Mr S-K Shakumu

Mr II Ngangane

Management Support Committee

Dr M Namundjebo-Tilahun: Chairperson

Mr RL Kubas

Mr S-K Shakumu

Secretary to the Corporation

Ms EM Tuneeko – resigned 30 April 2018

Registered address

Business Address:

Meat Corporation Building

Sheffield Street

Northern Industrial Area

Windhoek

Postal Address:

P.O. Box 3881

Windhoek

Namibia

STATEMENT OF FINANCIAL POSITION as at 31 January 2018

	Note	Group 2017/18 N$	Group 2016/17 N$	Corporation 2017/18 N$	Corporation 2016/17 N$
Assets					
Non-current assets		**741 678 750**	**709 401 582**	**748 779 918**	**685 093 355**
Property, plant and equipment	5	614 367 505	608 623 012	614 071 145	608 323 519
Investment in subsidiaries	6	--	--	11 938 771	11 938 771
Investment in associates	7	4 662 844	77 549 833	216 791	41 918 226
Deferred tax assets	8	122 648 401	23 228 737	122 553 211	22 912 839
Current assets		**590 336 450**	**772 539 143**	**576 151 409**	**649 067 870**
Inventories	9	232 649 591	128 673 612	232 482 501	126 557 054
Biological assets	10	131 813 058	132 581 978	107 491 316	72 792 591
Trade and other receivables	11	173 814 884	292 768 170	163 095 138	146 640 267
Amounts due by subsidiaries	6	--	--	28 171 975	93 764 976
Cash and cash equivalents	18.3	52 058 917	218 515 383	44 910 479	209 312 982
Non-current asset held for sale	**7.1**	**83 292 714**	**--**	**41 701 435**	**--**
Total assets		**1 415 307 914**	**1 481 940 725**	**1 366 632 762**	**1 334 161 225**
Equity and liabilities					
Capital and reserves		**592 434 795**	**643 561 495**	**532 046 404**	**579 110 516**
Foreign currency translation reserve	16.7	(4 573 669)	3 583 439	--	--
Revaluation surplus		233 594 937	233 594 937	233 594 937	233 594 937
Retained earnings		363 413 528	406 383 119	298 451 467	345 515 579
Non-current liabilities		**375 246 790**	**297 677 935**	**375 246 789**	**344 120 022**
Interest bearing loans and borrowings	13	227 083 393	267 482 160	227 083 393	267 482 160
Post-employment benefits	12	16 847 000	23 015 494	16 847 000	23 015 494
Deferred tax liability	8	131 316 397	53 622 367	131 316 397	53 622 368
Current liabilities		**447 626 329**	**494 259 209**	**459 339 568**	**410 930 687**
Bank overdraft	18.3	209 293 394	131 168 184	209 293 394	131 168 184
Interest bearing loans and borrowings	13	84 448 781	73 775 662	84 448 781	73 775 662
Trade and other payables	15	96 804 469	220 978 267	94 219 201	82 945 468
Provisions	14	56 544 939	67 901 328	43 911 806	45 498 635
Income tax payable		534 746	435 768	27 466 386	77 542 738
Total equity and liabilities		**1 415 307 914**	**1 481 940 725**	**1 366 632 762**	**1 344 161 225**

STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 January 2018

	Note	Group 2017/18 N$	Group 2016/17 N$	Corporation 2017/18 N$	Corporation 2016/17 N$
Revenue	16.1	**1 425 093 832**	**1 694 629 749**	**1 408 789 562**	**1 687 459 406**
Cost of sales	16.2	(1 281 779 827)	(1 465 512 419)	(1 272 142 734)	(1 477 613 611)
Gross profit		**143 314 005**	**229 117 330**	**136 646 829**	**209 845 795**
Other income	16.3	17 757 135	3 505 572	17 757 135	3 504 102
Administrative expenses		(181 235 460)	(176 122 885)	(169 215 045)	(155 033 817)
Operating (loss)/profit	16.4	**(20 164 320)**	**56 500 018**	**(14 811 082)**	**58 316 080**
Interest income		2 253 649	1 926 671	1 873 350	1 631 602
Interest expense		(56 886 986)	(53 379 672)	(56 072 724)	(52 450 296)
Share of the profit or loss of associates accounted for using the equity method	7	10 405 725	17 458 884	--	--
(Loss)/profit before income tax		**(64 391 933)**	**22 505 901**	**(69 010 456)**	**7 497 386**
Taxation	17	21 422 342	(3 226 417)	21 946 343	(2 433 519)
(Loss)/profit for the year		**(42 969 591)**	**19 279 484**	**(47 064 113)**	**5 063 867**
Other comprehensive income for the year, net of income tax		**(8 157 109)**	**216 617 231**		**233 594 937**
Foreign currency translation differences for foreign operations	16.7	(8 157 109)	(16 977 706)	--	--
Revaluation gain (gross)		--	287 217 304	--	287 217 304
Taxation on revaluation gain		--	(53 622 367)	--	(53 622 367)
Total comprehensive income for the year		**(51 126 701)**	**235 896 715**	**(47 064 113)**	**238 658 804**
Attributable to:					
Members of the Corporation		(51 126 701)	235 896 715	(47 064 113)	238 658 804
Total comprehensive income for the year		**(51 126 701)**	**235 896 715**	**(47 064 113)**	**238 658 804**

STATEMENT OF CASH FLOWS for the year ended 31 January 2018

	Note	Group 2017/18 N$	Group 2016/17 N$	Corporation 2017/18 N$	Corporation 2016/17 N$
Cash flow from operating activities		**(183 533 243)**	**139 937 371**	**(202 719 167)**	**117 671 651**
Cash used in operations	18.1	(122 527 096)	191 758 085	(141 030 299)	168 490 345
Finance income	16.9	2 253 649	1 926 671	1 873 350	1 631 602
Finance cost		(56 886 986)	(53 379 672)	(56 072 724)	(52 450 296)
Income taxes paid	18.2	(204 316)	(367 713)	--	--
Retirement benefit obligation	12	(6 168 494)	--	(7 489 494)	--
Cash flows used in investing activities		**(31 322 786)**	**(47 225 888)**	**(31 313 837)**	**(47 225 888)**
Acquisition of property, plant and equipment	5	(32 492 077)	(47 818 212)	(32 483 128)	(47 818 212)
Proceeds from disposal of property, plant and equipment	5	1 169 291	592 324	1 169 291	592 324
Cash flows before financing activities		**(29 725 648)**	**(24 775 780)**	**(8 494 710)**	**(2 331 540)**
Proceeds from interest-bearing loans and borrowings	13	--	12 439 267	--	12 439 267
Repayment of interest-bearing loans and borrowings	13	(29 725 648)	(37 215 047)	(29 725 648)	(37 215 047)
Funds from subsidiaries	6	--	--	--	22 444 240
Net change in cash, cash equivalents and bank overdrafts		**(244 581 676)**	**67 935 703**	**(242 527 714)**	**68 114 223**
Exchange gains/losses on cash, cash equivalents and bank overdrafts		(8 157 108)	(2 990 662)	--	--
Cash, cash equivalents and bank overdrafts at beginning of year		**87 347 199**	**22 402 158**	**78 144 798**	**10 030 575**
Cash, cash equivalents and bank overdraft at end of year	18.3	**(157 234 477)**	**87 347 199**	**(164 382 916)**	**78 144 798**

STATEMENT OF CHANGES IN EQUITY for the year ended 31 January 2018

Note	Retained earnings N$	Foreign currency translation reserve N$	Revaluation Surplus N$	Total N$
GROUP				
Balance at 1 February 2016	**387 103 635**	**20 561 145**	**205 687 035**	**613 351 815**
Total comprehensive income for the year				
Profit for the year	19 279 484	--	--	19 279 484
Other comprehensive income				
(Loss) / Gain arising on translation of foreign operations	--	(16 977 706)	--	(16 977 706)
Revaluation gain net of tax			27 907 902	27 907 902
Balance at 31 January 2017	**406 383 119**	**3 583 439**	**233 594 937**	**643 561 495**
Balance at 1 February 2017	**406 383 119**	**3 583 439**	**233 594 937**	**643 561 495**
Total comprehensive income for the year				
(Loss)/profit for the year	(42 969 591)	--	--	(42 969 591)
Other comprehensive income				
(Loss) / Gain arising on translation of foreign operations	--	(8 157 109	--	(8 157 109)
Revaluation gain net of tax	--	--	--	--
Balance at 31 January 2017	**363 413 528**	**(4 573 670)**	**233 594 937**	**592 434 795**
CORPORATION				
Balance at 1 February 2016/Restated	**340 451 712**	**--**	**205 687 035**	**546 138 747**
Total comprehensive income for the year				
Profit/(loss) for the year	5 063 867	--	--	5 063 867
Other comprehensive income				
Revaluation gain net of tax	--	--	27 907 902	27 907 902
Balance at 31 January 2017	**345 515 579**	**--**	**233 594 937**	**579 110 516**
Balance at 1 February 2017	**345 515 579**	**--**	**205 687 035**	**546 138 747**
Total comprehensive income for the year				
(Loss) / profit for the year	(47 064 113)	--	--	(47 064 113)
Other comprehensive income				
Revaluation gain net of tax				
Balance at 31 January 2018	**298 451 467**	**--**	**233 594 937**	**532 046 404**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 January 2018

1. General information

Meat Corporation of Namibia is a body corporate established in terms of the Meat Corporation of Namibia Act, 2001 (Act 1 of 2001) domiciled in Namibia. The consolidated financial statements of the Corporation for the year ended 31 January 2017 comprise the Corporation and its subsidiaries (together referred to as the "Group").

2. Significant accounting policies

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

2.1 Basis of preparation

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

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

International Financial Reporting Standards and amendments issued but not effective for 31 January 2018 year-end

Number	Effective date	Executive summary
IFRS 9 – Financial Instruments (2009 &2010) • Financial liabilities • Derecognition of financial instruments • Financial assets	Annual periods beginning on or after 1 January 2018 (published July 2014)	This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 January 2018 (continued)

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

International Financial Reporting Standards and amendments issued but not effective for 31 January 2018 year-end

Number	Effective date	Executive summary
Amendment to IFRS 9 -'Financial instruments', on general hedge accounting	Annual periods beginning on or after 1 January 2018	The IASB has amended IFRS 9 to align hedge accounting more closely with an entity's risk management. The revised standard also establishes a more principles-based approach to hedge accounting and addresses inconsistencies and weaknesses in the current model in IAS 39. Early adoption of the above requirements has specific transitional rules that need to be followed. Entities can elect to apply IFRS 9 for any of the following: • The own credit risk requirements for financial liabilities. • Classification and measurement (C&M) requirements for financial assets. • C&M requirements for financial assets and financial liabilities. • The full current version of IFRS 9 (that is, C&M requirements for financial assets and financial liabilities and hedge accounting). The transitional provisions described above are likely to change once the IASB completes all phases of IFRS 9.
IFRS 15 – Revenue from contracts with customers.	Annual periods beginning on or after 1 January 2018 (published May 2014.	The FASB and IASB issued their long awaited converged standard on revenue recognition on 29 May 2014. It is a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue. Revenue is recognised based on the satisfaction of performance obligations, which occurs when control of good or service transfers to a customer.
IFRIC 22, 'Foreign currency transactions and advance consideration'.	Annual periods beginning on or after 1 January 2018 (published December 2016)	This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payment/receipts are made. The guidance aims to reduce diversity in practice.

The aggregate impact of the international financial reporting standards and amendments effective for the first time for 31 January 2018 is expected not to be material.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 January 2018 (continued)

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

International Financial Reporting Standards and amendments issued but not effective for 31 January 2018 year-end

Number	Effective date	Executive summary
Amendments to IFRS 9 – 'Financial instruments' on prepayment features with negative compensation and modification of financial liabilities.	Annual periods beginning on or after 1 January 2019	The narrow-scope amendment covers two issues: • The amendments allow companies to measure particular pre-payable financial assets with so-called negative compensation at amortised cost or at fair value through other comprehensive income if a specified condition is met—instead of at fair value through profit or loss. It is likely to have the biggest impact on banks and other financial services entities. • How to account for the modification of a financial liability. The amendment confirms that most such modifications will result in immediate recognition of a gain or loss. This is a change from common practice under IAS 39 today and will affect all kinds of entities that have renegotiated borrowings.
IFRS 16 – Leases	Annual periods beginning on or after 1 January 2019 – earlier application permitted if IFRS 15 is also applied. (published January 2016)	This standard replaces the current guidance in IAS 17 and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on statement of financial position) and an operating lease (off statement of financial position). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. IFRS 16 supersedes IAS 17, 'Leases', IFRIC 4, 'Determining whether an Arrangement contains a Lease', SIC 15, 'Operating Leases – Incentives' and SIC 27, 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 January 2018 (continued)

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

International Financial Reporting Standards and amendments issued but not effective for 31 January 2018 year-end

Number	Effective date	Executive summary
Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28,'Investments in associates and joint ventures' on sale or contribution of assets	Effective date postponed (initially 1 January 2016)	The postponement applies to changes introduced by the IASB in 2014 through narrow-scope amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures'. Those changes affect how an entity should determine any gain or loss it recognises when assets are sold or contributed between the entity and an associate or joint venture in which it invests. The changes do not affect other aspects of how entities account for their investments in associates and joint ventures. The reason for making the decision to postpone the effective date is that the IASB is planning a broader review that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.
Amendments to IAS 28, 'Investments in associates and joint ventures' – long-term interests in associates and joint ventures.	Annual periods beginning on or after 1 January 2019 (published October 2017)	The amendments clarified that companies account for long-term interests in an associate or joint venture, to which the equity method is not applied, using IFRS 9. The amendments are effective from 1 January 2019, with early application permitted.
IFRIC 23, 'Uncertainty over income tax treatments'	Annual periods beginning on or after 1 January 2019 Published 7 June 2017)	IFRIC 23 provides a framework to consider, recognise and measure the accounting impact of tax uncertainties. The Interpretation provides specific guidance in several areas where previously IAS 12 was silent. The Interpretation also explains when to reconsider the accounting for a tax uncertainty. Most entities will have developed a model to account for tax uncertainties in the absence of specific guidance in IAS 12. These models might, in some circumstances, be inconsistent with IFRIC 23 and the impact on tax accounting could be material. Management should assess the existing models against the specific guidance in the Interpretation and consider the impact on income tax accounting.

The aggregate impact of the international financial reporting standards and amendments issued and but not yet effective for the first time for 31 January 2018 is expected not to be material.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 January 2018 (continued)

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

Practice statement considered for December 2018 year-end

Number	Effective date	Executive summary
Practice statement 2: Making materiality judgements	The Practice statement is not a standard, and it is not mandatory but can be applied to financial statements prepared from 14 September 2017.	The objective of the Practice statement is to provide guidance for reporting entities that are performing materiality assessments when preparing financial statements in accordance with IFRSs. The Practice statement also includes illustrative examples to help with the application of the guidance. The Practice statement: • uses a definition of materiality aligned with the definition in the Conceptual framework for Financial reporting; • considers materiality judgements in relation to presentation and disclosure, and also for recognition and measurement; • explains the application of judgement to materiality decisions based on the specific circumstances of the entity and the changes that might occur in those circumstances over time; • requires an entity to assess whether information is material to the financial statements, even if it is already included in other publicly available information; • clarifies that the provision of additional information required by local regulations is permitted, but the information should be presented in a way that does not obscure material information; • includes a four-step process, the 'materiality process', as a guide for materiality judgements, including identification, assessment, organisation of the information and, finally, review.

The aggregate impact of the practice statement considered for December 2018 year-end is expected not to be material.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 January 2018 (continued)

2. Significant accounting policies (continued)

2.2 Change in accounting policy

The financial statements have been prepared in accordance with International Financial Reporting Standards on a basis consistent with the prior year except for the adoption of the following new or revised standards.

- IFRS5 Non-current Assets Held for Sale and Discontinued Operations

There is no aggregate effect of the changes in accounting policy on the financial statements for the year ended 31 January 2018.

Refer to note 7 for disclosure on associate classified as non-current asset held-for-sale.

2.3 Consolidation

(a) Subsidiaries

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

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

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

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

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

(b) Transactions and non-controlling interests

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 January 2018 (continued)

2. Significant accounting policies (continued)

2.3 Consolidation (continued)

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

(c) Associates

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

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

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

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

2.4 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 January 2018 (continued)

2. Significant accounting policies (continued)

2.4 Foreign currency translation (continued)

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

(c) Group companies

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

(a) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

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

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

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

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

2.5 Property, plant and equipment

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

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

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

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 January 2018 (continued)

2. Significant accounting policies (continued)

2.5 Property, plant and equipment (continued)

Land is not depreciated.

Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

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

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

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

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

2.6 Impairment of non-financial assets

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

2.7 Financial assets

Classification

The group classifies financial assets and financial liabilities into the following categories:

- Financial assets at fair value through profit or loss - designated
- Loans and receivables
- Available-for-sale financial assets
- Financial liabilities at fair value through profit or loss - designated
- Financial liabilities measured at amortised cost

A financial asset classified as available-for-sale that would have met the definition of loans and receivables may be reclassified to loans and receivables if the entity has the intention and ability to hold the asset for the foreseeable future or until maturity.

(a) Financial assets at amortised cost

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 January 2018 (continued)

2. Significant accounting policies (continued)

2.7 Financial assets (continued)

(b) Financial assets at fair value

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

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

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

(c) Financial assets designated as available-for-sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement. An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition. Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised. Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet. A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss.

Recognition and measurement

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

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

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 January 2018 (continued)

2. Significant accounting policies (continued)

2.7 Financial assets (continued)

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

Available-for-sale financial assets are subsequently measured at fair value. This excludes equity investments for which a fair value is not determinable, which are measured at cost less accumulated impairment losses.

Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in equity until the asset is disposed of or determined to be impaired. Interest on available-for-sale financial assets calculated using the effective interest method is recognised in profit or loss as part of other income. Dividends received on available-for-sale equity instruments are recognised in profit or loss as part of other income when the group's right to receive payment is established.

Changes in fair value of available-for-sale financial assets denominated in a foreign currency are analysed between translation differences resulting from changes in amortised cost and other changes in the carrying amount. Translation differences on monetary items are recognised in profit or loss, while translation differences on non-monetary items are recognised in other comprehensive income and accumulated in equity.

2.8 Offsetting financial instruments

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

2.9 Impairment of financial assets

(a) Assets carried at amortised cost

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

(b) Assets available for sale

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any.

Impairment loss on that financial asset previously recognised in profit or loss - is removed from equity as a reclassification adjustment to other comprehensive income and recognised in profit or loss.

Reversals of impairment losses are recognised in profit or loss except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 January 2018 (continued)

2. Significant accounting policies (continued)

2.9 Impairment of financial assets (continued)

Reversals of impairment losses are recognised in profit or loss except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

2.10 Investments in subsidiaries

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

2.11 Inventories

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

(i) Meat and meat products

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

(ii) Packing materials, consumable stores and spare parts

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

2.12 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 or agricultural produce 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.

2.13 Trade and other receivables

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

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

2.14 Cash and cash equivalents

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 January 2018 (continued)

2. Significant accounting policies (continued)

2.15 Trade and other payables

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

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

2.16 Borrowings

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

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

2.17 Borrowings Cost

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.

2.18 Current and deferred income tax

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 January 2018 (continued)

2. Significant accounting policies (continued)

2.18 Current and deferred income tax (continued)

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

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

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

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

2.19 Employee benefits

(i) Pension obligations

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

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

(ii) Long-term benefits: Severance benefits

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

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

(i) Actuarial gains and losses;

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 January 2018 (continued)

2. Significant accounting policies (continued)

2.20 Provisions and contingencies

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

Provisions are recognised when:

(i) the group has a present obligation as a result of a past event;
(ii) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
(iii) 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 received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount 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.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:

(i) the business or part of a business concerned;
(ii) the principal locations affected;
(iii) the location, function, and approximate number of employees who will be compensated for terminating their services;
(iv) the expenditures that will be undertaken; and
(v) when the plan will be implemented; and

- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

(i) the amount that would be recognised as a provision; and
(ii) the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 22.

2.21 Revenue recognition

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

(a) Goods sold and services rendered

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 January 2018 (continued)

2. Significant accounting policies (continued)

2.21 Revenue recognition (continued)

(b) Interest income

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

(c) Dividend income

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

2.22 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.

2.23 Leases

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

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

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

2.24 Distributions from retained earnings

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

2.25 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. Mandatory redeemable preference shares are classified as liabilities.

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 year in which they are declared.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 January 2018 (continued)

2. Significant accounting policies (continued)

2.26 Derivatives

Derivative financial instruments, which are not designated as hedging instruments, consisting of foreign exchange contracts and interest rate swaps, are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in profit or loss.

Changes in the fair value of derivative financial instruments are recognised in profit or loss as they arise.

Derivatives are classified as financial assets at fair value through profit or loss - held for trading.

2.27 Loans to (from) group companies

These include loans to and from holding companies, fellow subsidiaries, subsidiaries, joint ventures and associates and are recognised initially at fair value plus direct transaction costs.

Loans to group companies are classified as loans and receivables.

Loans from group companies are classified as financial liabilities measured at amortised cost.

3. Financial risk management

Overview

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

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

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

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which employees understand their roles and obligations.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

The Group Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 January 2018 (continued)

3. Financial risk management (continued)

Market risk

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

Foreign exchange risk

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

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

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

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

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

		Foreign currency amount	Reporting date spot rate	N$
Group – 2017/18				
Current assets				
Trade and other receivables before impairment	GBP	985 741	16.9307	16 689 286
	EUR	2 431 359	14.7835	35 943 999
	USD	589 273	11.8891	7 005 931
				59 639 216
Cash and cash equivalents	GBP	385 776	16.9307	6 531 456
	EUR	715 203	14.7835	10 573 197
	USD	208 790	11.8891	2 482 328
				19 586 981
Current liabilities				
Trade and other payables	GBP	131 812	16.9307	2 231 675
	EUR	154 268	14.7835	2 280 622
Amounts due to subsidiaries	GBP	162 213	16.9307	27 466 387
				4 512 297

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 January 2018 (continued)

3. Financial risk management (continued)

Foreign exchange risk (continued)

		Foreign currency amount	Reporting date spot rate	N$
Group – 2016/17				
Current assets				
Trade and other receivables before impairment	GBP	984 243	16.97	16 703 487
	EUR	2 305 093	14.45	33 317 119
	USD	672 312	13.54	9 101 225
				59 121 831
Cash and cash equivalents	GBP	759 107	16.97	12 882 724
	EUR	7 566 016	14.45	109 356 919
	USD	616 126	13.54	8 340 627
				130 580 270
Current liabilities				
Trade and other payables	GBP	79 746	16.97	1 175 828
	EUR	3 866	14.45	55 872
	USD	--	13.54	--
Amount due to subsidiaries	GBP	1 628 607	16.97	27 638 925
				28 870 625

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

		Foreign currency amount	Reporting date spot rate	N$
Corporation – 2017/18				
Current assets				
Trade and other receivables before impairment	GBP	985 741	16.9307	16 689 286
	EUR	2 431 359	14.7835	35 943 999
	USD	589 273	11.8891	7 005 931
				59 639 216
Cash and cash equivalents	GBP	160 772	16.9307	2 721 988
	EUR	715 203	14.7835	10 573 197
	USD	208 790	11.8891	2 482 328
				15 777 513
Current liabilities				
Trade and other payables	GBP	130 054	16.9307	2 201 911
	EUR	154 268	14.7835	2 280 622
	USD	--	--	--
Amount due to subsidiaries	GBP	--	--	--
				4 482 533

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 January 2018 (continued)

3. Financial risk management (continued)

Foreign exchange risk (continued)

		Foreign currency amount	Reporting date spot rate	N$
Corporation – 2016/17				
Current assets				
Trade and other receivables before impairment	GBP	984 243	16.97	16 703 487
	EUR	2 305 093	14.45	33 317 119
	USD	672 312	13.54	9 101 225
				59 121 831
Cash and cash equivalents	GBP	759 107	16.97	12 882 724
	EUR	7 566 016	14.45	109 356 919
	USD	616 126	13.54	8 340 627
				130 580 270
Current liabilities				
Trade and other payables	GBP	69 285	16.97	1 175 828
	EUR	3 866	14.45	55 872
	USD	--	13.54	--
Amount due to subsidiaries	GBP	1 628 607	16.97	27 638 925
				28 870 625

Sensitivity analysis

A 10 per cent weakening of the Namibia Dollar against the following currencies at 31 January would have increased profit or loss and consequently equity by the amounts shown below. This analysis assumes that all other variables in particular interest rates, remain constant. The analysis is performed on the same basis for 2017.

	Group		Corporation	
	Equity	Profit or loss	Equity	Profit or loss
31 January 2018				
USD	(798 064)	(948 826)	(798 064)	(948 826)
GBP	(1 239 705)	(2 098 906)	(1 016 459)	(1 720 936)
EUR	(2 992 294)	(4 423 658)	(2 992 294)	(4 423 658)
31 January 2017				
USD	(1 288 439)	(1 744 185)	(1 288 439)	(1 744 185)
GBP	(1 858 704)	(3 154 388)	(1 674 065)	(2 841 038)
EUR	(9 867 243)	(14 261 817)	(9 867 243)	(14 261 817)

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 January 2018 (continued)

3. Financial risk management (continued)

Foreign exchange risk (continued)

Derivative Financial Instruments

Geared Option Instruments are entered into with banks for transactions in foreign currency. If contracts rates are more favourable than the spot rate on the exercise date they will be used. The maturity date represents the date when the contract must be exercised. As at the end of January 2018 the Corporation had unutilised EUR Geared Option Instruments amounting to N$ 4 369 904 (2016/17: N$ nil). These Options' exercise value are determined by the Put and the Call levels, linked to a particular strike rate. The options has various expiry dates.

Price risk

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

Cash flow and fair value interest rate risk

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

	Group		Corporation	
	Carrying amount		Carrying amount	
	2017/18	2016/17	2017/18	2016/17
	N$	N$	N$	N$
Fixed rate instruments				
Financial liabilities	--	--	--	--
Variable rate instruments				
Financial assets	52 058 917	218 515 383	44 910 479	209 312 982
Financial liabilities	(520 825 567)	(472 426 006)	(520 825 567)	(472 426 006)
	(475 915 088)	**(253 910 623)**	**(475 915 088)**	**(263 113 024)**

Cash flow sensitivity analysis for variable rate instruments

A change in 100 basis points in interest rates at the reporting date would have increased or decreased equity and profit or loss by N$ 5 208 256 (2016/17: N$ 4 724 260) for the Group and by N$ 5 208 256 (2016/17: N$ 4 724 260) for the Corporation. This analysis assumes that all other variables in particular foreign currency rates remain constant. The analysis is performed on the same basis for 2017.

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 January 2018 (continued)

3. Financial risk management (continued)

Foreign exchange risk (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, and arises principally from the Group's receivables from customers and cash and cash equivalents.

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

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

Trade and other receivables

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

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

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

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

Cash and cash equivalents

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

Guarantees

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 January 2018 (continued)

3. Financial risk management (continued)

Exposure to credit risk

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

	Group		Corporation	
	Carrying amount		Carrying amount	
	2017/18	2016/17	2017/18	2016/17
	N$	N$	N$	N$
Trade and other receivables	125 727 593	240 175 562	117 907 655	97 344 587
Cash and cash equivalents	52 058 917	218 515 383	44 910 479	209 312 982
	177 786 510	**458 690 945**	**162 818 134**	**306 657 569**

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

	Group		Corporation	
	Carrying amount		Carrying amount	
	2017/18	2016/17	2017/18	2016/17
	N$	N$	N$	N$
Namibia, RSA and Botswana	42 916 729	23 986 849	30 606 468	18 950 680
European Union countries	58 362 962	16 191 448	58 362 962	16 191 448
	101 279 691	**40 178 297**	**88 969 430**	**35 142 128**

Included in the balance above is N$ 81 892 123 (2016/17: N$ 57 470 652) for Group and N$ 77 514 224 (2016/17: N$ 57 297 199) for Corporation which are insured for risk of loss due to insolvency and / or protracted default.

This insurance covers 90 per cent of the outstanding amount, limited to the agreed credit limit per customer. At the reporting date amounts in excess of credit limits are N$ 20 787 426 (2016/17: N$ 40 178 297) for Group and N$ 12 854 580 (2016/17: N$ 35 142 128) for the Corporation.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 January 2018 (continued)

3. Financial risk management (continued)

Impairment losses

The aging of trade receivables at the reporting date was:

Group	Gross 2017/18 N$	Impairment 2017/18 N$	Gross 2016/17 N$	Impairment 2016/17 N$
Not past due	61 488 939		55 108 764	--
Past due 31 – 180 days	35 886 742	8 510 259	35 260 041	10 350 785
Past due 6 – 12 months	--	--	--	--
More than one year	3 904 010	--	--	--
	101 279 691	**8 510 259**	**88 969 430**	**10 350 785**

Corporation	Gross 2017/18 N$	Impairment 2017/18 N$	Gross 2016/17 N$	Impairment 2016/17 N$
Not past due	53 704 692	--	53 916 488	--
Past due 31 – 180 days	35 264 738	4 001 345	38 522 839	5 735 197
Past due 6 – 12 months	--	--	--	--
More than one year	--	--	--	--
	88 969 430	**4 001 345**	**92 439 327**	**5 735 197**

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

	Group		Corporation	
	2017/18 N$	2016/17 N$	2017/18 N$	2016/17 N$
Balance at 1 February	10 350 785	718 888	5 735 197	718 888
Provision raised	6 377	10 350 785	6 377	5 735 197
Impairment loss reversed	(1 819 905)	--	(1 713 231)	--
Impairment loss recognised	(26 998)	(718 888)	(26 998)	(718 888)
Balance at 31 January	**8 510 259**	**10 350 785**	**4 001 345**	**5 735 197**

Based on historic default rates, the Group believes that no impairment allowance is necessary in respect of trade receivables not past due. The allowance accounts in respect of trade receivables are used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amount is considered irrecoverable and is written off against the financial asset directly. At 31 January 2018 the Group does not have any collective impairment on its trade receivables (2016/17: Nil).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 January 2018 (continued)

3. Financial risk management (continued)

Liquidity risk

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

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

The need for working capital is very seasonal and is driven by the slaughtering of cattle which occur mainly from February to July each year. At its highest level, the Corporation borrowed N$ 520.8 million (2016/17: N$ 472.4 million) to finance inventories and trade and other receivables. The borrowings were all short term at interest rates from prime to prime minus 1.5 per cent (2016/17: prime to prime minus 1.5 per cent).

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

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

The group has a seasonal overdraft facility of N$ 130 million with Nedbank Namibia Ltd. A further pre-settlement facility of N$ 10 million (relating to N$ 100 million forward exchange contracts margined at 10 per cent) has also been granted to the group. A revolving credit limit of N$ 20 million for the purchase of vehicles has been approved.

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

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 January 2018 (continued)

3. Financial risk management (continued)

Liquidity risk (continued)

Group – 2017/18	Carrying amount	Contractual cash flows	1 to 12 months	1 to 5 years	More than 5 years
Interest bearing loans and borrowings	311 532 174	311 532 174	84 448 781	196 127 363	30 956 029
Bank overdraft	209 293 394	209 293 394	209 293 394	--	--
Trade and other payables	96 804 469	96 804 469	96 804 469	--	--
	617 630 037	**617 2630 037**	**390 546 644**	**196 127 363**	**30 956 029**

Corporation – 2017/18	Carrying amount	Contractual cash flows	1 to 12 months	1 to 5 years	More than 5 years
Interest bearing loans and borrowings	311 532 174	311 532 174	84 448 781	196 127 363	30 956 029
Bank overdraft	209 293 394	209 293 394	209 293 394	--	--
Trade and other payables	94 219 201	94 219 201	94 219 201	--	--
	615 044 769	**615 044 769**	**387 961 376**	**196 127 363**	**30 956 029**

Group – 2016/17	Carrying amount	Contractual cash flows	1 to 12 months	1 to 5 years	More than 5 years
Interest bearing loans and borrowings	341 257 822	341 257 822	73 775 662	217 550 417	49 931 743
Bank overdraft	131 168 184	131 168 184	131 168 184	--	--
Trade and other payables	220 978 267	220 978 267	220 978 267	--	--
	693 404 273	**693 404 273**	**425 922 113**	**217 550 417**	**49 931 743**

Corporation – 2016/17	Carrying amount	Contractual cash flows	1 to 12 months	1 to 5 years	More than 5 years
Interest bearing loans and borrowings	341 257 822	341 257 822	73 775 662	217 550 417	49 931 743
Bank overdraft	131 168 184	131 168 184	131 168 184	--	--
Trade and other payables	82 945 468	82 945 468	82 945 468	--	--
	555 371 474	**555 371 474**	**287 889 314**	**217 550 417**	**49 931 743**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 January 2018 (continued)

3. Financial risk management (continued)

Capital management

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

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

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

Fair value estimation

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

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

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

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

Levels of fair value measurements

Level 3

		Group		Corporation	
Recurring fair value measurements	Note	2017/18 N$	2016/17 N$	2017/18 N$	2016/17 N$
Foreign exchange contracts		(4 573 669)	3 583 439	--	--
Biological assets	10	131 813 058	132 581 978	107 491 316	72 792 591

4. Critical accounting estimates and judgements

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

4.1 Critical accounting estimates and assumptions

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

(i) Impairment of trade receivables

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

(ii) Impairment of other assets

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 January 2018 (continued)

4. Critical accounting estimates and judgements (continued)

4.1 Critical accounting estimates and assumptions (continued)

(ii) Impairment of other assets (continued)

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

(iii) 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.

(iv) Calculation of net realisable value for inventory

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

(v) 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.

(vi) Residual value and remaining life of Property, Plant and Equipment

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

(vii) 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 January 2018 (continued)

4. Critical accounting estimates and judgements (continued)

4.1 Critical accounting estimates and assumptions (continued)

(viii) 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.

(ix) 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 14.

(x) 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.

4.2 Critical judgements in applying the entity's accounting policies:

(i) Assets classified as non-current asset held-for-sale

Investments are designated as available-for-sale financial assets if they do not have fixed maturities and fixed or determinable payments, and management intends to hold them for the short-term. Financial assets that are not classified into any of the other categories (at Fair Value through Profit and Loss, loans and receivables or held-to-maturity investments) are also included in the available-for-sale category.

The financial assets are presented as non-current assets unless they mature, or management intends to dispose of them within 12 months of the end of the reporting period.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 January 2018 (continued)

	Group 2017/18 N$	Group 2016/17 N$	Corporation 2017/18 N$	Corporation 2016/17 N$
5. Property, plant and equipment				
Owned assets				
Land and buildings	**406 209 223**	**394 071 919**	**406 082 104**	**393 944 800**
At cost	--	--	--	--
Less: Accumulated depreciation and impairment losses	--	--	--	--
On the Revaluation method	406 209 223	394 071 919	406 082 104	393 944 800
A register containing details of land and buildings is available for inspection at the registered office of the Corporation at Erf 3496, Northern Industrial Area, Windhoek.				
Plant, vehicles, furniture and equipment	**194 655 563**	**170 016 181**	**194 486 322**	**169 843 806**
At cost	375 016 153	324 032 928	374 264 984	323 282 474
Less: Accumulated depreciation and impairment losses	(180 360 590)	(154 016 747)	(179 778 662)	(153 438 668)
Buildings and plant under construction	**2 670 434**	**24 303 856**	**2 670 434**	**24 303 856**
At cost	2 670 434	24 303 856	2 670 434	24 303 856
Less: Accumulated depreciation and impairment losses	--	--	--	--
Total owned assets	**603 535 220**	**588 391 956**	**603 238 860**	**588 092 462**
Leased assets				
Vehicles and equipment	**10 832 285**	**20 231 056**	**10 832 285**	**20 231 056**
At cost	19 275 040	30 905 275	19 275 040	30 905 275
Less: Accumulated depreciation and impairment losses	(8 442 756)	(10 674 220)	(8 442 756	(10 674 220)
Total assets	**614 367 505**	**608 623 012**	**614 071 145**	**608 323 518**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 January 2018 (continued)

5. Property, plant and equipment (continued)

Group – 2017/18	Land and buildings	Plant, vehicles, furniture and equipment	Uncompleted projects	Total
Net book value				
Owned assets	**406 210 400**	**187 688 162**	**2 670 434**	**596 568 996**
Opening balance	394 071 920	170 509 311	24 303 856	588 885 087
Additions	922 244	9 259 438	22 050 360	32 232 042
Projects capitalised	11 216 237	32 467 546	(43 683 783)	-
Revaluation		-	--	-
Reclassifications		235 960	--	235 960
Disposals		(528 461)	--	(528 461)
Depreciation	--	(24 255 632)	--	(24 255 632)
Leased assets	**--**	**17 798 509**	**--**	**17 798 509**
Opening balance	--	19 737 925	--	19 737 925
Additions	--	260 034	--	260 034
Projects capitalised	--	-	--	-
Reclassifications	--	(235 960)	--	(235 960)
Disposals	--	-	--	-
Depreciation	--	(1 963 491)	--	(1 963 491)
Total assets	**406 210 400**	**205 486 672**	**2 670 434**	**614 367 505**

Group – 2016/17	Land and buildings	Plant, vehicles, furniture and equipment	Uncompleted projects	Total
Net book value				
Owned assets	**394 071 919**	**170 509 311**	**24 303 856**	**588 885 086**
Opening balance	96 136 024	141 933 165	41 940 565	280 009 754
Additions	2 133 904	13 442 267	28 113 912	43 690 084
Projects capitalised	9 381 066	36 369 554	(45 750 620)	--
Reclassifications	287 217 305	--	--	287 217 305
Reclassifications	(78 854)	859 449	--	780 595
Disposals	(717 526)	(637 889)	--	(1 355 415)
Depreciation	--	(21 457 235)	--	(21 457 235)
Leased assets	**--**	**19 737 926**	**--**	**19 737 926**
Opening balance	--	19 690 531	--	19 690 531
Additions	--	4 128 128	--	4 128 128
Projects capitalised	--	--	--	--
Reclassifications	--	(780 591)	--	(780 591)
Disposals	--	--	--	--
Depreciation	--	(3 300 142)	--	(3 300 142)
Total assets	**394 071 919**	**190 247 237**	**24 303 856**	**608 623 012**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 January 2018 (continued)

5. Property, plant and equipment (continued)

Corporation – 2017/18	Land and buildings	Plant, vehicles, furniture and equipment	Uncompleted projects	Total
Net book value				
Owned assets	**406 083 280**	**187 518 921**	**2 670 434**	**596 272 635**
Opening balance	393 944 800	170 336 937	24 303 856	588 585 593
Additions	922 244	9 250 489	22 050 360	32 223 093
Projects capitalised	11 216 237	32 467 546	(43 683 783)	-
Revaluation	--	-	--	-
Reclassifications	--	235 960	--	235 960
Disposals	--	(528 461)	--	(528 461)
Depreciation	--	(24 243 550)	--	(24 243 550)
Leased assets	**--**	**17 798 509**	**--**	**17 798 509**
Opening balance	--	19 737 925	--	19 737 925
Additions	--	260 034	--	260 034
Projects capitalised	--	-	--	-
Reclassifications	--	(235 960)	--	(235 960)
Disposals	--	-	--	-
Depreciation	--	(1 963 491)	--	(1 963 491)
Total assets	**406 083 280**	**205 317 430**	**2 670 434**	**614 071 144**

Corporation – 2016/17	Land and buildings	Plant, vehicles, furniture and equipment	Uncompleted projects	Total
Net book value	393 944 800	170 336 937	24 303 855	588 585 592
Owned assets	96 008 904	141 740 631	41 940 565	279 690 100
Opening balance	2 133 904	13 442 267	28 113 910	43 690 084
Additions	9 381 066	36 369 554	(45 750 620)	--
Projects capitalised	287 217 305	--	--	287 217 305
Reclassifications	(78 853)	859 449	--	780 595
Disposals	(717 526)	(673 889)	--	(1 355 415)
Depreciation	--	(21 437 076)	--	(21 437 076)
Leased assets	**--**	**19 737 926**	**--**	**19 737 926**
Opening balance	--	19 690 531	--	19 690 531
Additions	--	4 128 128	--	4 128 128
Projects capitalised	--	--	--	--
Reclassifications	--	(780 591)	--	(780 591)
Disposals	--	--	--	--
Depreciation	--	(3 300 142)	--	(3 300 142)
Total assets	**393 944 800**	**190 074 833**	**24 303 855**	**608 323 518**

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 January 2018 (continued)

5. Property, plant and equipment (continued)

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

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

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

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

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

The leased assets are encumbered as outlined in Note 13.

6. Investment in and amounts due to subsidiaries

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 January 2018 (continued)

7. Investment in associates

Summarised statement of financial position

	GPS Group (Holdings) Limited (Available for sale)		GPS Norway AS		Total	
	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17
Non-Current Assets	**81 371 607**	**28 187 953**	**62 117**	**69 425**	**81 433 724**	**28 269 966**
Fixed assets	73 243 772	28 187 953	62 117	69 425	73 305 888	28 269 966
Goodwill	8 127 835	--	--	--	8 127 835	--
Current Assets	**817 597 594**	**517 304 138**	**40 007 183**	**19 972 464**	**857 604 777**	**537 276 602**
Inventory	255 033 145	100 894 588	11 199 608	6 345 809	266 232 753	107 240 397
Trade and other receivables	392 282 671	226 790 810	19 629 151	2 908 754	411 911 822	229 699 564
Cash and cash equivalents	80 877 084	101 879 795	9 178 424	10 717 121	90 055 507	112 596 916
Amounts due from subsidiaries	-	--	--	--	--	--
Financial assets	89 404 695	87 738 946	--	781	--	87 739 727
Total Assets	**898 969 201**	**545 492 091**	**40 069 300**	**20 041 889**	**939 038 501**	**565 546 568**
Non-Current Liabilities	**52 630 428**	**114 532 232**	**--**	**--**	**52 630 428**	**114 532 232**
Long-term loans	52 630 428	114 532 232	--	--	52 630 428	114 532 232
Current Liabilities	**520 925 036**	**175 630 016**	**26 020 798**	**10 015 112**	**546 945 834**	**185 645 128**
Trade and other payables	520 925 036	175 630 016	26 020 798	10 015 112	546 945 834	185 645 128
Tax payable	--	--	--	--	--	--
Amounts due to related parties	--	--	--	--	--	--
Total liabilities	**573 555 464**	**290 162 248**	**26 020 798**	**10 015 112**	**599 576 262**	**300 177 360**
Net Assets	**325 413 737**	**255 329 843**	**14 048 502**	**10 026 777**	**339 462 239**	**265 356 620**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 January 2018 (continued)

7. Investment in associates (continued)

Summarised statement of comprehensive income

	GPS Group (Holdings) Limited (Available for sale)		GPS Norway AS		Total	
	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17
Sales	2 785 071 827	1 834 213 425	321 550 982	417 457 937	3 106 622 809	2 251 671 362
Cost of Sales	(2 597 725 362)	(1 660 668 800)	(307 506 559)	(399 900 169)	(2 905 231 921)	(2 060 568 969)
Gross profit	187 346 465	173 544 625	14 044 423	17 557 768	201 390 888	191 102 393
Administrative expenses	(133 164 180)	(92 423 994)	(8 556 974)	(7 882 023)	(141 721 153)	(100 306 017)
Operating profit	54 182 286	81 120 631	5 487 449	9 675 745	59 669 735	90 796 376
Interest expense	(5 441 983)	(3 212 264)	(194 240)	(126 851)	(5 636 223)	(3 339 115)
Other income	(6 221 174)	32 736	12 940	15 780	(6 208 234)	48 516
Profit before tax	**42 519 129**	**77 941 103**	**5 306 149**	**9 564 674**	**47 825 278**	**87 505 777**
Tax	(11 318 645)	(19 275 810)	(1 815 796)	(2 713 288)	(13 134 441)	(21 989 098)
Profit from Associate	(738 616)	2 126 419	--	--	(738 616)	2 126 419
Profit after tax	**30 461 868**	**60 791 712**	**3 490 353**	**6 851 386**	**33 952 221**	**67 643 098**

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

Investment in associates

	GPS Group (Holdings) Limited (Available for sale)		GPS Norway AS		Total	
	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17
Group						
Carrying value as at 31 January	**74 110 016**	**73 000 432**	**3 439 817**	**1 681 393**	**77 549 833**	**74 681 825**
Profit/(loss) for the period	7 615 475	15 197 928	1 163 451	2 260 957	8 778 925	17 458 884
Foreign exchange differences	1 567 224	(14 088 344)	59 576	(502 533)	1 626 799	(14 590 876)
Carrying value as at 31 January	**83 292 714**	**74 110 016**	**4 662 844**	**3 439 817**	**87 955 558**	**77 549 833**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 January 2018 (continued)

7. Investment in associates (continued)

7.1 Assets classified as held for sale

Assets and liabilities of asset classified as held for sale

	GPS Group (Holdings) Limited (Available for sale)		GPS Norway AS		Total	
	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17
Group						
Carrying value as at 31 January	**83 292 714**	**74 110 016**	**4 662 844**	**3 439 817**	**87 955 558**	**77 549 833**
Total investment classified as held for sale	(83 292 714)	--	--	--	(83 292 714)	--
Carrying value as at 31 January	**--**	**73 000 432**	**4 662 844**	**1 681 393**	**4 662 844**	**74 681 825**

Investment in associates	GPS Group (Holdings) Limited (Available for sale)		GPS Norway AS		Total	
	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17
Corporation						
Carrying value as at 31 January	**41 701 436**	**41 701 43**	**216 791**	**216 791**	**41 918 227**	**41 918 227**
Profit/(loss) for the period	--	--	--	--	--	--
Foreign exchange differences	--	--	--	--	--	--
Carrying value as at 31 January	**41 701 436**	**41 701 436**	**216 791**	**216 791**	**41 918 227**	**41 918 227**

	GPS Group (Holdings) Limited (Available for sale)		GPS Norway AS		Total	
	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17
Corporation						
Carrying value as at 31 January	**41 701 436**	**41 701 436**	**216 791**	**216 791**	**41 918 227**	**41 918 227**
Total investment classified as held for sale	(41 701 435)	--	--	--	(41 701 436)	--
Carrying value as at 31 January	**--**	**41 701 436**	**216 791**	**216 791**	**216 791**	**41 918 227**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 January 2018 (continued)

	Group		Corporation	
	2017/8	2016/17	2017/8	2016/17
	N$	N$	N$	N$
8. Deferred tax assets/(liability)				
Balance at the beginning of the year	(30 393 630)	25 662 256	(30 709 528)	25 346 358
Current charge (P/L)	21 725 634	(2 433 519)	21 946 343	(2 433 519)
Current charge (OCI)		(53 622 367)		(53 622 367)
	(8 667 996)	**(30 393 630)**	**(8 763 186)**	**(30 709 528)**
Comprising of:				
- Capital allowances	(70 029 868)	(61 802 514)	(70 016 858)	(62 118 412)
- Prepayments	(365 737)	(53 622 367)	(365 737)	(53 622 367)
- Revaluation on land and buildings	(53 747 543)	(197 536)	(53 747 543)	(197 536)
- Provisions	10 404 211	21 890 006	10 296 011	21 890 006
- Tax losses	108 359 388	74 151 250	108 359 388	74 151 250
- Other	(3 288 447)	(10 812 469)	(3 288 447)	(10 812 469)
	(8 667 996)	**(30 393 630)**	**(8 763 186)**	**(30 709 528)**
Disclosed as follows:				
Deferred tax asset	**122 648 401**	**23 228 737**	**122 553 211**	**22 912 839**
Deferred taxation asset to be recovered after more than 12 months	122 648 401	23 228 737	122 553 211	22 912 839
Deferred taxation asset to be recovered within 12 months	--	--	--	--
Deferred tax liability	**(131 316 397)**	**(53 622 367)**	**(131 316 397)**	**(53 622 367)**
Deferred taxation liability to be recovered after more than 12 months	(131 316 397)	(53 622 367)	(131 316 397)	(53 622 367)
Deferred taxation liability to be recovered within 12 months	--	--	--	--
	(8 667 996)	**(30 393 630)**	**(8 763 186)**	**(30 709 528)**

	Group		Corporation	
	2017/8	2016/17	2017/8	2016/17
	N$	N$	N$	N$
9. Inventories				
Meat and meat products	210 363 255	92 293 663	210 196 166	90 177 105
Cost	210 363 255	92 293 663	210 196 166	90 177 105
Inventories stated at fair value less costs to sell	--	--	--	--
Packing materials consumable stores and other inventory	22 286 335	36 379 949	22 286 335	36 379 949
	232 649 591	**128 673 612**	**232 482 501**	**126 557 054**

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 January 2018 (continued)

		Group		Corporation	
		2017/8	2016/17	2017/8	2016/17
		N$	N$	N$	N$
10.	**Biological assets**				
	Livestock cattle	**131 813 058**	**132 581 978**	**72 792 591**	**72 792 591**
	Reconciliation of changes in carrying amount of biological assets:				
	Carrying amount at beginning of year	132 581 978	142 415 904	72 792 591	41 091 357
	Increase due to acquisitions	384 662 030	215 645 234	362 096 952	193 193 339
	Net profit arising from changes in fair value	141 755 563	120 575 155	149 536 600	122 231 718
	Decrease due to sales	(527 186 513)	(346 054 315)	(476 934 827)	(283 723 823)
	Carrying amount at end of year	**131 813 058**	**132 581 978**	**107 491 316**	**72 792 591**
	Number of cattle	13 791	19 667	10 345	10 372
	Reconciliation of the changes in the number of cattle:				
	At the beginning of the year	19 667	19 720	10 372	6 009
	Increase due to acquisitions	35 833	19 380	50 669	38 493
	Decrease due to sales	(41 709)	(19 433)	(50 696)	(34 130)
	Number of cattle at the end of the year	**13 791**	**19 667**	**10 345**	**10 372**

		Group		Corporation	
		2017/8	2016/17	2017/8	2016/17
		N$	N$	N$	N$
11.	**Trade and other receivables**				
	Trade receivables in Namibia, South Africa and Botswana	42 917 213	38 527 119	30 606 468	33 317 496
	Allowance for doubtful debt	(8 510 259)	--	(4 001 345)	--
	Trade receivables Europe & Norway	58 362 962	59 121 831	58 362 962	59 121 831
	Other receivables and prepayments	32 956 677	142 526 611	32 939 570	4 905 261
	Income tax receivable	2 900 808	--	--	--
	VAT receivable	45 187 483	52 592 609	45 187 483	49 295 679
		173 814 884	**292 768 170**	**163 095 1238**	**146 640 267**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 January 2018 (continued)

12. Post-employment benefits

Severance pay benefits

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

An actuarial valuation was performed on 31 January 2018 of the company's liability in respect of the provision for severance pay.

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

	Present value of obligation N$	Fair value of plan assets N$	Impact of asset ceiling N$	Total N$
As at 31 January 2016	**(23 616 000)**	**--**	**--**	**(23 616 000)**
Statement of Comprehensive income:				
(Current Service Cost)	(1 887 000)	--	--	(1 887 000)
Interest (expense) / income	(2 440 000)	--	--	(2 440 000)
Cash movements:				
Benefit payments	4 927 506	--	--	4 927 506
As at 31 January 2017	**(23 616 000)**	**--**	**--**	**(23 616 000)**
Statement of Comprehensive income:				
(Current Service Cost)	(1 609 000)	--	--	(1 609 000)
Interest (expense) / income	(1 864 000)	--	--	(1 864 000)
Cash movements:	--			--
Benefit payments	10 962 494	--	--	10 962 494
Remeasurements:				
Return on plan assets	--	--	--	--
Gain / (loss) – change in financial assumptions	(1 321 000)	--	--	(1 321 000)
Gain / (loss) – change in demographic assumptions	--	--	--	--
Experience gains / (losses)	--	--	--	--
Change in asset ceiling	--	--	--	--
As at 31 January 2018	**(16 847 000)**	**--**	**--**	**(16 847 000)**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 January 2018 (continued)

12. Post-employment benefits (continued)

Severance pay benefits (continued)

	2017/18	2016/17
Discount rate	9.70% per annum	10.10 % per annum
Salary inflation rate	7.50% per annum	7.40 % per annum
Long-term inflation rate	--	7.70 % per annum
Pre-retirement mortality table – male	SA85-90 (Ultimate)	SA 85-90 (Ultimate)
Pre-retirement mortality table – female	SA85-90 (Ultimate)	SA 85-90 (Ultimate)

	Impact on defined benefit obligation		
	Change in assumption	Increase assumption	Decrease assumption
Salary inflation rate	1.00 %	Increase by 12.4%	Decrease by 10.5%

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

	Group		Corporation	
	2017/8	2016/17	2017/8	2016/17
	N$	N$	N$	N$
13. Interest bearing loans and borrowings				
Secured loans				
Finance lease liabilities:				
Finance lease liabilities - Secured by leased vehicles as set out in note 5. Repayable in monthly instalments which include interest at a rate of prime less 1.5 % to 2.5% (2016/17: prime less 1.5 % to 2.5 %) per annum.	9 487 963	14 906 634	9 487 963	14 906 634

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 January 2018 (continued)

13. Interest bearing loans and borrowings (continued)

Secured loans (continued)

	Group		Corporation	
	2017/8	2016/17	2017/8	2016/17
	N$	N$	N$	N$
Bank borrowings:				
Development Bank of Namibia - Secured by the following properties: Erf 6564 Windhoek, Erf 7130 Windhoek, Farm Annasruh Gobabis and Portion 9, Farm Otavi Pforte Grootfontein as set out in note 5. Interest is payable at prime overdraft rate to prime overdraft rate +1.25% (9.75%-11%) (2016/17: prime overdraft rate to prime overdraft rate +1.25% (9.75%-11%)) monthly in arrears. Capital and interest are repayable in 46 (2016/17: 58) monthly instalments of N$1,724,493 (2016/17: 90) monthly instalments of N$2,064,152 and 92 (2016/17: 104) monthly instalments of N$711,899.	226 172 130	233 896 653	226 172 130	233 896 653
Bank Windhoek Ltd - Secured by Okahandja Factory and Okapuka Tannery as set out in note 5. Interest is payable at prime overdraft rate to prime overdraft rate +1.25% (9.75%-11%) (2016/17: prime overdraft rate to prime overdraft rate +1.25% (9.75%-11%)) monthly in arrears. Capital and interest are repayable in 64 (2016/17: 76) monthly instalments of N$1,200,379 (2016/17: 32) monthly instalments of N$644 927.	64 295 528	78 671 828	64 295 528	78 671 828
Nedbank Namibia Limited. Interest is payable at 9.75% p.a monthly in arrears. Capital and interest repayable in 38 (2016/17: 50) monthly instalments of N$261,975.	8 569 213	10 775 367	8 569 213	10 775 367
Other loans comprises of loans to NCA (Northern Communal Areas) from the Government of N$2,536,367 and loan from the Meatco Foundation for the building costs incurred by the Foundation for Meatco of N$470,973.	3 007 340	3 007 340	3 007 340	3 007 340
Total secured loans	**311 532 174**	**341 257 822**	**311 532 174**	**341 257 822**
Less: Current portion of interest bearing loans and borrowings	**(84 448 781)**	**(73 775 662)**	**(84 448 781)**	**(73 775 662)**
Finance lease liabilities	(5 154 836)	(5 150 975)	(5 154 836)	(5 150 975)
Development Bank of Namibia	(54 006 549)	(45 686 951)	(54 006 549)	(45 686 951)
Bank Windhoek	(22 143 689)	(20 061 446)	(22 143 689)	(20 061 446)
Nedbank Namibia Limited	(3 143 708)	(2 876 289)	(3 143 708)	(2 876 289)
Non-current portion	**227 083 393**	**267 482 160**	**227 083 393**	**267 482 160**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 January 2018 (continued)

13. Interest bearing loans and borrowings (continued)

Secured loans (continued)

Finance lease liabilities are payable as follows:

	Future minimum lease payments 2017/18	Interest 2017/18	Present value of minimum lease payments 2017/18	Future minimum lease payments 2016/17	Interest 2016/17	Present value of minimum lease payments 2016/17
Group						
Less than one year	5 835 801	680 965	5 154 836	6 255 476	1 106 502	5 150 975
Between one and five years	4 647 790	314 663	4 333 127	12 532 337	2 774 677	9 755 659
More than five years	--	--	--	--	--	--
	10 483 591	**995 628**	**9 487 963**	**18 787 813**	**3 881 179**	**14 906 634**
Corporation						
Less than one year	5 835 801	680 965	5 154 836	6 255 476	1 106 502	5 150 975
Between one and five years	4 647 790	314 663	4 333 127	12 532 337	2 774 677	9 755 659
More than five years	--	--	--	--	--	--
	10 483 591	**995 628**	**9 487 963**	**18 787 813**	**3 881 179**	**14 906 634**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 January 2018 (continued)

14. Provisions

	Provision for profit share	Other provisions	Total
Group 2017/18			
Opening balance	34 286 123	33 615 205	67 901 328
Additional provisions	21 223 294	35 321 645	56 544 939
Utilised during the year	(34 286 123)	(33 615 205)	(67 901 328)
Balance as at 31 January 2018	**21 223 294**	**35 321 645**	**56 544 939**
Group 2016/17			
Opening balance	46 219 759	6 425 623	52 645 382
Additional provisions	34 286 123	33 615 205	67 901 328
Utilised during the year	(46 219 759)	(6 425 623)	(52 645 382)
Balance as at 31 January 2017	**34 286 123**	**33 615 205**	**67 901 328**
Corporation 2017/18			
Opening balance	11 883 430	33 615 205	45 498 635
Additional provisions	8 590 162	35 321 645	43 911 806
Utilised during the year	(11 883 430)	(33 615 205)	(45 498 635)
Balance as at 31 January 2018	**8 590 162**	**35 321 645**	**43 911 806**
Corporation 2016/17			
Opening balance	5 579 616	6 425 623	12 005 239
Additional provisions	11 883 430	33 615 205	45 498 635
Utilised during the year	(5 579 616)	(6 425 623)	(12 005 239)
Balance as at 31 January 2017	**11 883 430**	**33 615 205**	**45 498 635**

	Group		Corporation	
	2017/8	2016/17	2017/8	2016/17
	N$	N$	N$	N$
15. Trade and other payables				
Trade payables	96 469 777	220 755 852	94 219 201	82 945 468
Other payables and accruals	334 693	222 414	--	
VAT payable	--		--	
	96 804 469	**220 978 266**	**94 219 201**	**82 945 468**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 January 2018 (continued)

		Group		Corporation	
		2017/18	2016/17	2017/18	2016/17
		N$	N$	N$	N$
16.	**Additional disclosure**				
16.1	**Revenue**				
	Sales of goods	1 425 093 832	1 694 629 749	1 408 789 562	1 687 459 406
	Total revenue	**1 425 093 832**	**1 694 629 749**	**1 408 789 562**	**1 687 459 406**
16.2	**Cost of sales**				
	Opening stock	229 374 857	266 107 831	167 468 913	158 711 560
	Purchases	1 051 971 070	1 008 956 367	1 076 402 839	1 044 667 111
	Closing stock	(342 176 313))	(228 744 850)	(317 687 482)	(166 838 905)
	Direct manufacturing cost	263 148 553	330 140 834	267 127 470	326 731 074
	Other cost of sales	79 461 660	89 052 236	78 830 993	114 342 772
	Sale of goods	**1 281 779 827**	**1 465 512 418**	**1 272 142 734**	**1 477 613 611**
16.3	**Other income**				
	Other income	18 243 586	9 353 019	18 242 570	9 351 549
		(1 126 265)	(5 084 356)	(1 126 265)	(5 084 356)
	Unrealised foreign exchange gain	34 959 935	44 474 241	34 959 935	44 474 241
	Realised foreign exchange gain	40 899 934	27 969 443	40 899 934	27 969 443
	Unrealised foreign exchange (loss)	(43 656 265)	(40 652 452)	(43 656 265)	(40 652 452)
	Realised foreign exchange (loss)	(33 329 869)	(36 875 589)	(33 329 869)	(36 875 589)
	Gain / (Loss) on sale of property, plant and equipment	639 814	(763 091)	640 830	(763 091
	Total other income	**17 757 135**	**3 505 572**	**17 757 135**	**3 504 102**
16.4	**Operating profit before financing costs is stated after taking into account:**				
	Depreciation of property, plant and equipment	26 219 124	24 757 378	26 207 041	24 737 219
	- Machinery, vehicles, furniture equipment	26 219 124	24 757 378	26 207 041	24 737 219
	Auditors' remuneration	1 398 800	2 381 302	1 215 452	1 190 651
	- Current year audit fees	1 398 800	1 008 300	1 215 452	1 008 300
	- Over-provision previous year	--	--	--	--
	- Other services	--	182 351	--	182 351
	Net (profit)/loss on disposal and scrapping of property, plant and equipment	(639 814)	763 091	(640 830)	763 091
	Rentals under operating leases for land and buildings	973 630	459 535	973 630	459 535

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 January 2018 (continued)

		Group		Corporation	
		2017/18	2016/17	2017/18	2016/17
		N$	N$	N$	N$
16.	**Additional disclosure** (continued)				
16.5	**Northern Communal Areas**				
	Loss included in operating profit	671 309	(6 990 823)	671 309	(6 990 823)
16.6	**Personnel expenses**				
	Salaries and wages	170 213 561	221 119 547	161 250 112	220 020 790
	Contributions to defined contribution plans	14 733 496	22 454 974	14 733 496	22 296 771
		184 947 057	**243 574 521**	**175 983 608**	**242 317 561**

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

		Group		Corporation	
		2017/18	2016/17	2017/18	2016/17
		N$	N$	N$	N$
16.7	**Foreign currency translation reserve**	(8 157 109)	(16 977 706)	--	--

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

		Group		Corporation	
		2017/18	2016/17	2017/18	2016/17
		N$	N$	N$	N$
16.8	**Other disclosures**				
	- Non executive directors of the Corporation for services as directors	2 344 300	1 304 916	2 344 300	1 304 916
	Profit arising from changes in fair value less estimated point of sale costs attributable to livestock	141 755 563	120 575 155	149 536 600	122 231 718
	Impairment (loss)/reversal on trade and other receivables, including amounts written off during the year, net of recoveries	(127 296)	5 016 309	(1 733 852)	5 016 309

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 January 2018 (continued)

	Group 2017/18 N$	Group 2016/17 N$	Corporation 2017/18 N$	Corporation 2016/17 N$
16. Additional disclosure (continued)				
16.9 Finance income and expenses				
Finance income				
Interest received on loans to related parties	2 253 649	1 926 671	1 873 350	1 631 602
Finance costs				
Interest paid on loans and borrowings	(56 886 986)	(53 379 672)	(56 072 724)	(52 450 296)
Net finance costs	**(54 633 338)**	**(51 453 000)**	**(54 199 374)**	**(50 818 693)**
16.10 Expense by nature				
Cost of sales	1 281 779 827	1 465 512 419	1 272 142 734	1 477 613 611
Other expenses	166 700 401	163 206 093	154 727 184	142 117 025
Bank charges	3 296 810	1 558 798	3 267 112	1 558 798
Consulting fees	4 252 924	3 792 372	4 235 424	3 792 372
Insurance	6 985 325	7 565 622	6 985 325	7 565 622
	1 463 015 288	**1 641 635 304**	**1 441 357 779**	**1 632 647 428**

The total cost of sales and administrative costs and other operating expenses are analysed by nature as per above.

	Group 2017/18 N$	Group 2016/17 N$	Corporation 2017/18 N$	Corporation 2016/17 N$
17. Taxation				
Normal income taxation				
- Foreign tax	(303 292)	(792 898)	--	--
Deferred taxation				
- Current year	21 725 634	(2 433 519)	21 946 343	(2 433 519)
	21 422 342	**(3 226 417)**	**21 946 343**	**(2 433 519)**
Reconciliation of tax rate	**%**	**%**	**%**	**%**
Current year charge as a percentage of income before taxation	33.27	17	31.80	45.2
Effect of subsidiaries being taxed at rates different to the Corporation's standard rate	34.28	30	--	--
Prior period adjustment	--	--	--	--
Tax rate change for deferred tax	--	--	--	--
Capital profits and exempt income not subject to tax	--	--	--	--
Unrecognised tax asset on calculated tax losses	--	(1.8)	--	--
Non-deductible expenditure	(35.55)	(13.2)	0.2	(13.2)
Standard tax rate	**32.00**	**32.00**	**32.00**	**32.00**

Provision has not been made for the Corporation's normal income taxation as the Corporation has a calculated tax loss of N$ 338 623 087 (2016/17: N$ 231 722 655) which is available for set off against future taxable income.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 January 2018 (continued)

	Group		Corporation	
	2017/18	2016/17	2017/18	2016/17
	N$	N$	N$	N$
18. Notes to the cash flow statement				
18.1 Cash from operations				
Operating (loss)/profit before financing costs	(20 164 320)	56 500 018	14 811 082	58 316 080
Adjustments for non-cash flow items:				
- Depreciation	26 220 140	24 757 378	26 207 041	24 737 214
- (Loss)/profit on disposal and scrapping of property, plant & equipment	(640 830)	763 091	(640 830)	763 091
- Changes in fair value of livestock	(141 755 563)	(120 575 155)	(149 536 600)	(122 231 718)
- Financial instrument asset/liability	(8 157 109)	(11 620 061)	--	(11 620 061)
- Provisions	11 356 389	15 255 946	(1 586 829)	33 493 396
	(155 855 088)	**(35 519 289)**	**(139 047 299)**	**(17 142 504)**
Decrease/(increase) in working capital	**33 327 992**	**227 277 374**	**19 247 939**	**185 632 849**
Inventories and biological assets	38 548 504	159 970 497	8 912 427	116 136 733
Trade and other receivables	118 953 286	(64 725 620)	(16 454 871)	54 694 959
Trade and other payables	(124 074 819)	132 032 497	5 559 444	413 381
Investment in subsidiaries	--	--	--	14 387 776
	(122 527 096)	**191 758 085**	**(141 030 299)**	**168 490 345**
18.2 Income taxes paid				
Amounts outstanding at beginning of year	435 768	(614 411)	--	--
Income statement charge	(765 180)	(189 070)	--	--
Amounts outstanding at end of year	534 746	435 768	--	--
	(205 333)	**(367 713)**	--	--
18.3 Cash and cash equivalents				
Cash and cash equivalents	52 058 917	218 515 383	44 910 479	209 312 982
Bank overdrafts	(209 293 394)	(131 168 184)	(209 293 394)	(131 168 184)
	(157 234 477)	**87 347 199**	**(164 382 915)**	**78 144 798**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 January 2018 (continued)

18. Notes to the cash flow statement (continued)

18.3 Cash and cash equivalents (continued)

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

The overdraft facilities at Bank Windhoek have been secured as follows:

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

Pledge and cession of VAT claims amounting to N$ 74.5 million (2016/17: N$ 74.5 million) has been ceded to Nedbank Namibia Ltd.

RSA debtors have been ceded to FNB Namibia Ltd.

Namibian debtors have been ceded to Bank Windhoek Ltd.

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

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

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

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

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

- Pre and Post Shipment Trade Finance Overdraft N$ 130 million reviewed on 30 July 2017 currently at 9.5 per cent.
- Vat overdraft Facility N$ 40 million reviewed date of 30 July 2017 currently at 9.5 per cent.
- Forward Exchange Contract (FEC) Limit of N$ 10 million reviewed date 30 July 2017 currently at 9.5 per cent.
- Revolving Credit Line Asset Based Finance (RCL) facility of N$ 20 million reviewed date 30 July 2017.
- Reducing Business Loan facility of N$ 682.4 million, repayable over 60 months.

First National Bank total facilities details are as follows:

- Direct Overdraft Facility N$50 million
- Contingent Facility N$2.7 million (guarantees issued by the Bank)
- Pre-settlement Facility N$ 40 million (N$ 100 million forward exchange contracts margined at 10 per cent)
- Direct long-term facility (Wesbank) N$ 3,000,000.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 January 2018 (continued)

18. Notes to the cash flow statement (continued)

18.4 Changes in financial liabilities

	Interests bearing borrowing N$	Post-employment benefits N$	Cash or bank overdraft N$	Total N$
Group				
Net debts as at 1 February 2016	**366,033,602**	**23 616 000**	**22 402 158**	**412 051 760**
Cash flow	**(24,775,780)**	**-**	**64 945 041**	**40 169 261**
Proceeds	12,439,267	--	--	12 439 267
Repayment	(37,215,047)	--	64 945 041	27 729 994
Other non-cash movement	-	(600 506)	--	(600 506)
Net debts as at 31 January 2017	**341,257,822**	**23 015 494**	**87 347 199**	**451 620 515**
Net debts as at 1 February 2017	**341,257,822**	**23,015,494**	**87,347,199**	**451 620 515**
Cash flow	**(29,725,648)**	**(6 168 494)**	**(244,581,676)**	**(280 475 818)**
Proceeds				451 620 515
Repayment	(29,725,648)	(6 168 494)	(244,581,676)	(280 475 818))
Other non-cash movement	--	--	--	-
Net debts as at 31 January 2018	**311,532,174**	**16,847,000**	**(157,234,477)**	**(280 475 818)**
Corporation				
Net debts as at 1 February 2016	**366 033 602**	**23 616 000**	**10 030 575**	**399 680 177**
Cash flow	**(24 775 780)**	**--**	**68 114 223**	**43 338 443**
Proceeds	12 439 267	--	--	12 439 267
Repayment	(37 215 047)	--	68 114 223	30 899 176
Other non-cash movement	360 000	(600 506)	--	(240 506)
Net debts as at 31 January 2017	**341 617 822**	**23 015 494**	**78 144 798**	**442 778 114**
Net debts as at 1 February 2017	**341 257 822**	**23 015 494**	**78 144 798**	**442 778 114**
Cash flow	**(29 725 648)**	**(7 489 494)**	**(242 527 713)**	**(285 269 818)**
Proceeds	--	--	--	--
Repayment	(29 725 648)	(7 489 494)	(242 527 713)	(285 269 818)
Other non-cash movement	--	1 321 000	--	4 794 000
Net debts as at 31 January 2018	**311 532 174**	**16 847 000**	**(164 382 915)**	**171 144 697**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 January 2018 (continued)

19. Financial instruments

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

19.1 Fair values of financial assets and liabilities

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

19.2 Categories of financial assets and liabilities

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

	At fair value through profit or loss	At amortised cost	Non-current asset held for sale	Non-financial assets and liabilities	Total
Group – 2017/18					
Assets					
Property, plant and equipment	--	--	--	614 367 505	614 367 505
Investment in associate	--	4 662 844	--	--	4 662 844
Inventories	--	--	--	232 649 591	232 649 591
Biological assets	--	--	--	131 813 058	131 813 058
Trade and other receivables	--	173 814 884	--	--	173 814 884
Deferred tax asset	--	--	--	122 648 401	122 648 401
Cash and cash equivalents	--	52 058 917	--	--	52 058 917
Investment in associate	--	--	83 292 714	--	83 292 714
	--	**230 536 645**	**83 292 714**	**1 010 602 850**	**1 415 307 914**
Liabilities					
Non–current interest bearing loans and borrowings	--	--	227 083 393	--	227 083 393
Post-employment benefit	--	--	--	16 847 000	16 847 000
Bank overdraft	--	--	209 293 394	--	209 293 394
Current interest bearing loans and borrowings	--	--	84 448 781	--	84 448 781
Deferred tax liability	--	--	--	131 316 397	131 316 397
Trade and other payables	--	--	96 804 469		96 804 469
Provisions	--	--	56 544 939	--	56 544 939
Income tax payable	--	--	534 746	--	534 746
Financial instrument liability	--	--	--	--	--
	--	**--**	**674 709 722**	**148 163 397**	**822 873 119**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 January 2018 (continued)

19. Financial instruments (continued)

19.2 Categories of financial assets and liabilities (continued)

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

	At fair value through profit or loss	At amortised cost	Non-current asset held for sale	Non-financial assets and liabilities	Total
Corporation – 2017/18					
Assets					
Property, plant and equipment	--	--	--	614 071 145	614 071 145
Investment in subsidiaries	--	11 938 771	--	--	11 938 771
Investment in associate	--	216 791	--	--	2 16 791
Inventories	--	--	--	232 482 501	232 482 501
Biological assets	--	--	--	107 491 316	107 491 316
Trade and other receivable	--	--	--	163 095 138	163 095 138
Deferred tax asset	--	--	--	122 553 211	122 535 211
Amounts due by subsidiaries	--	101 206 337	--	--	101 206 337
Cash and cash equivalents	--	44 910 479	--	--	44 910 479
Investment in associate	--	--	41 701 435	--	41 701 435
	--	**158 272 378**	**41 701 435**	**1 239 693 311**	**1 439 667 124**
Liabilities					
Non – current interest bearing loans	--	227 083 393	--	--	227 083 393
Post-employment benefit	--		--	16 847 000	16 847 000
Current interest bearing loans and borrowings	--	84 448 781	--	--	84 448 781
Deferred tax liability	--	--	--	131 316 397	131 316 397
Trade and other payables	--	88 504 912	--	--	88 504 912
Provisions	--	43 911 806	--	--	43 911 806
Amounts due to subsidiaries	--	106 215 038	--	--	106 215 038
Bank overdraft	--	209 293 394	--	--	209 293 394
Financial instrument liability	--	--	--	--	--
	--	**759 332 149**	**--**	**147 803 397**	**907 135 546**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 January 2018 (continued)

19. Financial instruments (continued)

19.2 Categories of financial assets and liabilities (continued)

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

	At fair value through profit or loss	At amortised cost	Financial liabilities at amortised cost	Non-financial assets and liabilities	Total
Group – 2016/17					
Assets					
Property, plant and equipment	--	--	--	608 623 012	608 623 012
Investment in associate	--	77 549 833	--	--	77 549 833
Inventories	--	--	--	128 673 612	128 673 612
Biological assets	--	--	--	132 581 978	132 581 978
Trade and other receivables	--	97 648 950	--	195 119 220	292 768 170
Deferred tax asset	--	--	--	23 228 737	23 228 737
Cash and cash equivalents	--	218 515 383	--	--	218 515 383
	--	**393 714 166**	**--**	**1 088 226 559**	**1 481 940 725**
Liabilities					
Non – current interest bearing loans and borrowings	--	--	267 482 160	--	267 482 160
Post-employment benefit	--	--	--	23 015 494	23 015 494
Bank overdraft	--	--	131 168 184	--	131 168 184
Current interest bearing loans and borrowings	--	--	73 775 662	--	73 775 662
Deferred tax asset	--	--	--	53 622 367	53 622 367
Trade and other payables	--	--	220 978 267	--	220 978 267
Provisions	--	--	67 901 328	--	67 901 328
Income tax payable	--	--	435 768	--	435 768
Financial Instrument liability	--	**--**	**--**	**--**	**--**
	--	**--**	**761 741 369**	**76 637 861**	**838 379 230**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 January 2018 (continued)

19. Financial instruments (continued)

19.2 Categories of financial assets and liabilities (continued)

	At fair value through profit or loss	At amortised cost	Financial liabilities at amortised cost	Non-financial assets and liabilities	Total
Corporation – 2016/17					
Assets					
Property, plant and equipment	--	--	--	608 323 519	608 323 519
Investment in subsidiaries	--	11 938 771	--	--	11 938 771
Investment in associate	--	41 918 226	--	--	41 918 226
Inventories	--	--	--	126 557 054	126 557 054
Biological assets		--	--	72 792 591	72 792 591
Trade and other receivable	--	92 439 327	--	54 200 940	146 640 267
Deferred tax asset				22 912 839	22 912 839
Amounts due by subsidiaries		93 764 976			93 764 976
Cash and cash equivalents	--	209 312 982	--	--	209 312 982
	--	**449 374 282**	**--**	**884 786 943**	**1 334 161 225**
Liabilities					
Non – current interest bearing loans	--	--	267 482 160	--	267 482 160
Post-employment benefit	--	--	--	23 015 494	23 015 494
Current interest bearing loans and borrowings	--	--	73 775 662	--	73 775 662
Deferred tax liability				53 622 368	53 622 368
Trade and other payables	--	--	82 945 468	--	82 945 468
Provisions	--	--	45 498 635	--	45 498 635
Amounts due to subsidiaries	--	--	77 542 738	--	77 542 738
Bank overdraft	--	--	131 168 184	--	131 168 184
Financial instrument liability					
	--	**--**	**678 412 847**	**76 637 862**	**755 050 709**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 January 2018 (continued)

20. Related parties

20.1 Identity of related parties with whom material transactions have occurred

Relationships

Subsidiaries:	Meat Corporation of Namibia (UK) Limited
	Namibia Meat Importers & Exporters (Pty) Ltd
	Namibia Cattle Procurement (Pty) Ltd
Associates:	GPS Food Group (Holdings) Limited
	GPS Norway AS

20.2 Related parties balances and transactions

	Group		Corporation	
	2017/18	2016/17	2017/18	2016/17
	N$	N$	N$	N$
Related party balances				
Loan accounts - Owing (to) by related parties				
Namibia Meat Importers & Exporters (Pty) Ltd	--	--	5 609 880	(248 623)
Namibia Cattle Procurement (Pty) Ltd	--	--	22 562095	44 109 784
Meat Corporation of Namibia (UK) Limited	--	--	(27 466 387)	(27 638 925)
Related party transactions				
Purchases from (sales to) related parties				
Namibia Meat Importers & Exporters (Pty) Ltd	(221 698 526)	(233 583 453)	--	--
GPS Norway AS	(65 665 854)	(137 355 828)	--	--
Namibia Cattle Procurement (Pty) Ltd	50 017 732	62 261 590	--	--
Commission from (to) related parties				
Meat Corporation of Namibia (UK)	(10 080 109)	(13 831 793)	--	--
GPS Food Group (UK) Ltd	--	--	(28 156 141)	(38 154 500)

21. Directors' emoluments

Refer to note 16.8 for details on directors' emoluments.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 January 2018 (continued)

22. Contingent liabilities

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

- A guarantee of N$ 1 000 000 (2016/17: N$ 1 000 000) is supplied to Customs and Excise.
- A guarantee of N$ 91 000 (2016/17: N$ 91 000) is supplied to NamPower for the purchase of electricity for Okapuka Tannery and Feedlot.
- A guarantee of N$ 67 566 (2016/17: N$ 67 566) is supplied to the Municipality of Windhoek for the monthly water and electricity account of Windhoek Factory.

23. Non-cancellable operating leases

The group leases various buildings under non-cancellable operating leases expiring within two to eight years. The leases have varying terms, escalations clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

	Group		Corporation	
	2017/18	2016/17	2017/18	2016/17
	N$	N$	N$	N$
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	5 835 801	6 255 476	5 835 801	6 255 476
Later than one year but no later than 5 years	4 647 790	12 532 337	4 647 790	12 532 337
Later than 5 years	-	-	-	-
	10 483 591	**18 787 813**	**10 483 591**	**18 787 813**

24. Going concern

The financial statements indicates that the Group incurred a net loss of N$51.1 million (2017: N$19.3 Profit) during the year ended 31 January 2018 and, as of that date, the Group's current liabilities did not exceed its total assets.

The directors recognise that the liquidity of the Group is under pressure and as a result the ability of the Group to continue as a going concern is dependent on a number of factors. The most significant of these is that the directors continue to procure funding for the ongoing operations for the Group.

As an initiative the Group is in the process of offering voluntary retrenchment packages in order to reduce the fixed costs of the entity. The potential cost saving on the fixed cost is estimated at N$50 million per annum.

The Group is also in the process to apply for additional funding of N$150 million from third party financiers.

As disclosed in note 7.1 of the Annual Financial Statements the Group is in the process of selling off the 25 per cent shareholding in GPS Food Group. This will realise and additional EUR 5,240,542 that will assist the Group in addressing its liquidity problem.

The directors have also implemented strategic plans in order to increase the revenue of the entity. The directors have reviewed all relevant ratios of the Group and believe that the Group will remain in a going-concern position should all of these strategic initiatives realise.

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