

**MEATCO**

ANNUAL REPORT

**11/12**





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# OVERVIEW

## HIGHLIGHTS



### Financial performance:

- Revenue increased by N\$ 125 million (9.95%) from N\$ 1.257 billion to N\$ 1.382 billion
- Net profit before interest and tax amounted to N\$ 32.9 million and increased by N\$ 101.6 million if compared to 2010/11
- Net profit after tax amounted to N\$ 5.7 million and increased by N\$ 68.3 million if compared against 2010/11
- Cash generated by operating activities, before investment in working capital, improved by N\$ 109.7 million from negative cash flows amounting to N\$ 50.6 million to positive cash flows amounting to N\$ 59.1 million



### Payments to producers:

- Average payments to producers increased by N\$ 3.76 / kg (18.19%) from N\$ 20.67 / kg to N\$ 24.43 / kg
- This represents the highest recorded average producer price ever paid by the Corporation
- N\$ 24.4 million additional premiums over and above equivalent South African price were paid to producers



### Cattle slaughtered (SVCF):

- A total of 102,260 cattle were slaughtered during the year, compared to 114,150 cattle during 2010/11
- Cattle slaughtered south of the Veterinary Cordon Fence decreased by 11,890 cattle (10.4%)
- Average carcass mass increased from 244.2 kg / carcass to 254.5 kg / carcass



### NCA losses:

- Total loss realising from the Northern Communal Areas reduced by 22.2% from N\$ 29.9 million to N\$ 23.3 million
- A total of 18,014 cattle were slaughtered during the year, compared to 15,243 cattle during 2010/11 - an 18.2% increase.
- Average carcass mass decreased from 182.2 kg / carcass to 169.9 kg / carcass



### Marketing:

- Gross profit margins increased from 1.8% to 13.89% if compared to the prior year
- Total average net sales realisation per kg increased by N\$ 5.80 (17.6%) if compared to the prior year



### Costs:

- Marketing and logistical costs decreased by N\$ 13.9 million (11.75%) from N\$ 118.3 million to N\$ 104.4 million
- Personnel expenses decreased by N\$ 3.5 million (2.53%) from N\$ 139.2 million to N\$ 135.7 million
- Administration costs decreased by N\$ 10.4 million (7.88%) from N\$ 132.1 million to N\$ 121.7 million
- Total financing costs increased by only 6.73% despite producer prices increasing by 18.19%

## A new kind of reporting

Businesses have come to realize that financial measurement alone cannot provide sufficient insight into corporate performance and business activity. The development of an integrated report is therefore becoming the preferred means to inform stakeholders of business conduct and performance during annual reviews.

An ideal integrated report aims to reflect a company's position and ability to link governance and strategy to risks and opportunities, to the long-term viability of the business. It challenges the reporting company to think about how they do business, what resources and relationships they are dependent on for future success and how performance in one area affects another.

This is Meatco's first step in the development of an integrated report. A lot of work has gone into striking a balance between the reporting style that our stakeholders are used to and transitioning to the new structure. The development of the integrated report is, however, a process. Meatco has teamed up with independent experts in the field to advise and guide the development of the report going forward.

In the end we aim to provide a document to our stakeholders that will allow them to better understand our business, the contexts of our activities and our performance.

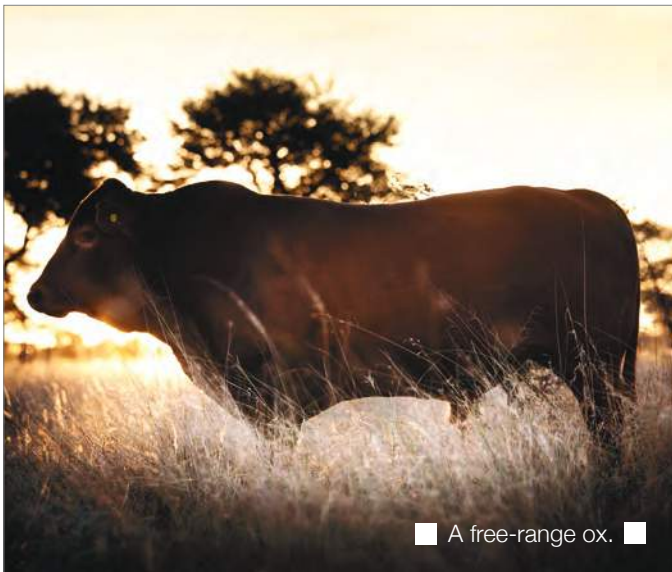
# OVERVIEW

## MEATCO AT A GLANCE

### Who we are

Meat Corporation of Namibia (“Meatco” or “the Corporation”) is a meat processing and marketing entity serving niche markets locally and internationally with premium quality products that are traceable from the fork all the way back to the farm. Meatco procures cattle from producers engaged in extensive farming conditions that lend unique characteristics to the Corporation’s end-product, which, after being processed through the value chain, fetches a premium in carefully selected markets across the globe.

Meatco finds itself in the unique position of not having any direct owners or shareholders. The Corporation is regulated under the Meat Corporation of Namibia Act, 2001 (Act 1 of 2001) with the purpose to serve, promote and co-ordinate the interests of livestock producers in Namibia. The Corporation is also listed as a State-Owned Enterprise under the State-owned Enterprises Governance Act 2006 (Act 2 of 2006), although the state does not have any shareholding or direct financial interest in Meatco.



■ A free-range ox. ■

Membership in the Corporation can only be obtained by Namibian livestock producers who sell at least one unit of livestock to Meatco once every two years. Having no owners or shareholders, the Corporation’s overall objective is to pay participating producers the maximum sustainable prices for their cattle and retain the minimum profit needed for capital requirements. Meatco believes it is in the best interest of a sustainable cattle industry that producers receive the best possible prices.

### How we operate

In Meatco’s efforts to become a leading provider of premium products to niche markets, the Corporation has assumed the responsibility of running its business in accordance with the highest technical, ethical, social and environmental practices and standards. Meatco constantly measures itself by benchmarking

these practices against the best in the world through regular audits by independent, internationally recognised auditing companies such as SAI Global, SGS and Grolink. Additionally, all Meatco’s export facilities comply with ISO 9002, HACCP 1033:2007 and SABS standards applicable to the respective operations.

Meatco’s export abattoirs are accredited by the internationally recognised British Retail Consortium (“BRC”), which demand ethical and fair practices, animal welfare and corporate social responsibility, as well as sound technical and operational practices and procedures in food production. The Corporation is also subject to various audits by its clients. More information on this is available in the Sustainable Development section of the report on page 34.

### How we add value

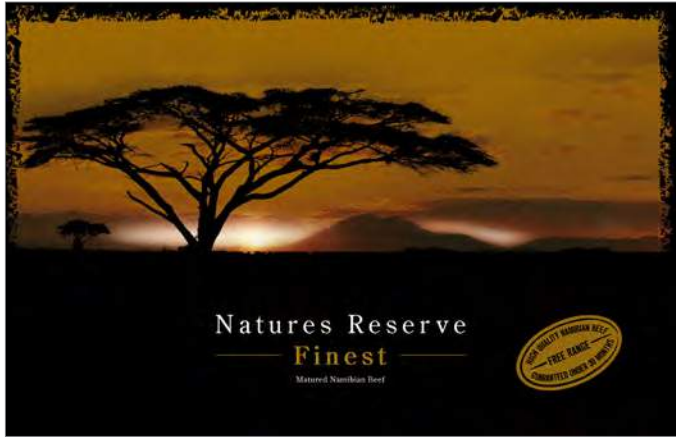
Apart from basing its practices on the principles outlined above, which pave the way to premium clients, Meatco differentiates itself by limiting commodity trading. The Corporation does not sell carcasses, but focuses on producing value-added deboned cuts of meat, produced to various client specifications for customers across the world. Meatco consistently develops its value chain, moving ever closer to the end consumer and placing a stronger emphasis on the quality and unique characteristics of its product.

Tying in with this philosophy, Meatco developed its very own Natures Reserve brand of products, which, along with the Meatco brand, acts as a vehicle to extract the maximum value out of international markets for the Corporation’s producers. Meatco also opened Certified Free Range beef marketing channels in various markets which focus on the Corporation’s natural production methods and animal welfare practices, as well as its producers.



■ A great deal of value is added through Meatco’s processes. ■

# OVERVIEW

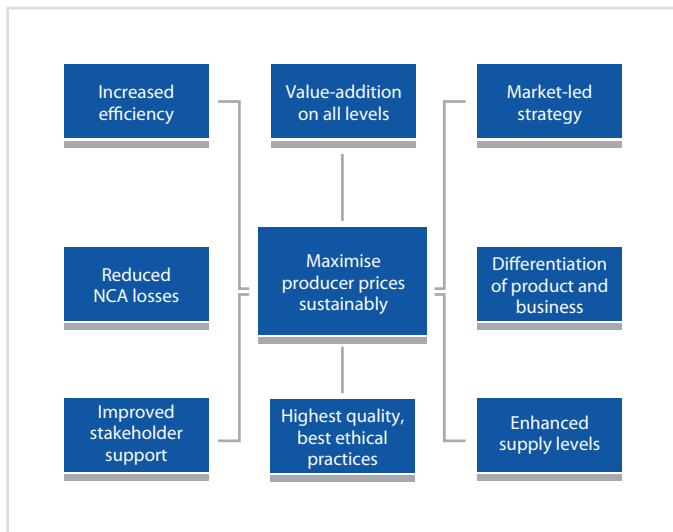


In the last three years alone, Meatco increased Norway returns by 130%, European Union returns by 60%, South African returns by 36%, and offal returns by 30%.

Apart from premium quality deboned beef, Meatco also has a strong range of canned meat brands in the market. These include the Texan, Eloolo and Ranch brands. Meatco was also engaged in the production of premium wet-blue hides through the Okapuka Tannery, and operates a small stock slaughtering plant that produces sheep and lamb carcasses for the local and South African markets. A value-addition plant has also been built to further add value to meat products (including game) for export markets. The plant is currently in the process of gaining EU export approval.

## Our business focus

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

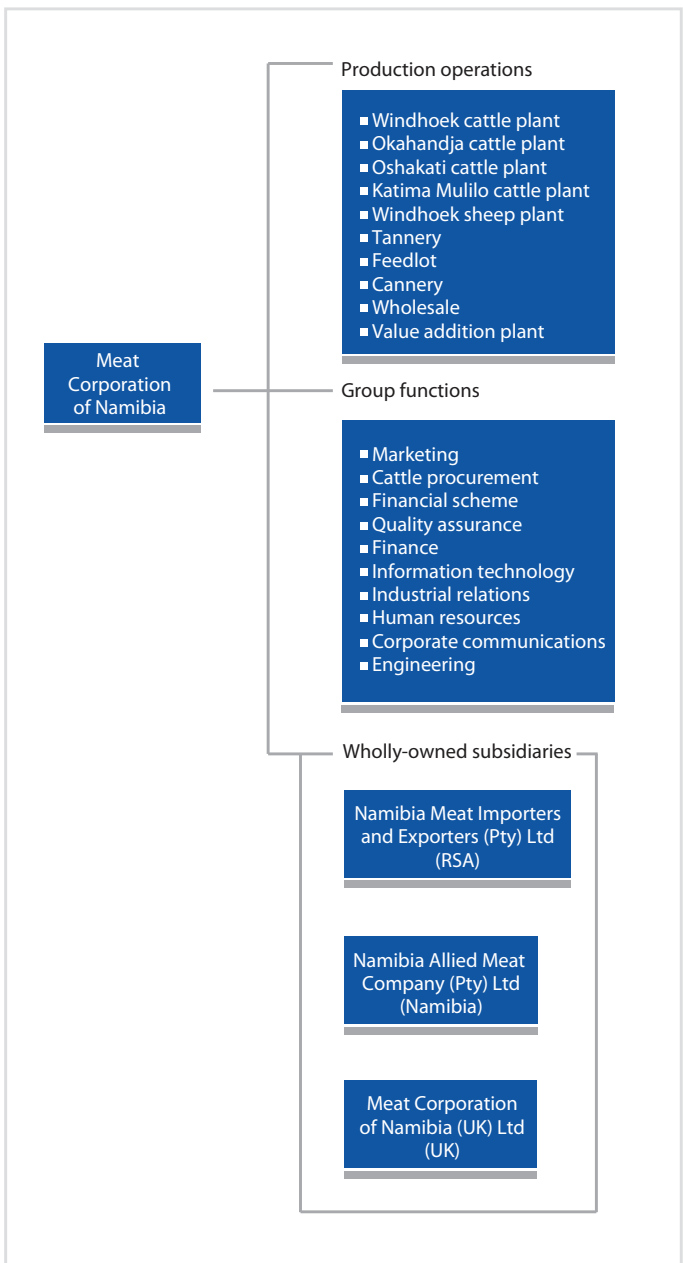


Key value drivers

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

## What Meatco does

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



Group structure

# GOVERNANCE

Meat Corporation of Namibia

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# GOVERNANCE

## 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 environmental practices and by having motivated staff.***

## Objective

***Meatco's main objective is to maximise producer returns sustainably.***

## REGULATION

Meatco is regulated under the Meat Corporation of Namibia Act, 2001 (Act 1 of 2001) – as amended with the purpose, *inter alia*, to serve, promote and co-ordinate the interest of the producers of livestock in Namibia. However, the Corporation is also listed as a State-Owned Enterprise under the State-owned Enterprises Governance Act, 2006 (Act 2 of 2006) – as amended.

The overall objectives of the Corporation are set out in Section 3 of the Meat Corporation of Namibia Act, 2001 (Act 1 of 2001) and include:

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

## OWNERSHIP

As per the relevant acts governing the Corporation, Meatco has no shareholders. The Corporation has members, however, who can exercise their rights in terms of the Meatco Act to call General Meetings, nominate directors and vote at the Annual General Meetings.

During the year under review, the Namibian Cabinet issued

instructions to the Ministry of Agriculture, Water and Forestry to facilitate the conversion of Meatco into a Cooperative as a holding company with a private company as trading and marketing subsidiary. The Minister of Agriculture, Water and Forestry subsequently instructed Meatco's Board of directors to facilitate the development of a proposed future operational structure and legal framework which should be representative of the views and opinions of Namibian Meat Producers.

In addition, the members of the Corporation called for a general meeting of members and this was then held on 14 October 2011. During the general meeting of members, attendees representing all farmer groups approved the formation of an industry Working Group, consisting of representatives of all official Namibian Farmer Unions (The Namibian Agricultural Union – NAU, The Namibian National Farmers' Union – NNFU, and the Namibian Emerging Commercial Farmers Union – NECFU) as well as representatives of various member groups (Communal – North and South of the Veterinary Cordon Fence ("VCF"), Emerging Commercial and Commercial). It was further agreed that this Working Group be assisted by a technical specialist in cooperative law, constitutional law, corporate governance and company law, in order to develop the proposal as per the Minister's directive.

Over a period of two months, the Working Group was able to produce a comprehensive technical proposal based on industry consensus on all key principles relating to the future operational structure and legal framework of the Corporation in terms of an all-inclusive, transparent, consultative and equitable process. The proposal contained the shared views and expectations of Namibian livestock producers as well as the members of the Corporation, and was developed to be consistent with the policies and principles as directed by Cabinet.

The proposal was submitted to the Board of Directors, who endorsed it and submitted it to the Minister of Agriculture, Water and Forestry on 30 November 2011.

# GOVERNANCE

A decision from Cabinet regarding the future operational structure and legal framework is still pending.

The proposed operational structure and legal framework was designed to ensure that Meatco's future ownership structure is based on:

- Accessibility and inclusiveness for all Namibian livestock producers;
- The principle of non-discrimination and fairness between communal, emerging commercial and commercial livestock producers;
- Globally competitive business structure; and
- Maximum benefit to Namibian livestock producers.

The proposed structure was also cognizant of the strategic nature of the livestock industry, and the need for a meaningful role of the Namibian Government.

## CORPORATE GOVERNANCE

Meatco's financial report, as well as that of its subsidiaries, is prepared annually in terms of International Financial Reporting Standards ("IFRS") and audited by independent external auditors in accordance with International Auditing Standards.

Meatco has taken the decision to incorporate the principles and recommendations outlined in the King III report within the control environment of the Corporation. In addition, it adopted the principles contained in the Control Objectives for Information and related Technology ("COBIT®") to ensure that its Information Technology systems sustain and extend its strategies and objectives.

In order to ensure compliance with stakeholders' quality and trade specifications, Meatco ensures that regular inspections and certifications are conducted by independent external parties. These include annual and quarterly evaluations and inspections by regulatory authorities and certification boards, including SABS Commercial (Pty) Ltd, SAI Global and British Retail Consortium ("BRC"). The Directorate of Veterinary Services also has representatives present at Meatco's abattoirs and acts as the competent authority on behalf of international trade partners, making sure the necessary veterinary export requirements are met.

In addition, Meatco's facilities maintain certification status with ISO 9002 and HACCP 1033:2007, and are registered and licensed with the Muslim Judicial Council Halaal Trust, as well as the Meat Board of Namibia. Meatco also holds South Africa and European Union export status and is in the process of obtaining USDA approval. Regular inspections and evaluations are also performed by some of its retail clients, including, but not limited to, Woolworths, Heinz and McDonalds.

## LEADERSHIP

### Composition of Board of Directors

The current Board of Directors was appointed on 30 August 2010 for a period of three years. The Board was appointed in terms of the Section 5 of the Meat Corporation of Namibia Act, 2001 (Act 1 of 2001) by the Minister of Agriculture, Water and Forestry from individuals nominated by respective member and other stakeholder groups.

The said Act provides for the appointment of six directors who are appointed:

**A]** in order to represent the interests of the:

- Corporation's employees (one person);
- Communal farmers (one person); and
- Commercial farmers (one person).

**B]** to serve the interests of producers of livestock (two persons); and

**C]** by the Minister of Agriculture, Water and Forestry (one person).

All directors are appointed by the Minister of Agriculture, Water and Forestry. The board members serving the interest of Commercial farmers and Communal, as well as the board members serving the interest of livestock producers (experts in the management of abattoirs, the trading of livestock and livestock products, or any other business or financial sphere) are appointed by the Minister from nominations received from the members of Meatco. The board member serving the interest of the employees is similarly appointed by the Minister from nominations received from the employees of Meatco. The representative from the Ministry of Agriculture, Water and Forestry is appointed directly by the Ministry.

Section 15 of the said Act also allows the Board to co-opt a maximum of three additional persons to serve on the Board, but they have no voting rights. In terms of the said Section, Mr. Matthew K. Shikongo was appointed on 9 February 2012.

**Leadership is practised not so much in words as in attitude and in actions. - Harold S. Green**

# GOVERNANCE



## MEATCO BOARD OF DIRECTORS

### Seated from left are:

Me. Sophia Kasheeta, Me. Clara Bohitile,  
Mr. Martin Hilbert and Me. Paulina Kujandeka.

### Standing at the back are:

Mr. Matthew Shikongo, Mr. Ripanda Merero,  
Mr. Arne Gressmann and Mr. Kobus du Plessis.

**Me Clara G. Bohitile (56)**  
Chairperson of the Board

**Appointment:** Nominated by Meatco's members to bring her specialist expertise to the Board.

**Formal education:** Higher Teacher Certificate from Tshiya Teacher's College / Training in Project Planning / Management of Development Projects / Farm Management / Rangeland Management (University of Missouri, Columbia)

Me. Clara G. Bohitile started her career by serving the community as an educational professional in 1977. She served as the Director of Formal / Non Education at the CCN, as Assistant Director of the Rössing Foundation before being appointed Deputy Minister of Finance in 1995 for two consecutive terms. She continued serving as a Member of Parliament until 2010. Me. Bohitile has been farming for 11 years and was the recipient of the Emerging Farmer of the year award in 2006. She serves as Chairperson, Board Member, Trustee and Founding Member to various organisations.

**Mr. Martin J.P. Hilbert (42)**  
Vice-chairperson of the Board

**Appointment:** Nominated by Meatco's members to bring his knowledge of Commercial Livestock Production to the Board.

**Formal education:** B.Bus.Sci. Finance (CA Option) from the University of Cape Town

Mr. Martin J.P. Hilbert served as part-time Audit Clerk at Coopers & Lybrand (now PwC) prior to his studies and continued full time at the firm before starting as Financial Manager at DHL Namibia in 1994. In 1997 he was appointed Managing Director for DHL up until 2002, when he decided to pursue farming full time.

# GOVERNANCE

## Mr. Ripanda A. Meroro (46) Director

**Appointed:** Nominated by Meatco's members to bring his knowledge of Communal Livestock Production to the Board.

**Formal education:** BA Degree Majoring in Public Administration and Industrial Psychology

Mr. Ripanda A. Meroro has served as a Public Administrator since 1986, starting out as a Chief Clerk in the Directorate of Extension and Engineering. He later assumed a position in the Ministry of Agriculture, Water and Rural Development as a Development Planner before moving to the Okahandja Municipality where he currently serves as Strategic Executive for Human Resources, Economic and Community Development, as well as the acting Chief Executive Officer since 2010. He also serves as Chairperson of the Tender Board. Mr. Meroro served as acting Chairperson of Otjozondjupa Regional Land Board from 2003 – 2006. He also serves as a member of the Executive Committee for the Okahandja Chamber of Commerce.

## Mr. Arne Gressmann (62) Director

**Appointment:** Nominated by Meatco's members to bring his specialist expertise to the Board.

**Formal education:** B.Sc. (Agric) Animal Husbandry from University of Pretoria, B.Sc. (Agric) (Hons.) Animal Husbandry (Ruminant Nutrition) from University of Stellenbosch, M.Sc. (Agric) from University of Stellenbosch.

Mr. Gressmann matriculated from Grootfontein Secondary School in 1967 and immediately commenced with his studies. He worked as an Agricultural Research Assistant, a Lecturer at the Ogongo Agricultural College and in the Research Division in Agricultural Technical Services. Mr. Gressmann started farming full time in 1980 and served on various committees in addition to being Chairperson of the Rietfontein Farmers' Association (10 years), the Grootfontein Regional Agricultural Union, and the Agricultural Employers Association. He also served on the Namibian Agricultural Union Board from 1993 – 1994 and on AgriFutura's Board from 1990 – 1996. He was the Chairperson of the Meatco Board for two consecutive terms, starting in 2004.

## Me. Paulina Kujandeka (46) Director

**Appointment:** Nominated by Meatco's employees to bring her knowledge of Meatco's employment environment to the Board.

**Formal education:** Certificates in First Aid, Computer, English, Retirement Fund, Sales, Running Business Today, Shop Steward, HACCP and ISO.

Me. Paulina Kujandeka has been working for Meatco for more than 26 years. She held various positions in the Corporation. Me. Kujandeka also serves as the Chairperson for the Branch Executive Committee for the Namibian Food and Allied Workers' Union (NAFAU) in Okahandja and on the Regional Council of NAFAU. She also serves as the Deputy Mayor of Okahandja.

## Me. Sophia Kasheeta (51) Director

**Appointment:** Appointed by the Minister of Agriculture, Water and Forestry to bring her knowledge of Government practices and procedures to the Board.

**Formal education:** Post Graduate Diploma / Diploma (Animal Production) / Diploma (Management and Administration)

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

## Mr. Matthew K. Shikongo (61) Co-opted director

**Appointment:** Co-opted director

**Formal education:** Diploma (Personnel Management and Marketing) from Metropolitan Life.

Mr. Shikongo is a businessman with interests in trading, farming, fishing, construction and mining. He is also the former Mayor of Windhoek, as well as a Founding Member and President of the Namibia Chamber of Commerce and Industry. He served as a Director and Board Member at various companies (including Meatco) and currently serves as a Director on various boards, including serving as Chairman of Namibia Under Water Technology & Mining, as well as Namibia Marine Resources (Pty) Ltd and Deputy Chairman of Sanlam Namibia Ltd, and Welwitchia Nammic. He also serves as director of Bank Windhoek, Capricorn Investment Holdings, Distillers Namibia Ltd and Oryx Properties Ltd. Mr. Shikongo previously served on the boards of the Namibia Power Corporation (as Chairman), Namibia Broadcasting Corporation, Commercial Bank of Namibia (now Nedbank Namibia Limited), as well as the Namibia Airports Company.

## Independence, skill and knowledge

All the Board members are non-executive directors, but the Board considers three of the members not to be independent as they are representatives nominated by respective member groups. These are Mr. Martin J.P. Hilbert (representing the commercial farmers), Mr. Ripanda A. Meroro (representing the communal farmers) and Me. Paulina Kujandeka (representing the employees of the Corporation). The Board continues to believe that its overall composition remains appropriate, having particular regard for the independence of character and integrity of all its directors, as well as the experience and skills which they bring to their duties.

Upon being appointed, the Board performed a skills assessment and evaluation exercise facilitated by independent professional technical specialists in order to determine potential areas that require support through the appointment of co-opted members. The independent specialists provided the Board with a general profile relating to the desired characteristics, skills and experiences required from co-opted members, and, after several curricula vitae were reviewed, Mr. Matthew K. Shikongo was subsequently

# GOVERNANCE

appointed. The Board therefore considers that there is an appropriate balance of skills, institutional knowledge, collective experience, independence, specialist knowledge and gender among the Board.

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

## Conflicts of interest

In terms of the Board Charter, Board members are obligated to declare any conflict of interest. They are also required to avoid situations where they have, or can have, a direct or indirect interest that conflicts, or possibly conflicts, with the Corporation's interests. Procedures are in place for the disclosure by directors of any potential conflicts and for the appropriate authorisation to be sought if a conflict arises. These procedures continue to operate effectively.

## Performance evaluation

The Board participates in an annual evaluation of performance and effectiveness of individual Directors which is facilitated by external independent technical specialists. The individual performance of Directors are assessed against selected criteria of strategy, expertise, ethics and governance factors, commitment, profile, knowledge of the industry and contribution to the team.

The Chief Executive Officer's performance is reviewed by the Remuneration and Human Resource Committee and this review is shared with and considered by the Board. The performance of the Chief Financial Officer is reviewed by the Chief Executive Officer and shared with the Board.

## OPERATION OF THE BOARD

### Areas of responsibility

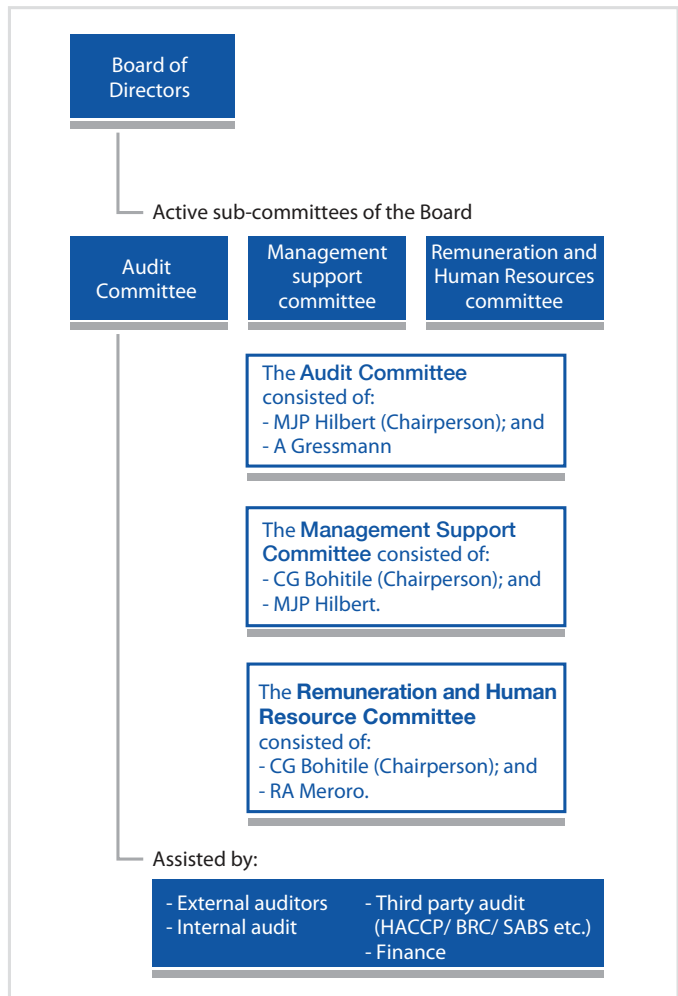
The Board sets the strategic objectives of the Corporation, determines policy and delegates to management the detailed planning and implementation of those objectives and policies in accordance with appropriate risk parameters via a formal Delegation of Authority Framework. The Board monitors compliance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

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

### Board structure

The Board governs through clearly mandated Board subcommittees, accompanied by monitoring and reporting systems. Subcommittees operate within clearly defined Charters as approved by the Board, and the respective Chairpersons of each committee verbally report on proceedings at their respective subcommittee meetings at each following Board meeting.

The Board governed through the following sub-committees and external parties during the year under review:



### Board sub-committees

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

The Board and its subcommittees are supplied with full and timely information, including detailed financial information, to enable directors to discharge their responsibilities, and the committees are provided with sufficient resources and support to undertake their duties. All Directors have access to the advice of the Company Secretary, and independent professional advice is also available to the Directors with the approval of the Chairperson.

### Board meetings

During the year the Board met nine times in addition to the annual general meeting as well as the extraordinary general meeting of members. Individual attendance at Board meetings, committee meetings, the annual general meeting ("AGM") as well as the extraordinary general meeting of members held on the 14th of October 2011, is set out in the table on the following page.

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	Board	Audit	Remuneration	AGM	General meeting
CG Bohitile (Chairperson)	8	N/A	2	1	--
MJP Hilbert (Vice-Chairperson)	9	3	N/A	1	1
RA Meroro	9	N/A	2	1	1
A Gressmann	8	3	N/A	1	1
P Kujandeka	9	N/A	N/A	1	1
S Kasheeta	5	N/A	N/A	--	--

### **Attendance of meetings by Board members.**

	Board	Audit	Remuneration	AGM	General meeting
K du Plessis - CEO	9	3	2	1	1
N Weck - CFO	9	3	--	1	1
N Weck - Company Secretary	9	--	--	1	1

### **Individual attendance of meetings by the Corporation's officers is set out in the table above.**

In addition to their attendance of the meetings as indicated above, several of the Board members attended numerous Farmer Liaison Meetings, Producer Forum Meetings as well as several other ad hoc meetings with Farmer Associations and Unions, various member groups as well as other stakeholders.

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

### **Audit Committee**

During the year under review, the Audit Committee was chaired by Mr. Martin J.P. Hilbert. This Committee met three times during the year and each of the meetings was attended by the Chief Executive Officer, the Chief Financial Officer and the Corporation's Internal Auditor. Other members of the management team attended upon request as required, and the external auditors attended relevant meetings.

The Audit Committee reports its activities and makes recommendations to the Board. During the year under review the Audit Committee discharged its responsibilities as they are defined in the Committee's approved Charter. The Audit Committee was also engaged to ensure that appropriate standards of governance, reporting and compliance are being met and advised the Board on matters relating to the application of accounting standards as they relate to the activities of the Corporation.

The Audit Committee's activities during the year included considerations of:

- the annual consolidated financial statements and the preliminary results for the year ended 31 January 2012 before its submission to the Board for approval, including consideration of the Corporation and group as a going concern with particular reference to balance sheets, income statements and cash flow statements;
- areas of significance in the preparation of the financial statements, including any exceptional items, impairment reviews and tax provisions;
- the effectiveness of the overall governance and controls within the Corporation's activities;
- reports from the external auditors on the annual financial statements and the approval of the audit plan and fee proposal for the 2012 audit;
- the progress of the year's internal audit programme and matters arising therefrom;
- the effectiveness of the internal audit function;
- the internal control environment and risk management systems and the Corporation's statement on internal control systems, and
- the effectiveness of the external auditors.

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

# GOVERNANCE

## OPERATION OF THE BOARD (continued)

Internal audit activities, all of which are risk-based, are performed by a team of appropriately qualified and experienced employees. The Internal Auditor attends all Audit Committee meetings and prepares formal reports for each Audit Committee meeting as to the activities and key findings of the internal audit function. Although the Internal Auditor reports functionally to the Chief Financial Officer, the line responsibility of the function as well as direct accountability is towards the Audit Committee.

The Audit Committee has satisfied itself that adequate, objective internal audit assurance standards and procedures exist and that the continuous improvement in the quality and objectivity of the internal audit function remains a primary objective of the department.

### Remuneration and Human Resource Committee

During the year under review, the Remuneration and Human Resource Committee was chaired by Me. Clara G. Bohitile. The Committee met formally twice during the year and meetings were attended by the Chief Executive Officer, Senior Manager: Industrial Relations and the Senior Manager: Human Resources. Other members of the management team attended upon request.

The Committee is responsible for the assessment and approval of a broad remuneration strategy for the Corporation, as well as for the monitoring of the implementation of Human Resource Policies. The Committee reports its activities to the Board and makes recommendations to the Board. The Committee is satisfied that adequate human resource and remuneration policies exist and that these policies have been consistently implemented and applied during the year under review.

## STAKEHOLDER ENGAGEMENT

Meatco has a number of key stakeholders that have an impact on and depend on its activities.

These include:

- Producers who supply raw materials;
- Employees that have the skills and knowledge to process raw material into market-demanded products for sale into local and international markets;
- Suppliers of consumables and services;
- Government and other regulatory authorities who regulate the industry and assist in the development and access to export markets through trade agreements etc.; and of course
- Customers who purchase product from the Corporation.

Meatco recognises that its producers, be it communal, emerging commercial or commercial, are its most important stakeholders as they not only represent the Corporation's members, but also form the foundation of the Namibian slaughter livestock

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

Meatco therefore engages its producers directly on a regular basis and follows a policy of inclusive decision-making and transparency. This is done through various communication platforms which include printed and electronic media, as well as quarterly Farmer Liaison Committee meetings at various major producer locations across the country. Through the establishment of the Producer Forum, Meatco has further developed a platform that enables management and producers to enter into meaningful debate regarding technical matters and practicalities surrounding the impact of pending strategies or decisions.

During the year under review a pilot programme called "Know your producer" was introduced. In addition, a producer satisfaction survey was conducted in the Okavango region, aimed at identifying areas of improvement and the clarification of roles in service delivery. After the initial successes of the pilot programme, it is envisaged that the programme will be scaled up to a country-wide effort in the coming financial year.

The Namibian Government also plays an important role in the beef production industry through its Directorate of Veterinary Services residing under the Ministry of Agriculture, Water and Forestry. This Directorate ensures that the veterinary status of Namibia's export regions remains intact. In addition, the Ministry of Trade and Industry also plays an important role in terms of formalising international trade agreements and the establishment of access to new international markets.

Meatco engages with the respective Government Ministries on a regular basis, especially the Ministry of Agriculture, Water and Forestry, on issues affecting the business and the industry with the aim of finding solutions to industry-related challenges.

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

# GOVERNANCE

## COMPOSITION OF SENIOR MANAGEMENT

During the year under review, Senior Management and Officials consisted of the following:



**Mr. Kobus du Plessis (59)**

Chief Executive Officer

Formal education: B.Econ (University of Stellenbosch) majoring in Business Economics, Industrial Psychology and Transport Economics / EDP (UCT) / Various programmes in high-level business development

Mr. Kobus du Plessis has been involved in the food production industry for more than 25 years and brings a wealth of experience from the fishing, poultry and meat production sectors serving local and international markets.

In the industry he has served large companies in various leadership positions including Managing Director, General Manager and Group Operations Director.

He has travelled extensively representing these businesses abroad and developing business opportunities. Mr. Du Plessis has also been involved in numerous business turnarounds. He has also served on the Boards of various companies, both public and private.



**Mr. Nico Weck (41)**

Chief Financial Officer and Company Secretary

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

Mr. Nico Weck is a qualified Chartered Accountant and joined the Corporation as Chief Financial Officer on 1 July 2010. Prior to this, he spent his career at PricewaterhouseCoopers Namibia - first within the audit and entrepreneurial business services departments, and most recently as Advisory Service-line Leader of the Namibian practice.

He currently serves as the Company Secretary and was appointed as chairman of the Meatco Retirement Fund during 2010. He also serves as Director on the Corporation's subsidiaries. In addition, he is appointed as the Chairman of the International Audit Committee of Operation Mobilisation ("OM") and serves as an Advisor and Director on the Boards of several other private companies.



**Me. Rosa Katjivena (38)**

Senior Manager: Quality Assurance

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

Me. Rosa Katjivena started her professional career at the City of Windhoek, working as an Environmental Health Officer. She joined Meatco in 2000 as Group Quality Assurance Manager at plant level. This position was promoted to senior management level in 2006.

Me. Katjivena has a wealth of international experience and exposure in terms of quality systems and processes. She has been responsible for setting up all the major quality systems in Meatco to ensure EU compliance. She was also part of the panel selected to present at the GlobalG.A.P. conference in London in 2010. She is a member of the NSI Food Safety Technical Committee as well as the ISO Technical Committee for the ISO:22000 (HACCP) standard.



**Mr. Vehaka Tjimune (44)**

Senior Manager: Livestock Procurement

Formal education: Master's in Rural Development / Post Grad. Diploma Rural Development (University of Reading, UK) / Diploma in Agriculture (Tsumis Agricultural College)

Mr. Vehaka Tjimune combines education and experience in agriculture and rural development. During the past 20 years he gained valuable experience in the agricultural sector, in particular with regards to the livestock and meat industry, as well as in policy research and analysis. He spent seven years as a Technician with the Ministry of Agriculture, Water and Forestry and ten years with the Namibia National Farmers Union ("NNFU") as a Programme Coordinator for Livestock Department.

He also served as the NNFU's Executive Director for a period of three years. He joined the corporation during 2008 as Senior Manager responsible for Livestock Procurement. He currently also serves as Director of the Agribank (since 2004) and was appointed as trustee of the Meatco Foundation during 2011.

# GOVERNANCE

## COMPOSITION OF SENIOR MANAGEMENT (continued)



Mr. Andries Binneman started his career in the education sector and served as head of the Department of College of Education.

**Mr. Andries Binneman (50)**

Senior Manager: Feedlot and Ekwatho

Formal education: B. Ed (Unam) / Senior Management Development Programme (University of Pretoria)

He joined the Corporation during 1991 as Senior Manager: Livestock Procurement, a function which he performed until the end of 2007. In 2008 he was appointed as Senior Manager: Feedlot and Ekwatho.



Me. Ebben Kalondo has been involved in the communications industry for more than 15 years. In her earlier years she worked in Public Relations at a media institution, served as an Account Director at an advertising agency and has been involved in intensive stakeholder engagement in coordinating developmental projects.

**Me. Ebben Kalondo (40)**

Senior Manager: Corporate Communication

Formal education: USB-MDP/ SMP, Project Management Programme

Before joining Meatco she served as Head of Communications for large financial institutions in the public and private sectors.



Me. Retuura Katjimune joined the Corporation during 2008 as a Human Resource Practitioner working alongside the Human Resource Manager. She was promoted to Senior Manager: Human Resources during 2012.

**Me. Retuura Katjimune (27)**

Senior Manager: Human Resources

Formal education: Master's Degree in Organisational Psychology (University of Cape Town)



Mr. Willem /Nanub's human resource experience includes investigating and determining policies, training and development, personnel administration as well as employment equity.

**Mr. Willem /Nanub (52)**

Senior Manager: Industrial Relations

Formal education: Management Development Programme (University of Cape Town)

He has been on Senior Manager level for the past 18 years, five of which were in the Public Service Commission in the Office of the Prime Minister and the remainder in the private sector working for the Corporation. He joined the Corporation as Senior Manager: Human Resources and was appointed as Senior Manager: Industrial Relations during 2008.

# GOVERNANCE



**Mr. Jannie Breytenbach (50)**

Senior Manager: Windhoek Plant

Formal education: National Diploma in Finance & Administration

Mr. Jannie Breytenbach initially started his career as an accountant at various companies before joining the Corporation in 1994 as an Administrative Manager with the task of overseeing the Administrative and Financial functions of the Northern Communal Areas ("NCA").

He was promoted to Assistant Manager of the NCA during 1996 and was appointed Senior Manager for the NCA in 2004. During 2007 he was transferred to the Windhoek Plant and became responsible for the plant's overall cattle, sheep and game, as well as cannery operations. He currently serves as the Chairman of the Abattoir Association of Namibia ("AAN") and is involved on a variety of forums within the Namibian agricultural sector.



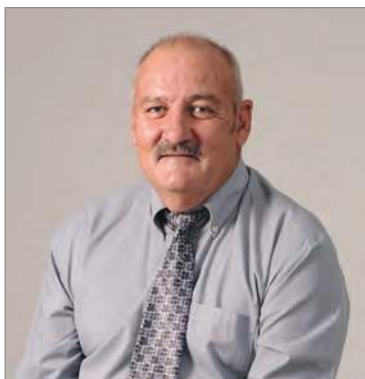
**Mr. Anton Holbling (56)**

Group Engineer

Formal education: National Trade Diploma (Fitting and Turning) specialising in Precision Tool Making and Mechanical Engineering (Böhler, Austria)

After his training in Austria, Mr. Anton Holbling joined Suncrush Ltd where he was responsible for upgrade projects and the development of new bottling plants.

During 1977 he joined the Construction team of Bohler SA to build the Ruacana power station in Namibia. He joined the Corporation during 1980 in order to assist with the upgrade of new deboning halls. Since then he held several positions including Workshop Foreman, Transport Manager and Technical Manager. He was promoted to Plant Engineer during 2000 at the Windhoek plants, and to Group Engineer during 2011.



**Mr. Gert Olivier (60)**

Plant Manager: Okahandja Plant

Formal education: National Certificate in Meat Technology / Senior Management Development Programme (USB-ED)

Mr. Gert Olivier joined the Corporation during 1985 and has served in the Okahandja plant for the past 27 years.

He has a wealth of technical knowledge regarding the meat industry and global slaughter practices. As a veteran of the Corporation, he is responsible for the entire operation at the Okahandja cattle slaughter plant.



**Mr. Cyprianus Khaiseb (37)**

Senior Manager: Northern Communal Areas

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

Mr. Cyprianus Khaiseb joined Meatco during 1996 and started at the Okapuka Feedlot. During 2003 he was appointed as Plant Manager of the Katima Mulilo cattle plant and was promoted to Assistant Manager for the Northern Communal Areas ("NCA") during 2006.

At the same time he assumed the duties of Plant Manager of the Oshakati cattle plant for a period of ten months. During 2007 he was transferred to the Head Office to assume full responsibility for operations in the NCA.

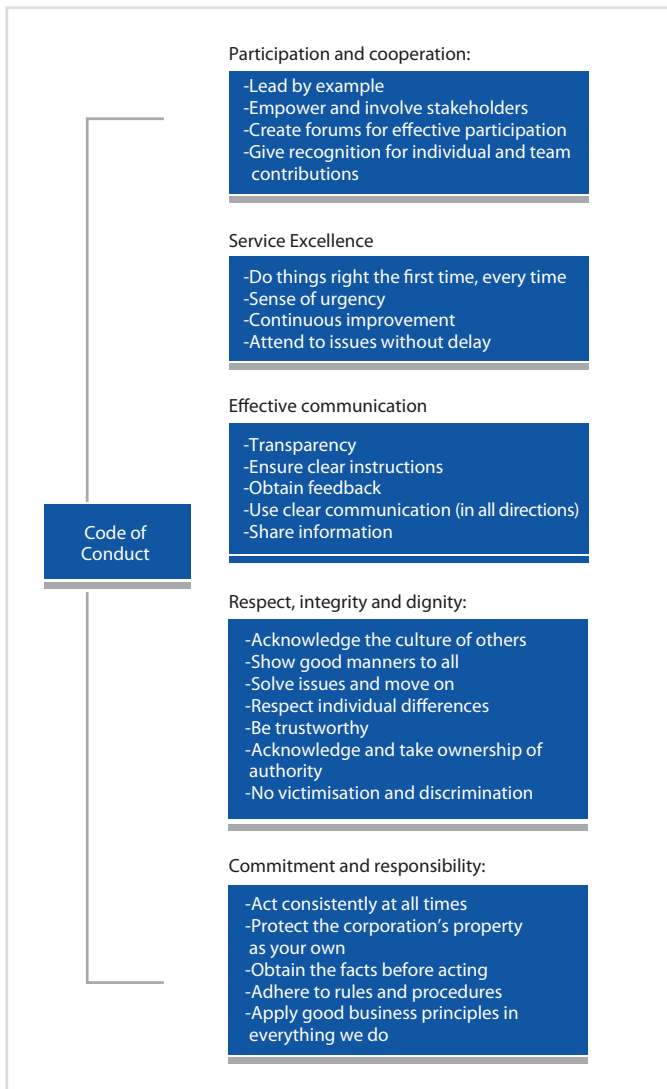
Management is responsible for the detailed planning and implementation of objectives and policies as determined by the Board of Directors. During the year under review, the composition of management remained appropriate in terms of their overall balance of skills, experience, knowledge of the industry,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

# GOVERNANCE

## CODE OF CONDUCT

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

The Code relates to five key behavioural attributes that include:



Code of conduct

## REMUNERATION POLICY

Remuneration at Meatco is directly linked to the Patterson Job Evaluation System, which is used to grade all positions within the Corporation. Remuneration levels according to the various job grades are determined and based on recognised market surveys for the Namibian labour market. An annual review takes place at the end of February each year.

We strive to ensure that all our employees receive remuneration, bonuses and pensions in line with or above the industry average, and enjoy a range of other free or subsidised benefits.

Increases for employees outside the bargaining unit are based on performance. Balance scorecards are derived from strategic business goals set by the Board of Directors and Senior Management and are filtered down to various functions and positions within the business. Individuals are measured against these scorecards twice a year, once for review and once before salary increments are determined.

These performance evaluations are subject to a peer review and are benchmarked against the Key Performance Indicators of the business to provide a balanced and context-based perspective of an employee's individual contribution towards overall Corporation goals.

Employees inside the bargaining unit negotiate for increases on a collective basis during annual wage negotiations. A recognition agreement exists between Meatco and the Namibian Food and Allied Workers Union ("NAFAU") as the sole bargaining agent for permanent employees.

Additional bonuses that act as incentives are also payable to certain employees. Employees in certain production departments i.e. slaughter floors, deboning, canning, etc. qualify for the payment of production bonuses subject to the minimum standards applicable at the time.

Board remuneration is reviewed annually as a standing point on the agenda of the annual general meeting, and suggestions are made in terms of recognised surveys relating to Board remuneration.

# EXECUTIVE REPORTS

Meat Corporation of Namibia

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### CHAIRPERSON'S REPORT



■ Meatco Chairperson, Me. Clara Bohitile ■

Meatco has, despite the negative impact of an ongoing troubled global economy, been able to render a significant turnaround in both profitability as well as producer returns if compared to the prior year. The significance of this turnaround becomes even more exceptional if the overall decrease of slaughter volumes through the Corporation's facilities and the continued strength of the Namibian Dollar are also taken into consideration.

During 2011/12, the Corporation was able to pay the highest producer price in the history of its existence, whilst still reporting an after-tax profit amounting to N\$ 5.7 million for the year under review. In addition, positive progress has been made on the issue of ownership of the Corporation – an issue on which I will provide additional feedback on later in my report. However, the period under review was also characterised by many hardships and challenges that required new strategies and interventions in order to safeguard the interests of the Corporation and its members.

One of these challenges remained the continued decline of slaughter volumes through the Corporation's facilities, as Meatco was only able to slaughter 102,260 cattle through its facilities located south of the Veterinary Cordon Fence ("VCF") and 18,014 cattle at its facilities located in the Northern Communal Areas

("NCA"). This decrease of approximately 7.1% resulted from a multitude of interrelated circumstances and factors. These remain: changing production systems on farms, including the continued export of weaners; diversification towards alternative sources of income (game, tourism etc.); as well as the impact of bush encroachment etc.

The recent outbreak of Foot and Mouth Disease in the Caprivi region caused the unscheduled closure of the Katima Mulilo plant and the resulting inability to market cattle in that region will continue until well into the next financial year. In addition, the implementation of the Namibian Livestock Traceability System ("NamLITS") and the 40/90-day European Union residency regulation also contributed towards the decline of slaughter volumes through the Corporation's plants.

Meatco was able to mitigate some of the impact relating to the decreasing volumes via its feedlot and Ekwatho Financing Scheme. A total of 27,238 cattle were secured for its abattoirs through these initiatives during the year. In addition, the Corporation is also investigating additional initiatives and programmes to further support throughput volumes in coming years.

The Corporation experienced an even greater volume decline in slaughtered small stock during the year, and the negative impact of the continuation of the baseline price setting initiative by the Livestock Producers Forum remains a concern, as such an initiative is not sustainable for the Corporation or the industry.

The impact of a struggling Eurozone continued to exert pressure on net market returns from this region, but I am happy to report that our marketing strategy and resulting utilisation of the Natures Reserve brand has brought about considerable additional value during the period under review. Unfortunately, the Corporation had to deal with a significant reduction of our component of the Norway quotas, as National Policy enforced a 50:50 allocation of the Namibian quota between Meatco and Witvlei Meat (Pty) Ltd. This reduction is estimated to have cost Meatco producers approximately N\$ 35.5 million (N\$ 1.35 / kg) during the period under review.

The Meatco Ownership issue was the most topical issue faced by the Corporation during the period under review. The Board of Directors were mandated by the members at a general meeting of members held in Windhoek on 14 October 2011, to establish a representative Working Group to articulate the aspirations of slaughter cattle producers with regard to the future operational structure and legal framework of Meatco. This mandate was in direct response to a directive of the Minister of Agriculture, Water and Forestry that the Board of Directors should facilitate the development of a representative "Meat Producers" proposal regarding the future operational structure and legal framework of the Corporation.

I am very proud to report that the efforts, diligence and commitment with which the Working Group, supported by several

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technical specialists as well as members of the Board and senior management, executed this extremely important matter was truly ground-breaking in terms of industry co-operation and participation. The Working Group was able to produce a proposal that included detailed drafted proposed By-laws, legislative amendments as well as a proposed Memorandum and Articles of Association via a participative, all-inclusive, transparent, consultative and equitable process. After the Working Group reached consensus on all matters relating to the proposed future operational structure and legal framework, the proposal was submitted to the Board who in turn submitted it to the Minister of Agriculture, Water & Forestry on 30 November 2011 as requested. As I write this report, however, the resulting Cabinet decision regarding this matter is still pending.

The extended contract of the current Chief Executive Officer, Mr. Kobus du Plessis ends early in 2013, and Mr. du Plessis has indicated that he will not be available for any further term. A recruitment process to find a suitable candidate for the position of Chief Executive Officer will soon be underway, which will include a period of overlap to ensure the continuity and smooth transition during this time that the Corporation will be dealing with a pending new ownership structure. I wish to thank Mr. Kobus du Plessis for leading Meatco into new waters and for all the successes Meatco achieved during his time at the helm of the Corporation as its CEO.

As was mentioned before, the year under review has been marked by an incredible turnaround in the overall performance of the Corporation despite several external difficulties and challenges. These challenges have by no means disappeared from our environment, and the Corporation as well as the industry will remain pressured by these as well as other emerging challenges into the coming year.

A significant development for Meatco was the registration of the Meatco Foundation with the Master of the High Court. The Meatco Foundation is the official Corporate Social Investment (CSI) vehicle for the Corporation, aimed at undertaking developmental interventions with cattle farmers for an improved slaughter cattle-producing nation to supply Meatco abattoirs. The Foundation was successful in finding its first major donor for the implementation of its first project during the period under review.

At several platforms during the period under review, I implored Meatco producers to remain steadfast in producing slaughter cattle for Meatco so that, together, we can weather the storm of the global economic crisis. We remain indebted to all our producers who continued to deliver cattle to our facilities. We are well on our way to financial recovery as a result of your continued production of quality cattle. The production of quality carcasses remains the backbone of our enterprise and our ability to extract value from international markets. Congratulations again to all our producers who received awards during our Meatco Producer of the Year Awards, as well as to all the producers who work so tirelessly to produce the extraordinary and uniquely Namibian product.

I also want to express my deepest gratitude to my fellow Board members for their passion and commitment during these difficult times. I also want to extend my appreciation and congratulations to the management under the leadership of Mr. Kobus du Plessis for their dedication, achievements, unwavering commitment and the personal sacrifices they continue to make in order to make Meatco a truly world class organisation.

A special mention must also be made of the Government and its various line ministries that assisted the Corporation to operate in a conducive and prosperous environment. I would especially like to thank and commend the Minister of Agriculture, Water and Forestry for his openness and willingness to craft joint solutions, in order to sustain the slaughter industry into the future.



.....  
**Me C.G. Bohitile**  
Chairperson  
Windhoek  
Namibia

## CHIEF EXECUTIVE OFFICER'S REPORT



Meatco CEO, Mr. Kobus du Plessis

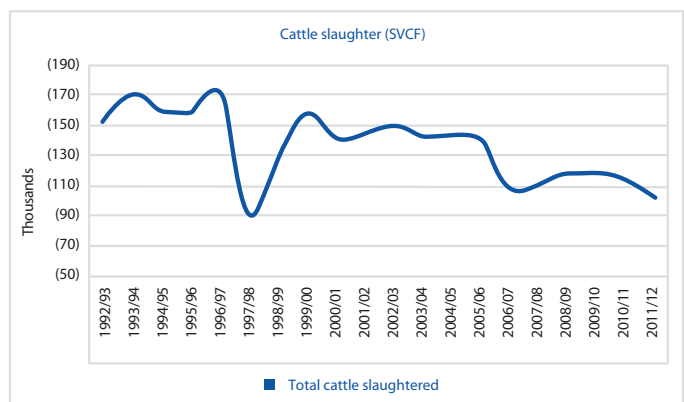
During the 2011/12 Financial year the Meatco Group showed a very strong recovery from the significant Group loss made during the 2010/11 financial year of N\$ 89.68 mil before tax (N\$ 62.6 mil after tax) with the Group profit before tax for 2011/2012 reported at N\$ 10.46 mil (N\$ 5.7 after tax).

This represents roughly a N\$ 100 million turnaround compared to the 2010/2011 financial year. A further notable achievement is the continued good cash performance of the business with an increase in cash utilised of only N\$ 4.8 million despite the significant increase in working capital requirement due to the average 18.2% increase in the producer price, which obviously increases inventory costs.

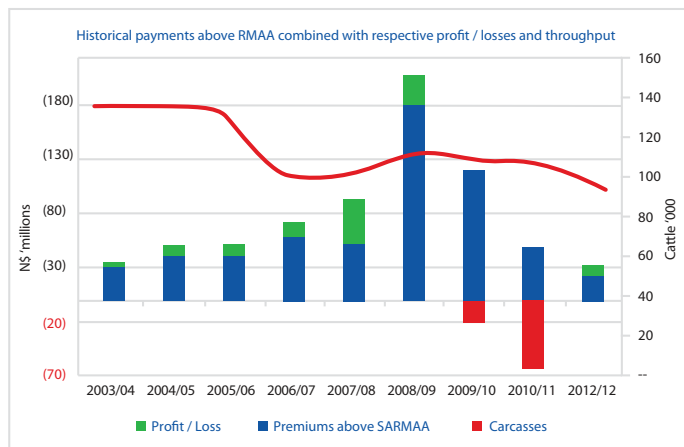
Despite reduced volumes, Group Revenue also increased from N\$ 1.256 billion in 2010/11 to N\$ 1.382 billion for 2011/12, mainly as a result of the improved market realisations due to the positive effects of the Corporation's value addition strategies and Branding, as well as the benefits of the previously reported Marketing and Sales Strategies delivering their expected benefits in increased average N\$/kg carcass returns. This is clearly illustrated by using international benchmark prices such as the R3 Steer price in Europe compared to Meatco's average realisation per kg. (See graph on top of opposite page.)

This very solid performance was achieved despite a year-on-year increase in the average producer price of 18.2% and with only a

very limited beneficial effect of the improved exchange rates at the year end. Compared to the South African Red Meat Abattoir Association's ("SARMAA") equivalent prices, Meatco paid ALL Namibian producers a total premium of N\$ 24.4 million above the SARMAA equivalent prices for 2011/12.



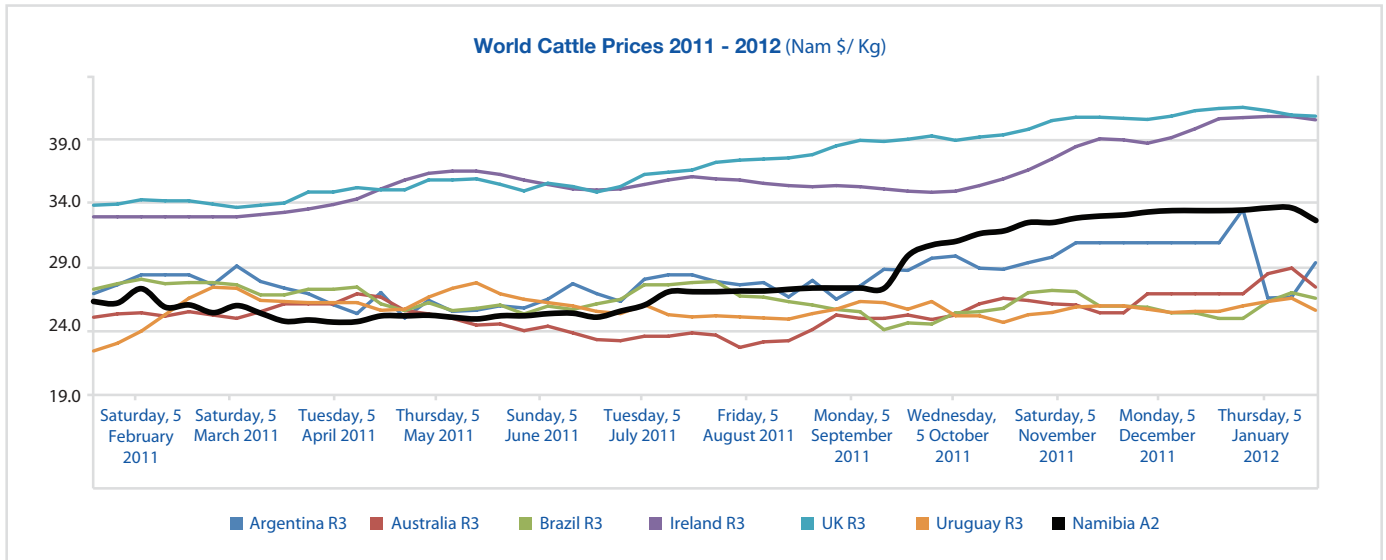
**Cattle numbers have shown a significant decline from the levels available for slaughter in the early 90's.**



**The graph shows premiums paid above the RMAA price, the company's subsequent performance and the cattle delivered over the last couple of years.**

Factors outside of Meatco's control that had a significant impact on the performance for the year include the reduced revenue from the Norwegian market due to the 50:50 imposed quota split which is estimated to have reduced Meatco's earnings by N\$ 35.5 million in 2011/12 (if compared to a proportional split of the quota based on cattle numbers processed by the different exporters in Namibia).

The average producer price could therefore have been increased by roughly N\$ 1.35/kg if Meatco could have retained a share of the



**The World Beef report graph indicates that Meatco's producer prices compare favourably with those of other net exporters of beef, outperforming Argentina, Australia, Brazil and Uruguay during the last quarter of the 2011/2012 financial year.**

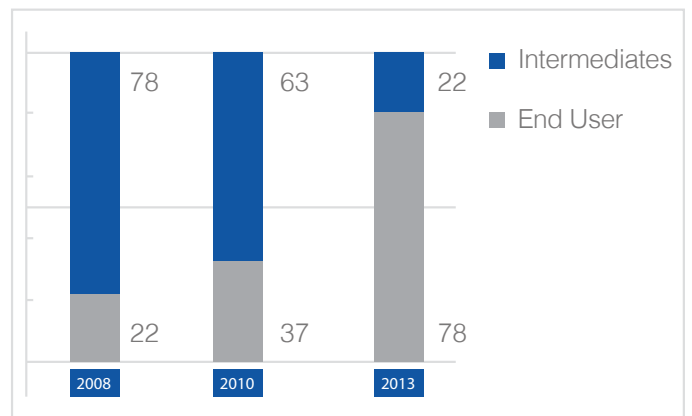
Norwegian quotas based on throughput (which would also tend to better reflect the investments and employment by the various EU export businesses). Another major external impact during the last quarter of the financial year was the effect that the implementation of the 90/40-day EU residence rule had on cattle supply during this critical supply period. In essence all cattle whose product would be eligible for export to the EU had to be registered on the NamLITS National database and be verified at slaughter to comply with the requirements of the rule. Due to various factors outside the control of Meatco, large numbers of cattle presented for slaughter after the 1 November 2011 implementation date failed the test and their product was limited for sale to the non-EU markets with a resultant major loss in revenue. Due to the major negative revenue impact of non-compliant cattle, Meatco did everything possible to assist producers to ensure compliance, but many cattle had to be refused for slaughter until such time as they complied as per the NamLITS database. An estimate shows that roughly 11,000 to 12,000 cattle more could have been slaughtered during the last 3 months of 2011/12 if all the cattle available to Meatco were EU compliant and these problems were not experienced.

Subsequently the situation has improved significantly, but problems are still being experienced which continue to hamper volume throughput and also hampers the feedlot efficiencies.

Markets remained under pressure with the South African market in particular being affected due to large volumes of product normally destined for the EU market being sold into the South African market due to their exclusion from the EU during the period under review, resulting in an effective collapse of South African prices going into the 2012/13 financial year. Towards the end of 2011 the South African carcass prices also came under serious pressure due to consumer resistance and an overstocked situation in that market.

Despite these factors Meatco managed to significantly increase its returns on sales of forequarter products in this market and has

developed new clients in line with its marketing strategy. Over the past 4 years Meatco has managed to completely reposition itself in the South African market and through its Branding and the Certified Free Range products it has developed together with the leading premium retailer in South Africa. The result of this has been that currently Meatco attracts a premium for its products above that of the A grade feedlot driven South African sales, and the retail selling prices of its Certified Free Range products leads the market.



**The graph illustrates Meatco's approach and progress in moving closer to the end user.**

The situation in Europe has been difficult as a result of the ongoing economic and financial troubles in the EU. As a result of the marketing strategies developed and implemented over the past 5 years, and proper branding of Meatco's products under the Natures Reserve brand, the Corporation has been able to further significantly improve carcass realisations despite the difficult EU environment. This has only been possible through an integrated

# EXECUTIVE REPORTS

## CHIEF EXECUTIVE OFFICER'S REPORT (continued)

approach to developing all the capabilities within the business to add value and deliver the products and service that individual premium clients demand. This required major changes to the Corporation's product ranges, the actual production processes, skills requirements in its operations, as well as meeting far higher quality and other customer standards. Judged on the results of numerous external customer audits during the past 18 months, Meatco today represents a business that meets the highest international standards and can effectively serve the best premium customers in the world.

Through achieving BRC and other international accreditations and satisfying the Ethical Standards of some of the most demanding retailers internationally, Meatco is positioned to take full advantage of the potential that its production system holds.

Apart from existing markets Meatco has also initiated and managed to get approvals for exporting to a major new market in the Middle East, and in the USA the approval process has also moved forward positively, albeit at a much slower pace than would have been liked. A number of other niche markets have been identified and structures are in place to sell into those markets when the necessary protocols and SPS approvals are in place. These future markets will contribute to further value creation.

Namibia is a net exporter of beef and cattle and has a complex market situation consisting of different local market segments, live exports (mainly to South African feedlots) and the value addition and processing of beef for export. Meatco (with a world class infrastructure and expensive quality and other requirements to maintain) cannot compete on cost with local non-EU standard abattoirs. Similarly, the Namibian extensive slaughter production system cannot compete on cost with the South African feedlot system, which is very cost efficient and "A" Grade Based, whilst the bulk of Namibian farm production produces "B" and "C" grade carcasses. These factors need to be considered when evaluating Meatco's performance, as well as looking at the slaughter cattle supply trends.

Despite having developed some of the best markets in the world, increasing volume production and slaughter throughput remains the biggest challenge to the business and, as has been clear for many years, production of slaughter cattle (and overall cattle production south of the veterinary cordon fence) is not increasing due to a number of factors. At the same time the demand for local slaughter has increased (partly due to limitations imposed on imports) and slaughter capacity is being increased through the establishment of new abattoirs and by existing ones increasing their capacity. It is obvious, and common knowledge, that serious overcapacity already exists in the industry (including the small stock abattoirs) and that this, combined with the continued competition by South African feedlots for live Namibian cattle, will probably result in a similar situation as prevailed in the early 1980s when the slaughter industry effectively collapsed. It has been in this context that Meatco has been developing alternative strategies to ensure that it will in future be able to source at least the minimum number of slaughter cattle it requires to support its Brands and Marketing Strategy, and

to position itself for future growth through its own initiatives. The Ekwatho Financing Scheme, as well as the feedlot, has been very important in this regard and is the foundation for a number of new initiatives to ensure increased and continued supply of cattle to Meatco in the future. Several major new projects based on the Ekwatho Scheme have been started and will deliver extra cattle in the next financial year, whilst both the feedlot as well as the original Ekwatho activities have been ramped up as well.

The Meatco ownership issue is critical in the context of ensuring the continued supply base for the Corporation, and the expectation is that should the farmers who deliver to Meatco actually have ownership of the Corporation and have certainty about its structure, future and the benefits they will enjoy through it, they will be much more involved and supportive of the business. It is vital therefore that, apart from a number of other critical reasons, the ownership issue is rapidly finalised and that the support of the farmers secured.

Meatco has performed well during 2011/12 with a major turnaround on very low cattle numbers processed. This was possible as a result of the successful marketing and sales strategies, efficiency and cost improvements, capability improvements and resultant better returns. The coming year will remain very challenging due to the volume constraints and the international economic outlook. Competition is set to increase significantly, both locally as well as internationally with Brazil, for instance, having experienced a weakening of its currency. Meatco is, however, well positioned, properly funded and has a strong balance sheet. It is in a stronger position than it has been in recent years to successfully ride out the turbulent period we are currently facing and to grow through the numerous initiatives in place.



.....  
**Mr. J. du Plessis**  
Chief Executive Officer  
Windhoek  
Namibia

# **BUSINESS REVIEW**

Meat Corporation of Namibia

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# BUSINESS REVIEW

## PRODUCER RETURNS

### Average producer price per kg

In order to maximise returns from slaughtered cattle, the Corporation adopted an integrated planning and logistical strategy that addressed both carcass and market returns, as well as operational and cost efficiencies. In essence, the strategies are aimed at maximising the producer price per kg by ensuring that the maximum yield is obtained per carcass, meat products are produced according to market demand and maximum value is derived from the geographical and segmental spread of customers.



■ Brian Perkins, MD for Meatco UK and Kobus du Plessis discussing Meatco's product with a Danish client in their store room.

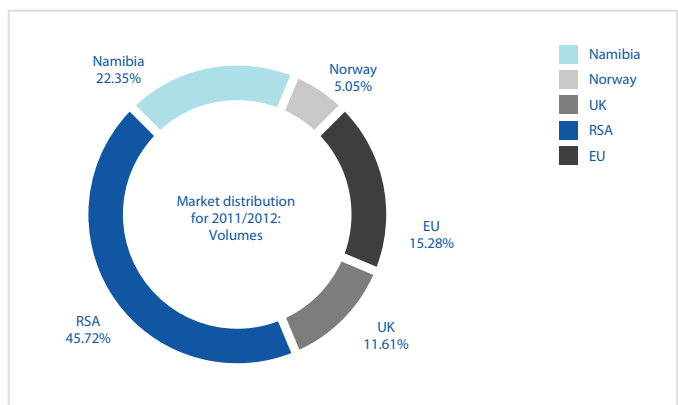
The Corporation has been able to significantly increase the average producer price per kg since the 2000/01 financial year, when the average price amounted to N\$ 10.25 / kg. During the year under review, Meatco was able to pay the highest average producer price per kg in its history (N\$ 24.43 / kg), which relates to an increase of over 18% or N\$ 3.76 per kg if compared to 2010/11. This whilst reporting an overall profit amounting to N\$ 5.7 million for the current year (N\$ 62.6 million loss reported for the previous year) and on a 10.4% decrease in slaughter volumes (SVCF).

The Corporation's ability to increase its producer price per kg for the year under review has come as a result of the impact of several integrated strategies that have been adopted and implemented during the current and prior years. These strategies included an overall market strategy to further reduce reliance on intermediaries, extend the diversity and geographical spread of its customer base, and develop a market-led production environment.

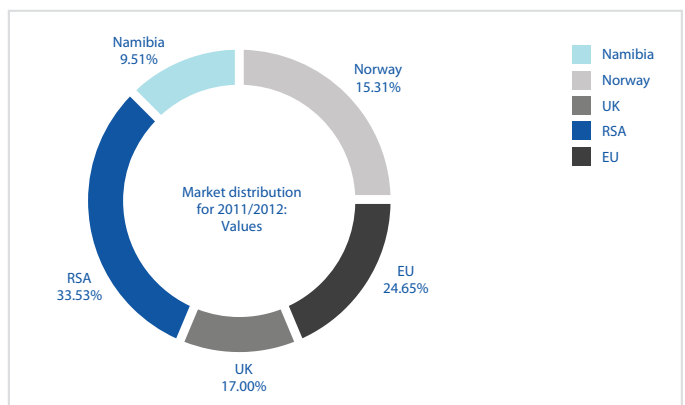
These increased market returns could not have been possible if the Corporation did not also develop the production, logistical and operational flexibilities within its operational facilities, as well as the integrated planning and monitoring capabilities regarding production, stock control and market allocation.

A focused drive was implemented to move more towards the shipment of containers directly to customers (both to South Africa as well as other foreign countries), and to increase the utilisation of the Walvis Bay port to handle exports to Europe.

From the attached chart it is evident that, during the year under review, the Corporation distributed the majority of its product (45.72%) to the Republic of South Africa. It should, however, be noted that these volumes consisted mainly of deboned manufacturing cuts and frozen offal. In comparison, the South African market contributed 33.53% of the monetary value of beef product sales.



Volume distribution 2011 / 2012



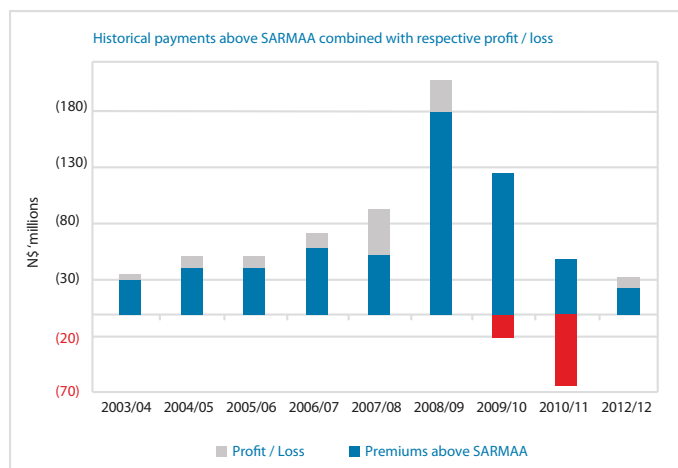
Value distribution 2011 / 2012

Norway still remains the most lucrative market, with 15.31% of revenue realising from only 5.05% of volumes.

The Namibian market remains a very important market for the Corporation to serve, and 22.35% of overall volumes have been sold into the local market during the year under review, with the Namibian market contributing 9.51% of the overall revenue during the period.

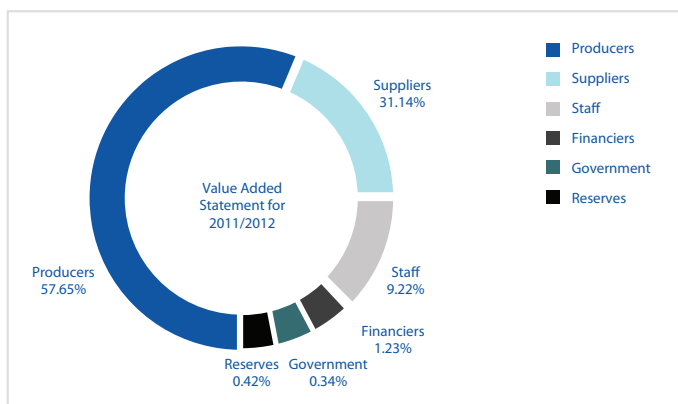
# BUSINESS REVIEW

In order to evaluate the relative value / strength of the Namibian producer price per kg as paid by the Corporation against suitable alternatives, historically a comparison is made against the equivalent South African producer price ("RSA parity price"). The RSA parity price is determined by adjusting the publicised South African producer prices to allow for or remove additional transportation costs and non-relevant South African levies. Should the same comparison be made for the year under review, it is calculated that the Corporation was able to pay a total of N\$ 24.4 million additional premiums to Namibian producers over and above the RSA parity price.



## Overall performance

The graph above indicates the historical premiums and corresponding profits / losses for the past nine years. From the graph it is clear that the operational losses experienced during the 2009/10 and 2010/11 financial years have not continued, and that Meatco was still able to pay additional premiums to producers. On average, the Corporation was able to pay additional annual premiums to Namibian producers amounting to N\$ 64.9 million (N\$ 2.13 / kg) over the past nine years.



The chart above shows the portion of Meatco's revenue that went to producers in the form of producer prices.

In addition to the additional premiums paid to the Namibian producers over and above the RSA parity price (N\$ 24.4 million), it is also important to understand the overall component / percentage of revenue that was paid to Namibian producers during the year under review. Meatco was able to return 57.65% of total revenue to the Namibian producer during the year under review.

Although Meatco's prices have been historically compared to the RSA parity price, the Corporation operates in a different marketing environment than the RSA. Namibia is a net exporter of beef, compared to RSA which is a net importer. We have the potential to consume approximately a quarter of all beef produced locally, the rest we need to export. The RSA, on the other hand, does not produce enough beef to meet local demands and needs to import product.



Meatco had to revise its processes to change to a market-driven business.

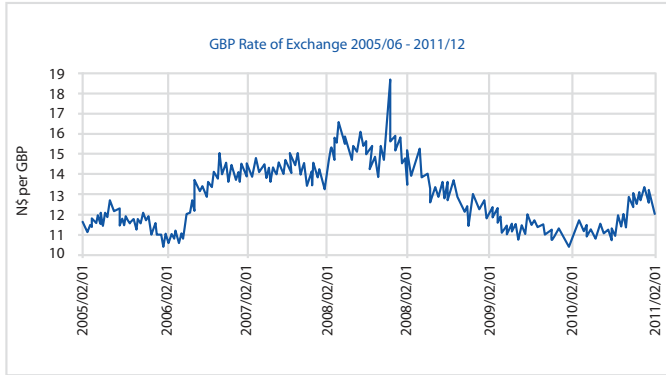
The RSA also has an intensive production system, which allows the use of stimulants and growth hormones, i.e. they can raise animals quicker at a lower cost. This puts their product into a different category when compared to Meatco's extensively produced, natural products. Because of the different marketing environments in which Namibia and South Africa operate, a more relevant comparison for Meatco's producer prices is with other exporting nations. The World Beef report graph in the Chief Executive Officer's report on page 23 provides more information.

## Challenges affecting average producer price

Unfortunately, the Corporation was also faced with events that impacted negatively on its ability to further maximise producer returns. These events included the impact of the re-allocation of the Namibian component of the Norway duty-free quota, as well as the impact of the implementation of the 90/40-day residency rule as per the most recent European Union audit finding. Collectively these events are estimated to have reduced the overall revenue of the Corporation by approximately N\$ 47.9 million. In addition, revenue normally generated from the sale of licenses under the General Agreement on Tariffs and Trade ("GATT") resulting from imports into the European Union also decreased from approximately N\$ 14.5 million per annum during 2009/10 to N\$ 2.5 million during the year under review.

# BUSINESS REVIEW

## PRODUCER RETURNS (continued)



### Exchange rate between Namibian Dollar and Great British Pound during the period under review.

In addition, even though the risk is partially mitigated via several financial instruments, Meatco still remains exposed to risks relating to foreign exchange rate fluctuations. The Namibian Dollar remained strong during the year under review, thereby effectively eliminating any possible additional foreign exchange returns resulting from sales in foreign markets. The effective Namibian Dollar vs. British Pound exchange rate did move in Meatco's favour during the latter part of the financial year, but unfortunately this occurred at the close of the peak foreign sales season, and only approximately 15% of the Corporation's sales could be converted at the weaker rate.

### Changes in producer price formula

The producer price formula simplification and alignment to market realisations project embarked upon during the previous financial year was implemented during the current year and resulted in the following amendments to the producer price formula:

- The target carcass weight of 230 kg was amended to rather relate to a range of between 200 kg and 219.9 kg;
- The Corporation introduced a "Fat equalisation premium" aimed at removing the historical discounted producer price for 0, 1 and 6 fat grades. This amendment is applicable to all grades, but only to carcasses with conformation 3;
- The differences between the respective age grades have been fixed in terms of moving average percentage differences as per the publicised South African producer prices (provided weekly by the South African Red Meat Abattoir Association – SARMAA). The percentage differences are to remain fixed for 12 months and are reviewed annually; and
- The implementation of the adjusted off-season premium structure to also include cattle with 5-6 teeth as well as C-grade cattle was implemented during the year and was well received by producers. It is envisaged that the structure will remain unchanged for the coming year.

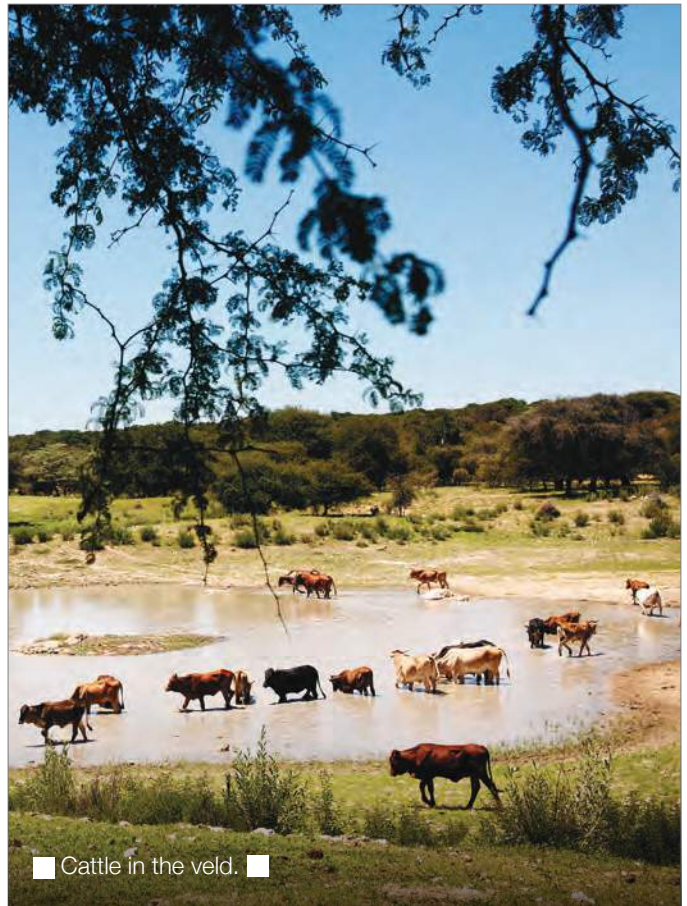
## CATTLE SUPPLY

### Slaughter volumes

In order to contribute towards maximising producer returns, it is essential that Meatco's slaughter facilities operate at effective and cost efficient throughput levels. Slaughter volumes south of the Veterinary Cordon Fence declined by 10.4%, if compared against the prior year, and by more than 27.3% if compared against the average slaughter volumes of the 2000/01 financial year.

The long-term trend regarding slaughter volumes is of great concern to Meatco in terms of the effective capacity utilisation of its slaughter and other facilities, as well as its ability to sustainably maximise producer returns.

There are various reasons for the continued decline in slaughter volumes, the main reasons being increased competition for raw materials (e.g. the South African live export market) and the increasing number of producers who are converting from slaughter ox production to other seemingly more lucrative farming methods. Such alternatives include the production of weaners for export, diversification to tourism, recreation and hospitality activities, as well as hunting and game farming. Land reform contributes to this trend as new cattle producers mainly start with weaner production due to its less intensive capital requirements.

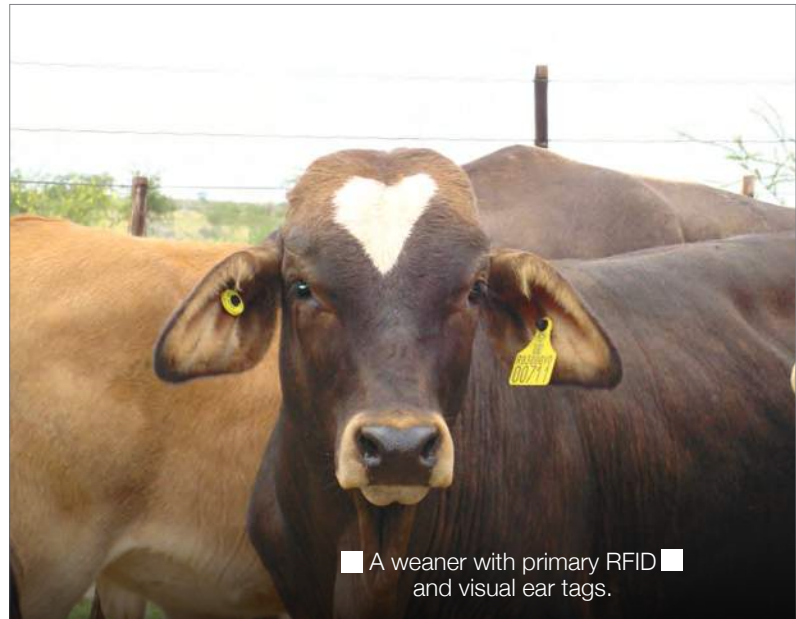


■ Cattle in the veld. ■

# BUSINESS REVIEW

Meatco slaughtered 120,274 cattle during the year under review (102,260 and 18,014 south and north of the Veterinary Cordon Fence respectively), which amounts to a decrease of 7.1% if compared to the previous year. However, as the total cattle slaughtered within the Northern Communal Areas (“NCA”) increased by 2,771 cattle (18.2%) it is evident that cattle from the commercial and communal areas south of the Veterinary Cordon Fence decreased by 10.4% if compared to the previous year. A further concern is that cattle slaughtered via Meatco’s initiatives relating to its feedlot increased by 3.5%. The total decrease in commercial cattle slaughtered during the year under review therefore amounted to 12.1% if compared to the previous year.

In addition, only an estimated 25% of all cattle marketed during the year under review were sold to Meatco either as oxen or steers, despite Meatco paying the highest average producer price per kg in the history of the Corporation. The Corporation is faced with increased competition from local slaughter facilities with low-cost operational business models. In addition, an unconfirmed shortage of weaners in the South African market resulted in abnormally high weaner prices which further stimulated a transition towards weaner production. A total of 200,236 weaners were exported to South Africa during the 2011 calendar year, amounting to an estimated 48% of the total annual cattle production south of the Veterinary Cordon Fence.



■ A weaner with primary RFID ■ and visual ear tags.

During November 2011 alone, non-compliant cattle slaughtered at Meatco facilities amounted to 25% of all cattle slaughtered. This forced the Corporation to activate an unscheduled shut-down of the Windhoek slaughter facility in order to mitigate unforeseen costs and losses during the implementation of the regulation. As a result of the efforts of the Corporation’s procurement staff the non-compliance percentage decreased to just below 10% during December 2011 and has decreased to below 5% since. However, it is estimated that approximately 11,500 cattle were lost to the Corporation during the implementation phase of the NamLITS system. The communal areas south of the VCF were the worst affected, and very few cattle have been marketed to Meatco after the implementation period.

Meatco, as well as the Directorate of Veterinary Services, has initiated several measures to mitigate the impact of the 40/90-day regulation and to assist producers in registering cattle onto the NamLITS database.

### Increasing supply levels

As continued decreases in available slaughter volumes to Meatco and the rest of the market remain a concern, the company embarked upon several initiatives in order to increase cattle supply to its facilities. Some of these initiatives include the Okapuka Feedlot and the Ekwatho Financing Scheme.

A record number of 18,330 animals were submitted for slaughter (up from 17,706) from the Okapuka Feedlot. This was achieved due to additional pens that were added during the year under review.

The main challenge relating to the activities of the feedlot relate to the relative cost of producing and rearing cattle under a feedlot regime. Namibia does not naturally produce all the required feed

Year	Volume (SVCF)	N\$ / Kg
2000/01	141,133	10.25
2001/02	143,161	12.20
2002/03	149,109	15.00
2003/04	142,843	11.80
2004/05	143,305	12.35
2005/06	138,949	12.85
2006/07	110,397	18.03
2007/08	109,468	17.93
2008/09	118,732	23.59
2009/10	117,567	22.29
2010/11	114,150	20.67
2011/12	102,680	24.43

### Slaughter volumes versus average producer prices

### Namibian Livestock Traceability System (NamLITS)

Apart from the cattle marketing environment, a major contributing factor to lower cattle numbers during the year under review was the practical implementation of the Namibian Livestock Traceability System (“NamLITS”) and the 40/90-day residency regulation.

# BUSINESS REVIEW

## CATTLE SUPPLY (continued)

and supplements required in order to produce cattle under such an intensive production method. The majority of feed needs to be imported from neighbouring countries and feed ingredient prices, particularly maize, rose to record highs during the year under review. Supply of local feed components weakened upon the good rains and more feed had to be sourced from RSA and Zambia. In addition, calf and weaner prices were exceptionally high during the year under review as a result of the unconfirmed shortage of weaners in the South African market.



Meatco's Ekwatho project in action

Other challenges during the year related to the quarantine imposed as a result of the utilisation of Phenylbutazone, abnormal occurrences of diseases (Bovine Ephemeral Fever and Anaplasmosis) resulting from the exceptional rainfall, as well as the impact of the implementation of NamLITS and the 40/90-day residency requirement. However, each of these challenges brought about further improvements to our systems of control and management, and we are confident that the goals set for the new term are both realistic and achievable.

Despite all the challenges faced by the Feedlot during the year, it still managed to contribute towards the Corporation's overall goal of maximising producer returns in a sustainable manner by supporting the overall average producer price with N\$ 0.42 / kg. In addition, the establishment of the "Grain Fed" brand under the overall Nature's Reserve brand has provided additional market returns that are expected to continue into the future.

Meatco's ground-breaking Ekwatho Financing Scheme has been through a steep learning curve since its official launch in 2008. The aim of the Scheme is to assist farmers by facilitating funding for working capital requirements dedicated to stimulate a transition from weaner production towards ox production and, in the end, create added value to the producer, Meatco and Namibia as a

whole. To date, loans totalling N\$ 155 million have been approved and granted by various financial institutions to participating producers. A total of N\$ 115 million has already been repaid via the Scheme, with no major defaults or losses to either producers, financial institutions or the Corporation.

Currently 10,778 head of cattle are registered and administered through the Ekwatho Financing Scheme. These cattle have been weighed and registered on the Scheme, fitted with RFID ear tags and are visited, weighed and monitored every three months by Ekwatho technical staff. During the year under review 8,906 cattle from the Ekwatho Financing Scheme were slaughtered at Meatco. Additional benefits resulting from the Scheme relates to the immensely valuable operational data and information acquired during the monitoring process. This information is used to further assist producers with critical production decisions. In addition, during the year under review, Ekwatho staff held a well-attended workshop aimed at informing interested parties regarding ox production in general, as well as specific aspects relating to production methods, provision of supplements and lick, as well as related financial management.

These initiatives have proven successful in sourcing and securing cattle to the Corporation's slaughter facilities, and the expectation is that these initiatives will further assist in at least maintaining current cattle slaughter volumes. However, the Corporation is continually investigating alternative programmes and schemes to further enhance supply levels.

## NORTHERN COMMUNAL AREAS (NCA)

Meatco continues to view the Northern Communal Areas as strategically important to the cattle industry, as it has the potential to have a positive impact should the commercial potential of the area be fully unlocked. A large percentage of Namibia's cattle population is found in this area, and continued discussions were held between Meatco and Government during the year under review to have the veterinary status of the region changed.

Cattle slaughtered at Oshakati abattoir increased by 3,610 (47.1%) to 11,276 during the year under review. The European Union-funded, multipurpose crush pens and other equipment continued to contribute significantly to the increased cattle numbers although floods in the area hampered cattle delivery during the first quarter of 2011.

The Katima Mulilo abattoir managed to slaughter 6,738 cattle during the year under review, which is a 1.0% decrease compared to the previous financial year. The abattoir was closed from November 2011 onwards due to an outbreak of Foot and Mouth disease in the area.

Meatco has greatly enhanced the processes, efficiencies and the quality standards of the Oshakati abattoir to such an extent that the factory was able to start delivering product to high-end South African retailers during the year under review. This confirms the immense potential of the region that, if further developed, could provide a significant boost to the industry and greatly benefit producers both north and south of the Veterinary Cordon fence.

# BUSINESS REVIEW

However, major challenges remain, such as the vast distances that need to be covered and the prevalence of a non-commercial approach to cattle farming. Marketing constraints due to current market access and effective capacity utilisation also need to be overcome.

Despite these challenges, Meatco maintains a policy of one pricing structure for the entire country. This is part of our commitment to the development of a viable and sustainable slaughter industry in the NCA. Stronger producer prices stimulate cattle delivery and paying less per kilogram would result in negative growth in throughput, countering Meatco's other livestock procurement efforts in the region.

The total investment into the NCA for the year under review amounted to N\$ 23.3 million in terms of operational losses. This compares well to the operational losses of the prior year, which amounted to N\$ 29.9 million. To date, Meatco invested N\$ 297 million in developing the NCA.

In addition, Meatco facilitated the establishment of 77 crush pens and the acquisition of a 6x6 truck so that cattle can be collected and transported from producers' farms to abattoirs on a cost recovery basis. Meatco also provided mentorship programmes to educate and train NCA producers on animal health, sustainable farming practices and ox production systems. During the year under review, the staff complement in the NCA was increased in order to engage producers directly.

## SMALL STOCK

A total of 148,266 sheep were slaughtered at the Windhoek plant during the year under review which represents a 16% decrease from the 176,630 slaughtered during the prior year. The average carcass weight amounted to 16.99 kg per carcass, which relates to a marginal increase of 0.7% against the average of 16.87 kg per carcass realised during the prior year.

The average producer price / kg increased by N\$ 8.49 / kg (28.3%) if compared to the prior year mainly due to the shortage of sheep within the South African market resulting from increased demand for lamb and mutton. The increased demand within the South African market was driven mainly as a result of the reported decrease in slaughter volumes (amounting to 27% if compared to the previous year) within South Africa. Several sources indicate that the 2010 outbreak of Rift Valley Fever was partly responsible for the decrease in slaughter volumes during the year, but that a consistent decline in the South African national small stock herd also further contributed to this.

The continuation of the baseline price setting initiative by the Livestock Producers Forum ("LPPF") remains a major concern, as the Corporation believes that such an initiative is not sustainable for the business or the industry as a whole.

## RELATED OPERATIONS

The Corporation is engaged in several other related operations as part of its overall strategy to maximise producer returns. One such operation is the corned meat canning plant located in Windhoek.

Three well-established corned meat products under the Texan, Eooloo and Ranch brands are produced in three different flavours, namely Plain, Chilli and Chakalaka. The year under review saw the manufacturing of 10.4 million cans of which approximately 94% were exported to neighbouring countries. Although a shortage experienced by the Corporation's main can supplier due to industrial action this year had a negative impact on operations, Meatco still managed to meet market demand.

In addition, Meatco was able to assist the Namibian Government with corned meat products as part of the food aid programme for Namibia's flood victims in the northern areas of the country. Additional product was also provided as part of Namibia's combined efforts to assist Somalia with food aid.

Meatco also operates a tannery in order to value-add fresh and salted hides into wet-blue product for local and export markets. The Corporation produced a total of 167,521 hides during the year, representing a decrease of 3.7% if compared to the prior year.

## PRINCIPAL RISKS

The main objective of the Corporation is to maximise producer returns in a sustainable manner. This objective is affected by a number of factors that either enable or damage the Corporation's ability to do so in a competitive way. The main factors that have an impact on this aspect include the net market return realised, the effective exchange rate, and cattle slaughter volumes. If any of these factors are negatively affected as a result of specific local, regional or global events, whether they be economic, environmental or political, such event, left unaddressed, will directly and correspondingly affect the producer price. Events that therefore threaten any of these factors are considered to be a risk to the future sustainability of the Corporation's activities.

Net market returns are affected by a multitude of factors. These include overall access to markets, local or foreign imposed market restrictions or additional regulations regarding such markets, economic growth within each market, entrance of additional / new global competitors into such markets, etc. As such the effective rate at which the Corporation realises its returns from foreign markets is subject to international economic and political mechanisms. The under-utilising of the facilities available is a current reality and also a threat as cattle numbers are continuing on a downwards trend. This means that the infrastructure in place to extract maximum value is not serving its purpose as well as it can. Bush encroachment, diversification into other farming / business activities, high weaner prices and local competitors for slaughter oxen all affect the number of cattle delivered to Meatco.

Due to the potential negative impact associated with unaddressed environmental, financial and political changes, the Corporation continuously monitors the impact of all relevant risks and constantly updates risk mitigation plans, strategies and interventions.

# BUSINESS REVIEW

## BUSINESS REVIEW



■ Ethical and fair employment practices are a priority for Meatco. ■

### Human resources and skills development

In order to remain competitive, it is essential to source, develop and retain the required skills needed in order to operate effectively and efficiently. The necessary competencies and skills required to successfully run the diverse operations of the Corporation are difficult to source in the current environment. However, Meatco remains committed to developing its existing employee base and recruiting required skills and competencies where needed.

During the year under review, Meatco trained a total of 479 employees in a range of diverse and important areas that included both technical and personal development programmes.

With almost 1,350 employees, Meatco is an important provider of Namibian jobs. Remuneration levels are directly linked to the Patterson Job Evaluation System by job grades and are determined and based on recognised market surveys for the Namibian labour market. All our employees receive remuneration, bonuses and pensions in line with or above the industry average, and enjoy a range of other free or subsidised benefits.

Bus transport to and from work, housing allowances, food provision and medical care are provided on site. Skills development is fundamental to career advancement within the Corporation and staff members are subject to regular training courses and literacy lessons. Equal opportunities are a reality at Meatco, with many of our staff gaining promotions as a result of the experience and qualifications acquired during their careers at the Corporation.

An ethical trade audit, based on the code of the Ethical Trading Initiative (ETI) was conducted by SGS during the 2011/2012 financial year and confirmed that Meatco engages its employees in an ethical and fair manner and that Human Resources processes are applied transparently. The audit also confirmed that employment is freely chosen at Meatco, there is no harsh or inhumane treatment, no child labour or discrimination, and that employees are allowed to freely associate with one another.

An independent third party also conducted a survey in which the Human Resources processes were evaluated with a focus on creating a fair and just organisation in which the rights of individuals are protected. Meatco rated excellent in this area. Recruitment and selection, performance appraisals, job evaluation, bonus systems, benefits and subsidies were also rated with the results showing on or above standard.

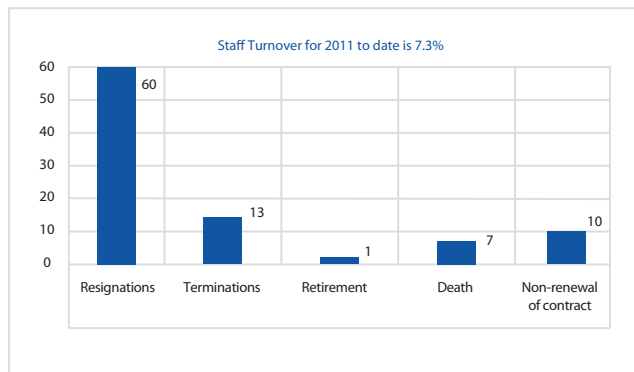
Based on these results Meatco undertook a strategic session to determine the Human Resources focus for the next two years and has accordingly competently assessed factors such as recruitment and selection, Human Resources processes and procedures, training and development, affirmative action related activities, competency profiling and succession planning. In addition, bursary schemes, employee assistance programmes and wellness will receive renewed focus. Major attention will also be paid to the retention of critical skills.

Areas identified by the audits as being in need of improvement are diversity training, affirmative action planning, training and development, succession planning and general internal communication. Induction and orientation has also been included for improvement in the Human Resources strategy for the 2012/2013 financial year.

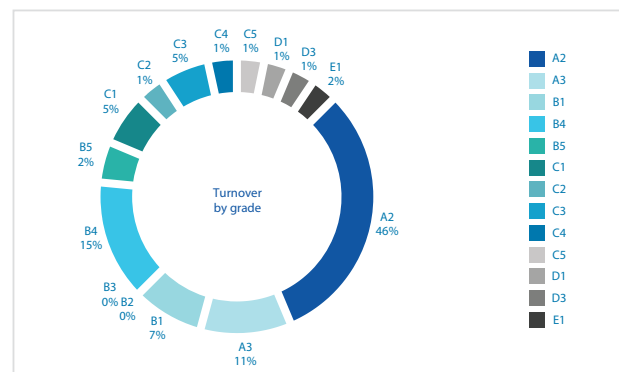
Staff welfare is paramount at Meatco, so across all processing facilities emphasis is placed on health and safety training, and through the regular distribution of a vibrant company newsletter, our staff members are constantly kept informed of developments. A Worker Committee meets regularly, and an Employee Representative sits on the Meatco Board, ensuring that the workforce have a real say in the direction of the company. A robust relationship has been forged with the Namibian Food and Allied Workers Union ("NAFAU"), resulting in a landmark agreement on the rights of seasonal employees. In addition, staff members are encouraged to take part in a range of activities from sports to charity volunteering, ensuring a healthy work-life balance.

The diagrams below indicate Meatco's staff turnover for 2011/12. Staff turnover according to the size of the organisation is substantially lower than our competitors.

# BUSINESS REVIEW



Staff turnover



Staff turnover by grade

## Employment Equity

Namibia passed the Affirmative Action (Employment) Act, 1998 (Act 29 of 1998) which aims to redress imbalances in the workplace arising from the discriminatory socio-economic dispensation that previously existed in the country.

The Act is intended to create and promote fair employment practices with regard to matters such as recruitment, selection, appointment, training, promotion, and equitable remuneration for previously disadvantaged people - more particularly, previously racially-disadvantaged people, women and persons with disabilities. Meatco embraces the spirit in which the Act approaches transformation in the workplace and endeavours to meet and exceed the requirements as set out in the Act.

At Meatco the Chief Executive Officer has the ultimately responsibility for overseeing the Employment Equity process. An Affirmative Action Committee was established to ensure that the Act is complied with, and the Committee consists of members from

both management and non-management levels for each category (racially disadvantaged males and females, racially advantaged males and females and employees with disabilities). The Committee is headed by the Senior Manager: Industrial Relations who also acts as the custodian of Affirmative Action practices in Meatco.

Reporting on the requirements of the Act was required from private sector employers since 2001. Meatco has received an Affirmative Action Compliance Certificate every year since then, and it is worth mentioning that the Corporation made significant strides in transitioning to a Senior Management complement that is more representative of all cultures of the Namibian population. Currently Meatco employs only four (4) non-Namibian citizens as employees - each with suitable formal understudies to ensure skills transfer to the Namibian population.

Below follows the workforce profile submitted to the Employment Equity Commission during the year under review:

Job Category	Racially disadvantaged		Racially advantaged		Persons with disabilities		Non-Namibian(s)		Total	
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
Non-executive directors	2	3	2	--	--	--	--	--	4	3
Senior Management	2	4	5	1	1	--	1	--	9	5
Middle Management	4	1	15	5	--	1	2	1	21	8
Specialised /skilled/ senior supervisory	49	15	18	8	--	--	--	--	67	23
Skilled	34	14	3	5	--	--	--	--	37	19
Semi-skilled	184	52	3	8	--	--	--	--	187	60
Unskilled	317	41	--	--	3	2	--	--	320	43
Total permanent	590	127	44	27	4	3	3	1	641	158
Casual / temporary and seasonal	454	82	1	3	4	--	--	--	459	85
<b>Total</b>	<b>1 044</b>	<b>209</b>	<b>45</b>	<b>30</b>	<b>8</b>	<b>3</b>	<b>3</b>	<b>1</b>	<b>1 100</b>	<b>243</b>

# BUSINESS REVIEW

## HUMAN CAPITAL (continued)

### Health and safety

Meatco acknowledges and accepts its moral, legal and financial responsibility to safeguard and ensure the wellbeing of all employees, visitors, clients and / or sub-contractors that enter its premises. Similarly, employees and visitors to Meatco's premises have obligations regarding health and safety and it is the Corporation's duty to inform them of these.

Within its Safety Management System Meatco is committed to identifying, assessing and prioritising the reduction of safety and health risks. This system is audited on an annual basis to ensure continuous improvements in meeting organisational objectives. The Corporation's aim is to have 4-star NOSA notifications by the end of the following financial year.

## SUSTAINABLE DEVELOPMENT

Approximately 70% of the Namibian population is directly or indirectly reliant on agriculture for their livelihoods and the majority of them are reliant on cattle production specifically. As such an enormous responsibility rests on Meatco's shoulders as a corporate citizen to ensure the sustainability of its business, including stimulating levels of cattle supply, fostering relationships with key stakeholders, effectively managing risks and gearing the business to capitalise on current and future opportunities.

A gaining trend in international markets has been the rise of ethical consumerism. Food quality and safety are regarded as standard attributes in high-end markets and customers are taking a more critical look at the products they procure. The highest level of ethical practices is expected throughout the entire value chain and consumers are becoming more aware of practices that allow entities to manage human and natural resources sustainably.



■ A large number of Namibians rely on cattle farming for their livelihoods. ■

To ensure that the Corporation's practices are in line with customer and consumer expectations, Meatco constantly evaluates itself by benchmarking its labour, animal welfare and corporate social responsibility practices against the best in the world through regular audits by independent, internationally recognised companies such as SAI Global, SGS, Grolink and British Retail Consortium ("BRC"). BRC's standards are globally recognised for their rigour and excellence and comprise industry-leading technical standards that specify compliance requirements with regards to benchmarks in production, packaging, storage and the distribution of safe food and other consumer products. Animal welfare, corporate social responsibility and ethical labour policies are also scrutinised by the BRC.

Meatco is subject to the requirements and standards set by a number of premium customers that not only demand the highest standards in food quality and safety, but who also place strong emphasis on social responsibility, good governance, animal welfare, sound environmental practices and fair labour practices. Examples of these customers are Woolworths, ASDA in the UK, Swedish and Danish Co-ops, Norsk Polar in Norway, and Heinz, including Heinz Baby food which has some of the strictest food safety and quality standards in the world.

Currently Meatco endeavours to meet the Global G.A.P. (Good Agricultural Practice) standards which promote food safety, sustainable production methods, responsible water use and regard for the welfare of workers and animals.

### Energy and water consumption

As an operator in the agriculture industry, the Corporation is acutely aware of its impact on the environment as our raw material, and therefore the sustainability of our business, is directly related to the health and well-being of the environment. Meatco therefore commits itself to creating a cleaner production environment with reduced water and energy usage. Below follow some benchmarks for water and energy usage at cattle abattoirs slaughtering carcasses weighing 250 kg compared to our performance at the various plants over the 2011/12 financial year:

Indicator	Traditional	Average	Best
Water per livestock unit	5 m <sup>3</sup> /L/U	2.5 m <sup>3</sup> /L/U	1 m <sup>3</sup> /L/U
Energy per livestock unit	300 KWH	125 KWH	70 KWH

Plant	Water	Energy
Windhoek*	3.6 m <sup>3</sup> /L/U	112.9 KWH
Okahandja	4.3 m <sup>3</sup> /L/U	99.2 KWH

\* The figures for Windhoek consumption includes the Sheep-abattoir and Canning.

# BUSINESS REVIEW

## Animal welfare

Animal welfare remains a top priority at the Corporation. Meatco benchmarks its animal welfare practices against the best in the world, and these practices are subject to regular internal inspections to ensure continuous improvement. They are also scrutinised by regular independent audits conducted by such as SAI Global during British Retail Consortium audits and by audits conducted by our some of our discerning customers.

Meatco identifies animal welfare needs as the following:

1. Freedom from hunger and thirst;
2. Freedom from discomfort;
3. Freedom from pain, injury, disease;
4. Freedom to express normal patterns of behavior; and
5. Freedom from fear.

The company's goal is to ensure that these needs are met at all times, from transport practices to offloading at the abattoirs to the actual slaughter of the animal. We also promote animal welfare practices on producers' farms. For a producer to be able to deliver certified Free Range cattle to Meatco, it is a requirement that they treat all animals on their farm with dignity and respect. That includes humane predator management. This requirement has earned Meatco the 2010 Cheetah Business Of The Year award from the Cheetah Conservation Fund for our promotion of predator-friendly farming practices.

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 to ensure that these practices are met. After long journeys animals are given food and water and 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 through a stunning process.

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.

## Ethical practices

Meatco is committed to ethical practices throughout its value chain. This starts with the Corporation itself and its leadership, and makes its way through the organisation to the employees, producers, suppliers and its relationship with Government and other key stakeholders.

Meatco's Directors are committed to maintaining the highest standards of corporate governance, which they believe are fundamental to discharging their stewardship responsibilities towards the Corporation's stakeholders. Included from page 8 is an extensive report on our approach to Governance.

The Corporation aims to create a fair, transparent and enjoyable working environment for its employees. Its remuneration, bonuses and pensions are in line with or above the industry average, and many employees enjoy a range of other free or subsidised benefits. More detail on how Meatco manages its Human Capital and a composition of its labour force can be found on page 32.

## Producer development

As key stakeholders and an integral part of its value chain, Meatco's producers also have a responsibility to apply consistent, fair and ethical practices in their farming activities. Meatco continues to inform producers on responsible and ethical farming practices during Producer Information Days, through the mentorship programme and through regular communications channels. Topics include treating animals with dignity and respect, responsible and sustainable land management, and ethical labour practices.

The Corporation has various programmes in place to build relationships with its producers and to promote the sustainability of cattle production in the country. Examples of these are the education and support programmes in place to aid communal producers in commercial cattle production. This is especially relevant in the Northern Communal Areas, where it is estimated that if the commercial livestock potential of the area were unlocked, it would result in a significant economic boost for the region and the country as a whole.

The mentorship programme in the NCA continued in the year under review. This programme aims to educate and train NCA producers on animal health, sustainable farming and ox production systems. Meatco also increased its staff complement in the NCA to engage these producers directly.



■ A producer loading his cattle for slaughter. ■

# BUSINESS REVIEW

## SUSTAINABLE DEVELOPMENT (continued)

A significant achievement during the year under review was the launch of a borehole project in the NCA by the Meatco Foundation, to supply water to producers farming in the area. Two sites for boreholes are already identified and are set for development early in the next financial year.

The Corporation also supported various producers and their communities north and south of the veterinary cordon fence through donations during the year under review.



■ A Meatco producer. ■



# FINANCIAL STATEMENTS

Meat Corporation of Namibia

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ANNUAL FINANCIAL STATEMENTS  
for the year ended 31 January 2012

*Meat Corporation of Namibia  
A body corporate established in Namibia in terms of the  
Meat Corporation of Namibia Act, 2001 (Act 1 of 2001)*

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## DIRECTORS' RESPONSIBILITY

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

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

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

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

The directors believe that the Group and the Corporation will be a going concern in the year ahead. For this reason they continue to

adopt the going concern basis in preparing the consolidated and separate annual financial statements.

The consolidated and separate annual financial statements for the year ended 31 January 2012, set out on pages 40 to 83 have been approved by the Board of Directors and authorised for issue on 19 April 2012 and are signed on its behalf by:

.....  
**Me C.G. Bohitile**  
Chairperson  
Windhoek, Namibia

.....  
**Mr M.J.P Hilbert**  
Director

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MEATCO



We have audited the group annual financial statements and annual financial statements of Meat Corporation of Namibia, which comprise the consolidated and separate statements of financial position as at 31 January 2012 and the consolidated and separate statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the directors' report, as set out on page 42 to 83.

## *Directors' Responsibility for the Financial Statements*

The corporations' directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Meat Corporation of Namibia Act, 2001 (Act 1 of 2001) and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

## *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the consolidated and separate financial position of Meat Corporation of Namibia as at 31 January 2012, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Meat Corporation of Namibia Act, 2001 (Act 1 of 2001).

A handwritten signature in black ink, appearing to read 'Louis van der Riet', written over a dotted line.

PricewaterhouseCoopers  
Chartered Accountants (Namibia)  
Registered Accountants and Auditors  
Per: Louis van der Riet  
Windhoek  
19 April 2012

# DIRECTORS' REPORT

## FOR THE YEAR ENDED 31 JANUARY 2012

The directors have pleasure in presenting their report for the financial year which ended on 31 January 2012.

### The objects of Meat Corporation

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

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

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

- sustain and increase the supply of cattle in Namibia to Meatco;
- the slaughtering of livestock and the processing of meat in abattoirs and factories at Okahandja, Windhoek, Oshakati and Katima Mulilo;
- the processing of hides at Okapuka Tannery;
- operating a feedlot at Okapuka near Windhoek;
- the quarantine of cattle north of the Trans Veterinary Cordon Fence under supervision of the Directorate of Veterinary Services to support Government to maintain a disease free status in Namibia;
- the marketing of meat, meat products and hides in Namibia and elsewhere;
- the improvement of its plant, production and processing techniques in order to keep pace with technical developments;
- marketing 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 interest of stakeholders.

### Operating results

During the financial year under review throughput of cattle supply in the areas south of the Trans Veterinary Cordon Fence Area decreased to 102 260 (2011: 114 150). The average cold dress

weight increased to 254.5 kg (2011: 244.2 kg), resulting in actual throughput of 26 021 tonnes (2011: 28 714 tonnes).

Cattle supply in the areas north of the Trans Veterinary Cordon Fence Area increased to 18 014 (2011: 15 243). The average cold dressed weight decreased to 169.9 kg (2011: 182.2 kg), resulting in actual throughput of 3 061 tonnes (2011: 2 777 tonnes).

The revenue for the Group increased to N\$1 381.5 million (2011: N\$1 256.5 million). The net profit for the year after interest and taxation increased to N\$5.7 million (2011: N\$62.6 million loss).

### Reserves

The Corporation needs to maintain adequate facilities and services at an appropriate level to meet the standards required for a viable meat industry in Namibia.

Its first priority is therefore to generate annual income sufficient to maintain the required level of operations in the short-term and to provide sufficient funds to sustain its operations in the long-term, while paying maximum prices to livestock producers.

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

### Financial position

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

### Property, plant and equipment replacement and development

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

	2012 N\$	2011 N\$
Additions for the year	20 647 819	36 465 790
Capital budget for the ensuing year	21 222 200	23 466 435

# DIRECTORS' REPORT

FOR THE YEAR ENDED 31 JANUARY 2012 (continued)

## Subsidiaries

Interest of Corporation at 31 January 2012 in:	Currency	Issued share capital	Percentage holding direct/indirect	Share investment N\$	Loans N\$
<b>Investments in subsidiaries</b>				200	98 269 043
Meat Corporation of Namibia (UK) Limited (United Kingdom)	GBP	1 250 000	100%	--	--
Meat Corporation of Namibia (Nederland) BV (Netherlands)*	EUR	--	100%	--	--
Meat Corporation of Namibia (Deutschland) GMBH (Germany)	EUR	50 000	100%	--	3 407 069
Meat Corporation of Namibia (Guernsey) Limited (Guernsey)*	GBP	--	100%	--	--
Namibia Meat Importers & Exporters (Pty) Ltd (South Africa)	ZAR	100	100%	100	94 861 974
Namibia Allied Meat Company (Pty) Ltd (Namibia)	NAD	100	100%	100	--
<b>Amounts due to subsidiaries</b>				--	(15 927 664)
Meat Corporation of Namibia (UK) Limited (United Kingdom)	GBP			--	(8 959 511)
Namibia Allied Meat Company (Pty) Ltd (Namibia)	NAD			--	(6 968 153)
				<u>200</u>	<u>82 341 379</u>

\*Liquidated during the current financial year.

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

The loans to Namibia Allied Meat Company (Pty) Ltd and Namibia Meat Importers & Exporters (Pty) Ltd have been subordinated in favour of other creditors until the assets of the companies, fairly valued, exceed their respective liabilities.

# DIRECTORS' REPORT

FOR THE YEAR ENDED 31 JANUARY 2012 (continued)

## Subsidiaries

Interest of Corporation at 31 January 2011 in:	Currency	Issued share capital	Percentage holding direct/indirect	Share investment N\$	Loans N\$
<b>Investments in subsidiaries</b>				200	55 407 735
Meat Corporation of Namibia (UK) Limited (United Kingdom)	GBP	1 250 000	100%	--	9 001 147
Meat Corporation of Namibia (Nederland) BV (Netherlands)	EUR	40 000	100%	--	--
Meat Corporation of Namibia (Deutschland) GMBH (Germany)	EUR	50 000	100%	--	3 003 976
Meat Corporation of Namibia (Guernsey) Limited (Guernsey)	GBP	900 000	100%	--	20 810 699
Namibia Meat Importers & Exporters (Pty) Ltd (South Africa)	ZAR	100	100%	100	7 704 138
Namibia Allied Meat Company (Pty) Ltd (Namibia)	NAD	100	100%	100	14 887 775
<b>Amounts due to subsidiaries</b>				--	--
				<u>200</u>	<u>55 407 735</u>

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

	2012 N\$	2011 N\$
<b>Net losses after taxation</b>	<u>(19 448 451)</u>	<u>(10 900 759)</u>

# DIRECTORS' REPORT

FOR THE YEAR ENDED 31 JANUARY 2012 (continued)

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## *Board of directors*

The following directors held office during the financial year:

Me C.G. Bohitile:	Chairperson
Mr M.J.P. Hilbert:	Vice-chairperson
Me P. Gomasab	
Mr A. Gressmann	
Mr R.A. Meroro	
Me S. Kasheeta	

## *Co-opted member*

M.K Shikongo (appointed 9 February 2012)

## *Audit Committee*

M.J.P. Hilbert:	Chairperson
Mr A. Gressmann	

## *Remuneration and Human Resources Committee*

C.G. Bohitile:	Chairperson
R.A. Meroro	

## *Management Support Committee*

C.G. Bohitile:	Chairperson
M.J.P. Hilbert	

## *Registered address*

*Business Address:*                      *Postal Address:*

Meat Corporation Building	P.O. Box 3881
Sheffield Street	Windhoek
Northern Industrial Area	Namibia
Windhoek	

# STATEMENTS OF FINANCIAL POSITION

AS AT 31 JANUARY 2012

	Note	Group		Corporation	
		2012 N\$	2011 N\$	2012 N\$	2011 N\$
<b>Assets</b>					
<b>Non-current assets</b>		195 929 839	195 845 739	292 778 696	250 075 183
Property, plant and equipment	5	168 170 453	163 391 563	167 279 794	162 415 901
Investment in subsidiaries	6	--	--	98 269 243	55 407 935
Deferred tax assets	7	27 759 386	32 454 176	27 229 659	32 251 347
<b>Current assets</b>		458 687 258	430 157 779	365 326 814	344 230 310
Inventories	8	121 360 170	79 037 472	112 127 436	75 618 418
Biological assets	9	27 992 804	14 281 112	27 992 804	14 281 112
Trade and other receivables	10	163 991 687	164 325 996	105 492 428	142 308 767
Taxation		1 377 541	1 300 349	--	--
Cash and cash equivalents	16.3	143 965 056	171 212 850	119 714 146	112 022 013
<b>Total assets</b>		<u>654 617 097</u>	<u>626 003 518</u>	<u>658 105 510</u>	<u>594 305 493</u>
<b>Equity and liabilities</b>					
<b>Capital and reserves</b>		345 413 284	338 153 448	344 907 273	319 734 584
Foreign currency translation reserve	14.5	4 247 856	2 731 535	--	--
Retained earnings		341 165 428	335 421 913	344 907 273	319 734 584
<b>Non-current liabilities</b>		103 191 913	20 724 803	103 050 918	20 607 458
Interest bearing loans and borrowings	12	90 299 918	9 533 494	90 299 918	9 533 494
Provisions	11	12 891 995	11 191 309	12 751 000	11 073 964
<b>Current liabilities</b>		206 011 900	267 125 267	210 147 319	253 963 451
Bank overdraft	16.3	4 629	59 929 069	--	59 928 062
Interest bearing loans and borrowings	12	118 613 942	118 618 088	118 613 942	118 583 005
Trade and other payables		87 363 545	88 567 182	75 605 713	75 452 384
Amounts due to subsidiaries	6	--	--	15 927 664	--
Income tax payable		29 784	10 928	--	--
<b>Total equity and liabilities</b>		<u>654 617 097</u>	<u>626 003 518</u>	<u>658 105 510</u>	<u>594 305 493</u>

# INCOME STATEMENTS

FOR THE YEAR ENDED 31 JANUARY 2012

	Note	Group		Corporation	
		2012 N\$	2011 N\$	2012 N\$	2011 N\$
Revenue	14.1	<u>1 381 514 150</u>	<u>1 256 512 623</u>	<u>1 236 512 472</u>	<u>1 097 917 261</u>
Operating profit / (loss) before administrative expenses		129 426 148	(11 160 451)	112 102 577	(17 948 001)
Other income		7 799 177	9 566 424	8 223 023	9 341 750
Administrative expenses		<u>(104 287 652)</u>	<u>(67 079 470)</u>	<u>(84 241 679)</u>	<u>(53 210 912)</u>
Operating profit / (loss) before financing costs	14.2	32 937 673	(68 673 497)	36 083 921	(61 817 163)
Dividends received		--	--	11 575 980	8 582 175
Interest income		293 437	332 395	4 989 179	3 973 974
Interest expense		<u>(22 775 204)</u>	<u>(21 339 155)</u>	<u>(22 454 703)</u>	<u>(21 532 356)</u>
Profit / (loss) before tax		10 455 906	(89 680 257)	30 194 377	(70 793 370)
Taxation	15	(4 712 391)	27 067 714	(5 021 688)	27 055 398
Profit / (loss) for the year		<u>5 743 515</u>	<u>(62 612 543)</u>	<u>25 172 689</u>	<u>(43 737 972)</u>

# STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 JANUARY 2012

	Note	Group		Corporation	
		2012 N\$	2011 N\$	2012 N\$	2011 N\$
<b>Profit / (loss) for the year</b>		5 743 515	(62 612 543)	25 172 689	(43 737 972)
<b>Other comprehensive income</b>					
Foreign currency translation differences for foreign operations	14.5	1 516 321	(2 789 520)	--	--
Income tax on other comprehensive income		--	--	--	--
<b>Total comprehensive income for the year</b>		<u>7 259 836</u>	<u>(65 402 063)</u>	<u>25 172 689</u>	<u>(43 737 972)</u>
<b>Attributable to:</b>					
Owners of the Corporation		<u>7 259 836</u>	<u>(65 402 063)</u>	<u>25 172 689</u>	<u>(43 737 972)</u>

# STATEMENTS OF CASH FLOW

FOR THE YEAR ENDED 31 JANUARY 2012

	Note	Group		Corporation	
		2012 N\$	2011 N\$	2012 N\$	2011 N\$
<b>Cash flows (used in) / from operating activities</b>		(27 444 611)	57 455 696	34 259 085	86 913 141
Cash receipts from customers		1 381 179 842	1 351 581 419	1 273 328 811	1 201 031 674
Cash paid to suppliers and employees		(1 386 066 749)	(1 269 455 267)	(1 233 180 182)	(1 105 142 326)
Cash utilised by / from operations	16.1	(4 886 907)	82 126 152	40 148 629	95 889 348
Dividends received		--	--	11 575 980	8 582 175
Interest income		293 437	332 395	4 989 179	3 973 974
Interest expense		(22 775 204)	(21 339 155)	(22 454 703)	(21 532 356)
Income taxes paid	16.2	(75 937)	(3 663 696)	--	--
<b>Cash flows used in investing activities</b>		(20 645 167)	(36 683 774)	(20 471 673)	(36 326 157)
Acquisition of property, plant and equipment		(20 821 313)	(36 973 412)	(20 647 819)	(36 465 790)
Proceeds from disposal of property, plant and equipment		176 146	289 638	176 146	139 633
<b>Cash flows before financing activities</b>		(48 089 778)	20 771 922	13 787 412	50 586 984
<b>Cash flows from financing activities</b>		80 766 424	35 461 878	53 832 783	3 639 859
Proceeds from interest-bearing loans and borrowings		82 665 594	122 623 426	82 665 594	122 623 426
Repayment of interest-bearing loans and borrowings		(1 899 170)	(87 161 548)	(1 899 170)	(87 161 521)
Funds invested in subsidiaries		--	--	(26 933 641)	(31 822 046)
<b>Net change in cash and cash equivalents</b>		32 676 646	56 233 800	67 620 195	54 226 843
<b>Cash and cash equivalents at beginning of year</b>		111 283 781	55 049 981	52 093 951	(2 132 892)
<b>Cash and cash equivalents at end of year</b>	16.3	143 960 427	111 283 781	119 714 146	52 093 951

# STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 JANUARY 2012

	Retained earnings N\$	Foreign currency translation reserve N\$	Total N\$
<b>Group</b>			
Balance at 1 February 2010	398 034 456	5 521 055	403 555 511
<b>Total comprehensive income for the year</b>			
Loss for the year	(62 612 543)	--	(62 612 543)
<b>Other comprehensive income</b>			
Loss arising on translation of foreign operations	--	(2 789 520)	(2 789 520)
<b>Balance at 31 January 2011</b>	<u>335 421 913</u>	<u>2 731 535</u>	<u>338 153 448</u>
<b>Balance at 1 February 2011</b>	335 421 913	2 731 535	338 153 448
<b>Total comprehensive income for the year</b>			
Profit for the year	5 743 515	--	5 743 515
<b>Other comprehensive income</b>			
Gain arising on translation of foreign operations	--	1 516 321	1 516 321
<b>Balance at 31 January 2012</b>	<u>341 165 428</u>	<u>4 247 856</u>	<u>454 413 284</u>
<b>Corporation</b>			
Balance at 1 February 2010	363 472 556	--	363 472 556
<b>Total comprehensive income for the year</b>			
Loss for the year	(43 737 972)	--	(43 737 972)
<b>Balance at 31 January 2011</b>	<u>319 734 584</u>	<u>--</u>	<u>319 734 584</u>
<b>Balance at 1 February 2011</b>	319 734 584	--	319 734 584
<b>Total comprehensive income for the year</b>			
Profit for the year	25 172 689	--	25 172 689
<b>Balance at 31 January 2012</b>	<u>344 907 273</u>	<u>--</u>	<u>344 907 273</u>



# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JANUARY 2012 (continued)

## 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 2012 comprise the Corporation and its subsidiaries (together referred to as the "Group").

## 2. Significant accounting policies

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

## 2.1 Basis of preparation

The consolidated financial statements of Meat Corporation of Namibia have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations, and the Meat Corporation of Namibia Act, 2001. 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 effective for the first time for 31 January 2012 year-end

Number	Effective date	Executive summary
Amendment to IAS 24 - Related party disclosures	1 January 2011	This amendment provides partial relief from the requirement for government related entities to disclose details of all transactions with the government and other government-related entities. It also clarifies and simplifies the definition of a related party.

### International Financial Reporting Standards and amendments issued but not effective for 31 January 2012 year-end

Number	Effective date	Executive summary
Amendments to IFRS 1, 'First time adoption' on hyperinflation and fixed dates	1 July 2011	The first amendment replaces references to a fixed date of '1 January 2004' with 'the date of transition to IFRSs', thus eliminating the need for companies adopting IFRSs for the first time to restate derecognition transactions that occurred before the date of transition to IFRSs. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation.
Amendment to IFRS 7 Disclosures – Transfer of financial assets	1 July 2011	The amendments are intended to address concerns raised during the financial crisis by the G20, among others, that financial statements did not allow users to understand the ongoing risks the entity faced due to derecognised receivables and other financial assets.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JANUARY 2012 (continued)

## International Financial Reporting Standards and amendments issued but not effective for 31 January 2012 year-end (continued)

Number	Effective date	Executive summary
Amendment to IAS 12, 'Income taxes' on deferred tax	1 January 2012	Currently IAS 12, 'Income taxes', requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 Investment Property. Hence this amendment introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, 'Income taxes- recovery of revalued non-depreciable assets', would no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is accordingly withdrawn.
Amendments to IAS 1, 'Presentation of Financial Statements', on presentation of items of OCI	1 July 2012	The IASB has issued an amendment to IAS 1, 'Presentation of financial statements'. The amendment changes the disclosure of items presented in other comprehensive income (OCI) in the statement of comprehensive income. The IASB originally proposed that all entities should present profit or loss and OCI together in a single statement of comprehensive income. The proposal has been withdrawn and IAS 1 will still permit profit or loss and OCI to be presented in either a single statement or in two consecutive statements. The amendment does not address which items should be presented in OCI and the option to present items of OCI either before tax or net of tax has been retained.
Amendments to IAS 19, "Employee benefits"	1 January 2013	The IASB has issued an amendment to IAS 19, 'Employee benefits', which makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits.
IFRS 9 – Financial Instruments (2009)	1 January 2013	This IFRS is part of the IASB's project to replace IAS 39. IFRS 9 addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value.
IFRS 9 – Financial Instruments (2010)	1 January 2013	The IASB has updated IFRS 9, 'Financial instruments' to include guidance on financial liabilities and derecognition of financial instruments. The accounting and presentation for financial liabilities and for derecognising financial instruments has been relocated from IAS 39, 'Financial instruments: Recognition and measurement', without change, except for financial liabilities that are designated at fair value through profit or loss.
IFRS 10 – Consolidated financial statements	1 January 2013	This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in determining control where this is difficult to assess. This new standard might impact the entities that a group consolidates as its subsidiaries.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JANUARY 2012 (continued)

International Financial Reporting Standards and amendments issued but not effective for 31 January 2012 year-end (continued)		
Number	Effective date	Executive summary
IFRS 11 – Joint arrangements	1 January 2013	This standard provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.
IFRS 12 – Disclosures of interests in other entities	1 January 2013	This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.
IFRS 13 – Fair value measurement	1 January 2013	This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP.
IAS 27 (revised 2011) – Separate financial statements	1 January 2013	This standard includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10.
IAS 28 (revised 2011) – Associates and joint ventures	1 January 2013	This standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.

Interpretations of International Financial Reporting Standards issued and effective for the first time for 31 January 2012 year-end		
Number	Effective date	Executive summary
Amendments to IFRIC 14: Pre-payments of a Minimum Funding Requirement	1 January 2011	This amendment will have a limited impact as it applies only to companies that are required to make minimum funding contributions to a defined benefit pension plan. It removes an unintended consequence of IFRIC 14 related to voluntary pension prepayments when there is a minimum funding requirement.
IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments	1 July 2010	This IFRIC clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished through the debtor issuing its own equity instruments to the creditor. A gain or loss is recognised in the profit and loss account based on the fair value of the equity instruments compared to the carrying amount of the debt.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 JANUARY 2012 (continued)

### 2.2 Consolidation

#### (a) Subsidiaries

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

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

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

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

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

#### (b) Transactions and non-controlling interests

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

When the group ceases to have control or significant influence,

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

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

#### (c) Associates

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

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

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

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

### 2.3 Foreign currency translation

#### (a) Functional and presentation currency

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

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 JANUARY 2012 (continued)

### (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 remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

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

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

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

### (c) Group companies

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

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

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

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

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

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

### 2.4 Property, plant and equipment

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

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

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

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

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

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

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

### 2.5 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 JANUARY 2012 (continued)

### 2.6 Financial assets

#### Classification

The group classifies its financial assets in the following categories: those to be measured subsequently at fair value, and those to be measured at amortised cost. This classification depends on whether the financial asset is a debt or equity investment.

#### Debt investments

##### (a) Financial assets at amortised cost

A debt investment is classified as 'amortised cost' only if both of the following criteria are met: the objective of the group's business model is to hold the asset to collect the contractual cash flows; and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. The nature of any derivatives embedded in the debt investment are considered in determining whether the cash flows of the investment are solely payment of principal and interest on the principal outstanding and are not accounted for separately.

##### (b) Financial assets at fair value

If either of the two criteria above are not met, the debt instrument is classified as 'fair value through profit or loss'.

The group has not designated any debt investment as measured at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch.

All equity investments are measured at fair value. Equity investments that are held for trading are measured at fair value through profit or loss. For all other equity investments, the group can make an irrevocable election at initial recognition to recognise changes in fair value through other comprehensive income rather than profit or loss.

#### Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date — the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership.

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

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

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

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

### 2.7 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

### 2.8 Impairment of financial assets

#### (a) Assets carried at amortised cost

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets measured at amortised cost is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

### 2.9 Investments in subsidiaries

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

### 2.10 Inventories

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

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 JANUARY 2012 (continued)

### (a) 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.

### (b) Packing materials, consumable stores and spare parts

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

### 2.11 Biological assets

Biological assets are stated at fair value less estimated point-of-sale costs, with any resultant gain or loss recognised in profit or loss. Point-of-sale costs include all costs that would be necessary to sell the assets, excluding costs necessary to get the assets to market. The fair value of livestock is based on the market price of livestock of similar age, breed and genetic merit.

### 2.12 Trade and other receivables

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

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

### 2.13 Cash and cash equivalents

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

### 2.14 Trade and other payables

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

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

### 2.15 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction

costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

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

### 2.16 Current and deferred income tax

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

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

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

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

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

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

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 JANUARY 2012 (continued)

### 2.17 Employee benefits

#### (a) 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.

#### (b) 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.

Accrual gains and losses are recognised in income or expense in full. Past service cost is recognised as an expense immediately.

### 2.18 Provisions

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

### 2.19 Revenue recognition

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

#### (a) Goods sold and services rendered

Revenue from the sale of goods and GATT quotas is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised

if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods or continuing management involvement with the goods. Revenue is recognised net of trade discounts and value added tax.

#### (b) Interest income

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

#### (c) Dividend income

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

### 2.20 Leases

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

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

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

### 2.21 Distributions from retained earnings

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

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 JANUARY 2012 (continued)

### 3. Financial risk management

#### 3.1 Overview

The group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and procedures for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established an Audit Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which employees understand their roles and obligations.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group

Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

#### 3.2 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

#### 3.3 Foreign exchange risk

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

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:

	Currency	Foreign currency amount	Reporting date spot rate	N\$
<b>Group 2012</b>				
<b>Current assets</b>				
Trade and other receivables before impairment	GBP	1 361 568	12.19	16 597 516
	EUR	6 774 410	10.21	69 166 731
	USD	1 207 469	7.76	9 369 959
				<u>95 134 206</u>
Cash and cash equivalents	GBP	3 318 310	12.19	40 450 203
	EUR	3 586 313	10.21	36 616 255
				<u>77 066 458</u>
<b>Current liabilities</b>				
Trade and other payables	GBP	843 225	12.19	<u>10 278 911</u>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JANUARY 2012 (continued)

	Currency	Foreign currency amount	Reporting date spot rate	N\$
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## Group 2011

### Current assets

Trade and other receivables before impairment	GBP	566 789	11.44	29 371 510
	EUR	2 492 521	9.85	24 547 593
	USD	272 225	7.19	1 957 298
				<u>55 876 401</u>
Cash and cash equivalents	GBP	9 108 765	11.44	104 230 687
	EUR	2 431 797	9.85	23 949 553
	USD	44 473	7.19	319 761
				<u>128 500 001</u>

### Current liabilities

Trade and other payables	GBP	1 030 950	11.44	<u>11 797 058</u>
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	Currency	Foreign currency amount	Reporting date spot rate	N\$
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## Corporation 2012

### Non-current assets

Amounts due from subsidiaries	GBP	734 898	12.19	<u>8 958 406</u>
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### Current assets

Trade and other receivables before impairment	GBP	1 163 346	12.19	14 181 190
	EUR	6 774 410	10.21	69 166 731
	USD	1 207 469	7.76	9 369 959
				<u>92 717 880</u>
Cash and cash equivalents	GBP	2 136 002	12.19	26 037 869
	EUR	3 586 313	10.21	36 616 255
				<u>62 654 124</u>

### Current liabilities

Trade and other payables	GBP	457 898	12.19	<u>5 581 774</u>
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# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JANUARY 2012 (continued)

	Currency	Foreign currency amount	Reporting date spot rate	N\$
<b>Corporation 2011</b>				
<b>Non-current assets</b>				
Amounts due from subsidiaries	GBP	2 682 532	11.44	30 695 946
<b>Current assets</b>				
Trade and other receivables before impairment	GBP	1 477 510	11.44	16 906 999
	EUR	2 492 521	9.85	24 547 593
	USD	272 225	7.19	1 957 298
				43 411 890
Cash and cash equivalents	GBP	5 940 802	11.44	67 980 003
	EUR	1 134 236	9.85	11 170 523
				79 150 526
<b>Current liabilities</b>				
Trade and other payables	GBP	145 315	11.44	1 662 825

## (a) Sensitivity analysis

A 10 percent 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 2011.

	Group		Corporation	
	Equity N\$	Profit or loss N\$	Equity N\$	Profit or loss N\$
<b>31 January 2012</b>				
USD	(936 996)	(936 996)	(936 996)	(936 996)
GBP	(4 676 881)	(4 676 881)	(2 974 813)	(2 974 813)
EUR	(10 578 299)	(10 578 299)	(10 578 299)	(10 578 299)
<b>31 January 2011</b>				
USD	(195 730)	(195 730)	(195 730)	(195 730)
GBP	(13 031 726)	(12 180 514)	(11 392 012)	(11 392 012)
EUR	(4 849 715)	(4 849 715)	(3 571 812)	(3 571 812)

A 10 percent 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 2012 (continued)

### 3.4 Forward Exchange Contracts

Forward exchange contracts are entered into with banks for transactions in foreign currency. If contracts rates are more favourable than the spot rate, on the exercise date, they will be used. The maturity date represents the date when the contract must be exercised. As at the end of January 2012, the Corporation had unutilised forward exchange contracts amounting to N\$ 75 330 475 (2011: N\$113 961 000). These contracts consisted of EUR 7.25 million (2011: EUR 5 million) and GBP nil (2011: GBP 6 million) at average rates of 10.3904 (2011: 9.3937) and 11.1654 respectively. The value dates for all unutilised forward exchange contracts as at the end of January 2012 was between 1 March 2012 and 15 April 2012.

### 3.5 Price risk

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

### 3.6 Cash flow and fair value interest rate risk

The Group generally adopts a policy of entering into long-term loan agreements with a variable interest rate. During the year under review the Group entered into various finance lease agreements and short term loans, for which the interest rates are linked to the prime lending rate. Refer to Notes 12 and 17 for details of local and foreign borrowings. At the reporting date the interest rate profile of the interest-bearing financial instruments was:

	Group Carry amount		Corporation Carry amount	
	2012 N\$	2011 N\$	2012 N\$	2011 N\$
<b>Fixed rate instruments</b>				
Financial liabilities	--	--	--	--
<b>Variable rate instruments</b>				
Financial assets	143 965 056	130 827 807	217 983 389	167 429 948
Financial liabilities	(208 918 489)	(188 080 651)	(208 913 410)	(188 044 561)
	<u>(64 953 433)</u>	<u>(57 252 844)</u>	<u>(9 069 979)</u>	<u>(20 614 613)</u>

### 3.7 Cash flow sensitivity analysis for variable rate instruments

A change in 100 basis points in interest rates at the reporting date would have decreased equity and profit or loss by N\$2 305 822 (2011: N\$2 154 539) for the Group, and by N\$1 791 336 (2011: N\$1 800 860) 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 2011. 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 2012 (continued)

### 3.8 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.

### 3.9 Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country, in which customers operate, has less of an influence on credit risk. Geographically there is no concentration of credit risk.

The Board of Directors has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, whether they are a wholesale, retail or end-user customers, geographic location, industry, aging profile, maturity and existence of previous financial difficulties. Trade and other receivables relate mainly to the Group's wholesale customers. Customers that are graded as "high risk" are placed on a restricted customer list, and future sales are made on a prepayment basis. The Group requires collateral in respect of "high risk" trade and other receivables.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main component of this allowance is a specific loss component that relates to individually significant exposures.

### 3.10 Cash and cash equivalents

The Group limits its exposure to credit risk by only investing in short term call accounts and also only with reputable long standing financial institutions. Management does not expect any counterparty to fail to meet its obligations.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 JANUARY 2012 (continued)

### 3.11 Guarantees

The Group's policy is to provide financial guarantees only to institutions which require these in the normal course of business.

Collateral is required in respect of some financial assets. The exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all new customers requiring credit

facilities over a certain amount. Reputable financial institutions are used for investing and cash handling purposes.

### 3.12 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 Carry amount		Corporation Carry amount	
	2012 N\$	2011 N\$	2012 N\$	2011 N\$
At amortised cost	279 095 316	305 468 410	298 995 948	295 950 826

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

	Group Carry amount		Corporation Carry amount	
	2012 N\$	2011 N\$	2012 N\$	2011 N\$
Namibia, RSA and Botswana	67 432 618	70 165 472	13 711 082	64 532 568
European Union countries	58 469 314	64 090 088	57 749 149	63 988 310
	125 901 932	134 255 560	71 460 231	128 520 878

Included in the balance above is N\$49 430 141 (2011: N\$33 313 792) for Group and N\$42 019 321 (2011: N\$33 313 792) for Corporation which are insured for risk of loss due to insolvency and / or protracted default. This insurance covers 90% of

the outstanding amount, limited to the agreed credit limit per customer. At the reporting date amounts in excess of credit limits are N\$36 533 118 (2011: N\$8 055 086) for Group and N\$9 207 022 (2011: N\$8 055 086) for the Corporation.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JANUARY 2012 (continued)

Group	Gross 2012 N\$	Impairment 2012 N\$	Gross 2011 N\$	Impairment 2011 N\$
Not past due	68 864 952	--	105 886 055	--
Past due 31 – 180 days	56 395 978	172 135	20 418 682	--
Past due 6 – 12 months	1 867 485	1 762 358	4 721 374	808 197
More than one year	1 309 229	601 220	4 037 646	--
	<u>128 437 644</u>	<u>2 535 713</u>	<u>135 063 757</u>	<u>808 197</u>

Group	Gross 2012 N\$	Impairment 2012 N\$	Gross 2011 N\$	Impairment 2011 N\$
Not past due	45 925 349	--	101 778 924	--
Past due 31 – 180 days	24 893 881	172 135	18 791 134	--
Past due 6 – 12 months	210 255	105 127	4 635 098	721 921
More than one year	1 309 229	601 220	4 037 646	--
	<u>72 338 714</u>	<u>878 482</u>	<u>129 242 802</u>	<u>721 921</u>

	Group		Corporation	
	2012 N\$	2011 N\$	2012 N\$	2011 N\$
Balance at 1 February	808 197	1 331 579	721 921	774 074
Provision raised	1 870 034	--	294 025	--
Impairment loss reversed	(125 755)	(457 781)	(120 701)	--
Impairment loss recognised	(16 763)	(65 601)	(16 763)	(52 153)
Balance at 31 January	<u>2 535 713</u>	<u>808 197</u>	<u>878 482</u>	<u>721 921</u>

Based on historic default rates, the Group believes that no impairment allowance is necessary in respect of trade receivables not past due. The allowance accounts in respect of trade receivables are used to record impairment losses unless the Group is satisfied

that no recovery of the amount owing is possible; at that point the amount is considered irrecoverable and is written off against the financial asset directly. At 31 January 2012 the Group does not have any collective impairment on its trade receivables (2011: Nil).

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 JANUARY 2012 (continued)

### 3.13 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group uses costing methods to cost its products and services, which assists it in monitoring cash flow requirements and optimising its cash return on investments. Typically the Group ensures that it has sufficient cash on demand to meet expected operation expenses for a period of 30 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The need for working capital is very seasonal and is driven by the slaughtering of cattle which occur mainly from February to July each year. At its highest level, the Corporation borrowed N\$297.3 million (2011: N\$237.9 million) to finance inventories and trade and other receivables. The borrowings were all short term at interest rates from prime to prime minus 2.00 % (2011: prime to prime minus 2.00 %).

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

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

	Carry amount N\$	Contractual cash flows N\$	1 to 2 months N\$	1 to 5 months N\$	More than 5 years N\$
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#### Group – 2012

Interest bearing loans and borrowings	(208 913 860)	(449 594 051)	(144 092 026)	(140 477 495)	(165 024 530)
Bank overdraft	(4 629)	(4 629)	(4 629)	--	--
Trade and other payables	(89 651 691)	(89 651 691)	(89 651 691)	--	--
	<u>(298 570 180)</u>	<u>(539 250 371)</u>	<u>(233 748 346)</u>	<u>(140 477 495)</u>	<u>(165 024 530)</u>

	Carry amount N\$	Contractual cash flows N\$	1 to 2 months N\$	1 to 5 months N\$	More than 5 years N\$
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#### Corporation – 2012

Interest bearing loans and borrowings	(208 913 860)	(449 594 051)	(144 092 026)	(140 477 495)	(165 024 530)
Trade and other payables	(75 605 713)	(75 605 713)	(75 605 713)	--	--
	<u>(284 519 573)</u>	<u>(525 199 764)</u>	<u>(219 697 739)</u>	<u>(140 477 495)</u>	<u>(165 024 530)</u>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JANUARY 2012 (continued)

	Carry amount N\$	Constructual cash flows N\$	1 to 2 months N\$	1 to 5 months N\$	More than 5 years N\$
<b>Group – 2011</b>					
Interest bearing loans and borrowings	(128 151 582)	(130 677 092)	(119 642 748)	(11 034 344)	--
Bank overdraft	(59 929 069)	(59 929 069)	(59 929 069)	--	--
Trade and other payables	(88 496 908)	(88 496 908)	(88 496 908)	--	--
	<u>(276 577 559)</u>	<u>(279 103 069)</u>	<u>(268 068 725)</u>	<u>(11 034 344)</u>	<u>--</u>

	Carry amount N\$	Constructual cash flows N\$	1 to 2 months N\$	1 to 5 months N\$	More than 5 years N\$
<b>Corporation – 2011</b>					
Interest bearing loan and borrowings	(128 116 499)	(130 642 009)	(119 607 665)	(11 034 344)	--
Bank overdraft	(59 928 062)	(59 928 062)	(59 928 062)	--	--
Trade and other payables	(75 452 384)	(75 452 384)	(75 452 384)	--	--
	<u>(263 496 945)</u>	<u>(266 022 455)</u>	<u>(254 988 111)</u>	<u>(11 034 344)</u>	<u>--</u>

### 3.14 Capital management

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

There were no changes in the Group's approach to capital management during the year. Neither the Corporation, nor any of its subsidiaries, are subject to externally imposed capital requirements.

### 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.

#### (a) Impairment of trade receivables

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

#### (b) Impairment of other assets

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

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

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 JANUARY 2012 (continued)

### (c) 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.

### (d) 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.

### (e) 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.

### (f) Residual value and remaining life of Property, Plant and Equipment

The residual value of PPE (excluding motor vehicles) was estimated by management at nil. Based on the specialized nature of the equipment, further costs to be incurred to sell it and age of the assets, this seems to be reasonable. The residual value of motor vehicles was based on current trade-in values. The useful life of the Property, Plant and Equipment varies between 5% and 33.3% per annum.

### 4.2 Critical judgements in applying the entities accounting policies:

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

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JANUARY 2012 (continued)

	Group		Corporation	
	2012 N\$	2011 N\$	2012 N\$	2011 N\$

## 5. Property, plant and equipment

### Owned assets

<b>Land and buildings</b>	32 782 937	66 772 914	32 655 817	66 645 795
At cost	53 367 802	99 061 430	53 171 532	98 865 159
Less: Accumulated depreciation and impairment losses	(20 584 865)	(32 288 516)	(20 515 715)	(32 219 364)

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

	117 042 352	74 229 446	116 278 813	73 455 641
At cost	245 686 799	178 197 970	243 761 133	176 605 416
Less: Accumulated depreciation and impairment losses	(128 644 447)	(103 968 524)	(127 482 320)	(103 149 775)

Included in the above amounts are structures with a cost of N\$4 530 650 (2011: N\$4 530 650) and a book value of N\$2 436 861 (2011: N\$2 611 654), which are erected on land which is not owned by the Corporation. Negotiations to purchase the land have not been concluded as yet.

### Buildings and plant under construction

	5 091 485	11 409 869	5 091 485	11 374 369
At cost	5 091 485	11 409 869	5 091 485	11 374 369
Less: Accumulated depreciation and impairment losses	--	--	--	--

### Total owned assets

	<u>154 916 774</u>	<u>152 412 229</u>	<u>154 026 115</u>	<u>151 475 805</u>
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### Leased assets

#### Vehicles and equipment

	13 253 679	10 979 334	13 253 679	10 940 096
At cost	18 038 028	14 464 528	18 038 028	14 304 911
Less: Accumulated depreciation and impairment losses	(4 784 348)	(3 485 193)	(4 784 348)	(3 364 815)

### Total assets

	<u>168 170 453</u>	<u>163 391 563</u>	<u>167 279 794</u>	<u>162 415 901</u>
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# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JANUARY 2012 (continued)

Group - 2012 Net book value	Land and buildings N\$	Plant, vehicles, furniture and equipment N\$	Uncompleted projects N\$	Total N\$
<b>Owned assets</b>				
Opening balance	66 772 915	71 657 265	11 409 869	149 840 049
Additions	--	12 051 794	7 418 589	19 470 383
Projects capitalised	7 710 604	6 076 680	(13 787 284)	--
Reclassifications	(41 684 926)	41 599 115	85 811	--
Disposals	--	(290 576)	(35 500)	(326 076)
Depreciation	(15 656)	(14 311 175)	--	(14 326 831)
<b>Total owned assets</b>	<b>32 782 937</b>	<b>116 783 103</b>	<b>5 091 485</b>	<b>154 657 525</b>
<b>Leased assets</b>				
Opening balance	--	13 551 515	--	13 551 515
Additions	--	1 350 930	--	1 350 930
Disposals	--	--	--	--
Depreciation	--	(1 389 517)	--	(1 389 517)
<b>Total leased assets</b>	<b>--</b>	<b>13 512 928</b>	<b>--</b>	<b>13 512 928</b>
<b>Total assets</b>	<b>32 782 937</b>	<b>130 296 031</b>	<b>5 091 485</b>	<b>168 170 453</b>

Group - 2011 Net book value	Land and buildings N\$	Plant, vehicles, furniture and equipment N\$	Uncompleted projects N\$	Total N\$
<b>Owned assets</b>				
Opening balance	66 113 395	59 900 590	9 733 720	135 747 705
Additions	62 024	873 196	28 044 581	28 979 802
Projects capitalised	5 159 875	19 121 026	(24 280 901)	--
Disposals	(47 963)	(164 605)	(2 087 532)	(2 300 100)
Depreciation	(4 514 417)	(8 072 942)	--	(12 587 359)
<b>Total owned assets</b>	<b>66 772 914</b>	<b>71 657 265</b>	<b>11 409 869</b>	<b>149 840 048</b>
<b>Leased assets</b>				
Opening balance	--	7 053 462	--	7 053 462
Additions	--	7 993 611	--	7 993 611
Disposals	--	--	--	--
Depreciation	--	(1 495 558)	--	(1 495 558)
<b>Total leased assets</b>	<b>--</b>	<b>13 551 515</b>	<b>--</b>	<b>13 551 515</b>
<b>Total assets</b>	<b>66 772 914</b>	<b>85 208 780</b>	<b>11 409 869</b>	<b>163 391 563</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JANUARY 2012 (continued)

Corporation - 2012 Net book value	Land and buildings N\$	Plant, vehicles, furniture and equipment N\$	Uncompleted projects N\$	Total N\$
<b>Owned assets</b>				
Opening balance	66 645 795	71 103 469	11 374 369	149 123 633
Additions	--	11 878 300	7 418 589	19 296 889
Projects capitalised	7 710 604	6 076 680	(13 787 284)	--
Reclassifications	(41 684 926)	41 599 115	85 811	--
Disposals	--	(290 576)	--	(290 576)
Depreciation	(15 656)	(14 088 175)	--	(14 103 831)
<b>Total owned assets</b>	<b>32 655 817</b>	<b>116 278 813</b>	<b>5 091 485</b>	<b>154 026 115</b>
<b>Leased assets</b>				
Opening balance	--	13 292 267	--	13 292 267
Additions	--	1 350 930	--	1 350 930
Disposals	--	--	--	--
Depreciation	--	(1 389 517)	--	(1 389 517)
<b>Total leased assets</b>	<b>--</b>	<b>13 253 679</b>	<b>--</b>	<b>13 253 679</b>
<b>Total assets</b>	<b>32 655 817</b>	<b>129 532 492</b>	<b>5 091 485</b>	<b>167 279 794</b>

Corporation - 2011 Net book value	Land and buildings N\$	Plant, vehicles, furniture and equipment N\$	Uncompleted projects N\$	Total N\$
<b>Owned assets</b>				
Opening balance	65 976 462	59 526 518	9 733 720	135 236 700
Additions	62 024	398 590	28 009 048	28 469 662
Projects capitalised	5 159 875	19 121 026	(24 280 901)	--
Disposals	(47 963)	(79 554)	(2 087 498)	(2 215 015)
Depreciation	(4 504 603)	(7 863 110)	--	(12 367 713)
<b>Total owned assets</b>	<b>66 645 795</b>	<b>71 103 470</b>	<b>11 374 369</b>	<b>149 123 634</b>
<b>Leased assets</b>				
Opening balance	--	6 761 791	--	6 761 791
Additions	--	7 996 096	--	7 996 096
Disposals	--	--	--	--
Depreciation	--	(1 465 620)	--	(1 465 620)
<b>Total leased assets</b>	<b>--</b>	<b>13 292 267</b>	<b>--</b>	<b>13 292 267</b>
<b>Total assets</b>	<b>66 645 795</b>	<b>84 395 737</b>	<b>11 374 369</b>	<b>162 415 901</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 JANUARY 2012 (continued)

A valuation of property, plant and equipment was performed by Joe Colyer of Colyer Valuations, professional plant and machinery valuers, Edenvale, on 31 January 2012. The market value of the cost of the property, plant and equipment were fairly assessed at N\$444 737 900 by the valuator.

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 478 and 480 Okahandja (extension 2).
- A 1st General Notarial Covering bond for N\$68.5 million covering loose assets on Erf 478 and 480 Okahandja (extension 2).

The Windhoek plant has been encumbered by means of a mortgage bond in favour of Development Bank of Namibia as

outlined in Note 12. The bank holds the following as collateral:

- A 1st Covering Mortgage bond for N\$13.9 million over Erf 6564 Windhoek (extension 3).
- A 1st Covering Mortgage bond for N\$110 million over Erf 7130 Windhoek (extension 6).

The leased assets are encumbered as outlined in Note 12.

### 6. Investment in and amounts due to subsidiaries

Details of the investments in subsidiaries and the loans to and from subsidiaries are disclosed in the directors' report. The loans to Namibia Allied Meat Company (Pty) Ltd and Namibia Meat Importers and Exporters (Pty) Ltd have been subordinated in favour of other creditors until the assets of the companies, fairly valued, exceed their respective liabilities.

	Group		Corporation	
	2012 N\$	2011 N\$	2012 N\$	2011 N\$

### 7. Deferred tax assets

Balance at the beginning of the year	32 454 176	5 266 222	32 251 347	5 195 948
Current charge	(4 694 790)	27 187 954	(5 021 688)	27 055 399
	<u>27 759 386</u>	<u>32 454 176</u>	<u>27 229 659</u>	<u>32 251 347</u>
Comprising of:				
- Capital allowances	(41 901 852)	(32 476 450)	(42 431 579)	(32 679 273)
- Impairment on trade receivables	224 013	222 203	224 013	222 203
- Prepayments	(629 554)	(1 361 897)	(629 554)	(1 361 897)
- Provisions	6 021 982	4 402 344	6 021 982	4 402 344
- Tax losses	64 044 797	61 667 970	64 044 797	61 667 970
	<u>27 759 386</u>	<u>32 454 176</u>	<u>27 229 659</u>	<u>32 251 347</u>

A deferred tax asset amounting to N\$2 549 084 (2011: N\$2 493 662) has not been recognised, which relates to calculated tax losses of Namibia Allied Meat Company

(Pty) Ltd which have not been recognised due to uncertainty of future taxable profits against which these can be utilised.

### 8. Inventories

Meat and meat products	107 837 934	69 035 834	98 605 200	65 616 780
Cost	105 154 281	58 592 835	95 921 548	55 173 781
Inventories stated at fair value less costs to sell	<u>2 683 653</u>	<u>10 442 999</u>	<u>2 683 652</u>	<u>10 442 999</u>
Packing materials, consumable stores and spare parts	13 522 236	10 001 638	13 522 236	10 001 638
	<u>121 360 170</u>	<u>79 037 472</u>	<u>112 127 436</u>	<u>75 618 418</u>

Namibian stock, excluding items in transit to South Africa and Europe, to the value of N\$15 million has been ceded to Nedbank Namibia Ltd.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JANUARY 2012 (continued)

	Group		Corporation	
	2012 N\$	2011 N\$	2012 N\$	2011 N\$

## 9. Biological assets

Livestock. 4 007 (2011: 2 872) cattle	27 992 804	14 281 112	27 992 804	14 281 112
Reconciliation of changes in carrying amount of biological assets:				
Carrying amount at beginning of year	14 281 112	18 452 193	14 281 112	18 452 193
Increase due to acquisitions	158 793 137	96 916 718	158 793 137	96 916 718
Adjustment arising from changes in fair value	(7 064 829)	(6 704 074)	(7 064 829)	(6 704 074)
Decrease due to sales	(138 016 616)	(94 383 725)	(138 016 616)	(94 383 725)
Carrying amount at end of year	27 992 804	14 281 112	27 992 804	14 281 112

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.

	Group		Corporation	
	2012 N\$	2011 N\$	2012 N\$	2011 N\$

## 10. Trade and other receivables

Trade receivables in Namibia, South Africa and Botswana	67 432 618	70 165 472	13 711 082	64 532 568
Trade receivables Europe & Norway	58 469 314	64 090 088	57 749 149	63 988 310
Other receivables and prepayments	38 089 755	30 070 436	34 032 197	13 787 889
	163 991 687	164 325 996	105 492 428	142 308 767

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

The trade receivables balance in Namibia is ceded to Bank Windhoek Ltd in favour of overdraft facilities provided by the bank.

Trade receivables are shown net of impairment losses amounting to N\$2 535 713 (2011: N\$957 660).

The foreign trade receivables balance is ceded to Nedbank Namibia Ltd in favour of overdraft facilities provided by the bank.

The trade receivables balance in South Africa is ceded to FNB Namibia Ltd in favour of overdraft facilities provided by the bank.

VAT claims amounting to N\$23.4 million (2011: N\$8 million) has been ceded to Nedbank Namibia Ltd.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 JANUARY 2012 (continued)

### 11. Provisions

#### Severance pay benefits

The Corporation raised a provision for severance pay benefits payable to employees upon death, resignation or retirement. This obligation arose as a result of the revised Labour Act, 2007 (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 2012 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.

	Group		Corporation	
	2012 N\$	2011 N\$	2012 N\$	2011 N\$
<b>Amounts recognised in the balance sheet</b>				
Present value of unfunded obligations	12 891 995	11 191 309	12 751 000	11 073 964
Amounts recognised in profit or loss				
Current service costs	1 031 894	807 052	1 007 000	782 000
Interest cost	1 109 072	1 027 899	1 103 000	1 020 000
Adjustment for unrecognised past service cost	(350 280)	84 394	(342 964)	--
Benefits paid	(90 000)	(209 036)	(90 000)	(209 036)
Total, included in employee remuneration costs	1 700 686	1 710 309	1 677 036	1 592 964
<b>Movements in the net liability recognised in the balance sheet are as follows</b>				
Net expense recognised in profit or loss	1 700 686	1 710 309	1 677 036	1 592 964
<b>Principal actuarial assumptions at the balance sheet date (expressed as weighted averages)</b>				
Discount rate at 31 January	8.50%	8.75%	8.50%	8.75%
Future salary increase rate	7.75%	7.81%	7.75%	7.81%

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JANUARY 2012 (continued)

	Group		Corporation	
	2012 N\$	2011 N\$	2012 N\$	2011 N\$
<b>12. Interest bearing loans and borrowings</b>				
<b>Secured loans</b>				
Bank Windhoek Limited - This call loan has been agreed solely to accommodate cash flow shortfalls for short periods during the year. Interest at prime less 1% (2011: prime less 1%) is payable monthly. The loan has been secured as indicated in Notes 5 and 16.3.	115 000 000	115 000 000	115 000 000	115 000 000
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% (2011: prime less 1.5% to 2.5%) per annum.	11 248 266	13 151 582	11 248 266	13 116 499
Development Bank of Namibia - Secured by Windhoek Factory plant as set out in Note 5. Interest at prime rate.	82 665 594	--	82 665 594	--
<b>Total secured loans</b>	<b>208 913 860</b>	<b>128 151 582</b>	<b>208 913 860</b>	<b>128 116 499</b>
Less: Current portion of interest bearing loans and borrowings	(118 613 942)	(118 618 088)	(118 613 942)	(118 583 005)
<b>Long-term portion of interest bearing loans and borrowings</b>	<b>90 299 918</b>	<b>9 533 494</b>	<b>90 299 918</b>	<b>9 533 494</b>

Finance lease liabilities are payable as follows:

	Furniture minimum lease payments	Interest value of minimum lease payments	Present minimum lease payments	Future value of minimum lease payments	Interest	Present minimum lease payments
	2012 N\$	2012 N\$	2012 N\$	2011 N\$	2011 N\$	2011 N\$
<b>Group</b>						
Less than one year	4 413 083	812 746	3 600 337	4 432 364	1 024 660	3 407 704
Between one and five years	8 429 130	823 547	7 605 583	10 997 710	1 303 345	9 694 365
More than five years	--	--	--	--	--	--
	<u>12 842 213</u>	<u>1 636 293</u>	<u>11 205 920</u>	<u>15 430 074</u>	<u>2 328 005</u>	<u>13 102 069</u>
<b>Corporation</b>						
Less than one year	4 413 083	812 746	3 600 337	4 397 414	1 024 660	3 372 754
Between one and five years	8 429 130	823 547	7 605 583	10 997 710	1 303 345	9 694 365
More than five years	--	--	--	--	--	--
	<u>12 842 213</u>	<u>1 636 293</u>	<u>11 205 920</u>	<u>15 395 124</u>	<u>2 328 005</u>	<u>13 067 119</u>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JANUARY 2012 (continued)

	Group		Corporation	
	2012 N\$	2011 N\$	2012 N\$	2011 N\$

## 13. Capital commitments

Authorised:

- Contracted for	--	--	--	--
- Not contracted for	--	--	--	--
	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>

	Group		Corporation	
	2012 N\$	2011 N\$	2012 N\$	2011 N\$

## 14. Additional disclosure

### 14.1 Revenue

Sale of goods	1 381 514 150	1 255 338 579	1 230 693 592	1 089 761 936
Services	--	1 174 044	5 818 880	8 155 325
Total revenue	<u>1 381 514 150</u>	<u>1 256 512 623</u>	<u>1 236 512 472</u>	<u>1 097 917 261</u>

### 14.2 Operating profit / (loss) before financing costs is stated after taking into account:

Cost of sales	1 168 605 242	1 249 141 726	1 040 432 454	1 104 821 001
Depreciation of property, plant and equipment	15 716 348	14 082 907	15 493 349	13 833 333
- Buildings	15 656	4 514 416	15 656	4 504 073
- Machinery, vehicles, furniture equipment	15 700 692	9 568 491	15 477 693	9 329 260
Auditors' remuneration	1 839 998	197 856	1 232 798	232 471
Local – for services as auditors	1 267 413	74 645	1 232 798	109 260
- Current year audit fees	1 232 798	162 189	1 232 798	162 189
- (over)/under provision previous year	--	(87 544)	--	(87 544)
- Other services	34 615	--	--	34 615
Subsidiaries - for services as auditors	398 564	123 211	--	123 211
Subsidiaries - for other services	174 021	--	--	--
Net loss on disposal and scrapping of property, plant and equipment	149 929	2 010 472	114 429	2 075 413
Rentals under operating leases for land and buildings	1 013 575	1 566 566	450 865	1 081 599
Net foreign exchange (profit) / losses realised on trading activities	(5 483 375)	18 137 723	(4 989 052)	19 018 072
Directors' emoluments:				
- Non executive directors of the corporation for services as directors			735 984	596 360
Adjustment arising from changes in fair value less estimated point of sale costs attributable to livestock	7 064 829	6 704 074	7 064 829	6 704 074
Impairment loss/(reversal) on trade and other receivables, including amounts written off during the year, net of recoveries	1 926 573	97 307	253 859	(672 846)

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 JANUARY 2012 (continued)

	Group		Corporation	
	2012 N\$	2011 N\$	2012 N\$	2011 N\$
(Reversal) of impairment of loan to subsidiary	--	--	--	(7 973 812)
<b>14.3 Northern Communal Areas</b>				
Loss included in operating profit	(23 330 935)	(29 997 826)	(23 330 935)	(29 997 826)
<b>14.4 Personnel expenses</b>				
Salaries and wages	127 030 070	130 665 919	120 941 587	124 781 633
Contributions to defined contribution plans	8 655 390	8 544 390	7 981 478	8 363 332
	<u>135 685 460</u>	<u>139 210 309</u>	<u>128 923 065</u>	<u>133 144 965</u>

The group salaries and wages include a severance pay provision charge of N\$1 700 686 (2011: N\$1 710 309). The Corporation provides retirement benefits for all its permanent employees through a defined contribution pension fund which is subject to the Pension Funds Act of 1956 as amended. The fund is appraised every 3 years by an independent actuary. At 30 June 2009, the date of the most recent appraisal, the fund was found to be in a sound financial position.

The next valuation is due at 30 June 2012.

### 14.5 Foreign currency translation reserve

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

	Group		Corporation	
	2012 N\$	2011 N\$	2012 N\$	2011 N\$
<b>15. Income tax</b>				
Normal income taxation				
- Foreign tax	(17 601)	(120 240)	--	--
Deferred taxation				
- Current year	(4 694 790)	27 187 954	(5 021 688)	27 055 398
	<u>(4 712 391)</u>	<u>27 067 714</u>	<u>(5 021 688)</u>	<u>27 055 398</u>
<b>Reconciliation of tax rate</b>	%	%	%	%
Current year charge as a percentage of income before taxation	45.10	30.18	16.60	38.22
Effect of subsidiaries being taxed at rates different to the Corporation's standard rate	(4.10)	(1.87)	--	--
Prior period adjustment	4.40	2.91	4.40	3.69
Capital profits and exempt income not subject to tax	13.00	--	13.00	(7.91)
Unrecognised tax asset on calculated tax losses	(24.40)	2.78	--	--
Standard tax rate	<u>34.00</u>	<u>34.00</u>	<u>34.00</u>	<u>34.00</u>

Provision has not been made for the Corporation's normal income taxation as the Corporation has a calculated tax loss of N\$188

367 049 (2011: N\$181 376 382) which is available for set off against future taxable income.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JANUARY 2012 (continued)

	Group		Corporation	
	2012 N\$	2011 N\$	2012 N\$	2011 N\$

## 16. Notes to the cash flow statement

### 16.1 Cash (utilised by) / from operations

Operating profit / (loss) before financing costs	32 937 673	(68 673 497)	36 083 921	(61 817 163)
Loss arising on translation of foreign operations recognised in equity	1 516 321	(2 789 520)	--	--
Adjustments for non-cash flow items:				
-Depreciation	15 716 348	14 082 907	15 493 348	13 833 333
-Loss on disposal and scrapping of property, plant & equipment	149 929	2 010 472	114 429	2 075 413
-Adjustment arising from changes in fair value of livestock	7 064 829	3 083 573	7 064 829	3 083 573
-Provision for severance pay	1 700 686	1 710 309	1 677 036	1 592 964
-Impairment of loan to subsidiary	--	--	--	(7 973 812)
	59 085 786	(50 575 756)	60 433 563	(49 205 692)
(Increase)/decrease in working capital	(63 972 693)	132 701 908	(20 284 934)	145 095 040
Inventories and biological assets	(63 099 219)	39 971 913	(57 285 539)	39 407 211
Trade and other receivables	334 309	95 068 796	36 816 339	103 114 413
Trade and other payables	(1 207 783)	(2 338 801)	184 266	2 573 416
	(4 886 907)	82 126 152	40 148 629	95 889 348

### 16.2 Income taxes paid

Amounts outstanding at beginning of year	1 289 421	(2 254 035)	--	--
Income statement charge	(17 601)	(120 240)	--	--
Amounts outstanding at end of year	(1 347 757)	(1 289 421)	--	--
	(75 937)	(3 663 696)	--	--

	Group		Corporation	
	2012 N\$	2011 N\$	2012 N\$	2011 N\$

### 16.3 Cash and cash equivalents

Cash and cash equivalents	143 965 056	171 212 850	119 714 146	112 022 013
Bank overdrafts	(4 629)	(59 929 069)	--	(59 928 062)
	143 960 427	111 283 781	119 714 146	52 093 951

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 JANUARY 2012 (continued)

N\$4 million of the balance above is restricted cash which was received from the Government for projects in the NCA.

The overdraft facilities have been secured as follows:

- VAT claims amounting to N\$23.4 million (2011: N\$8 million) have 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.
- Namibian stock, excluding items in transit to South Africa and Europe, to the value of N\$15 million has been ceded to Nedbank Namibia Ltd.

### 17. Financial instruments

Exposure to currency, interest rate and credit risk arises in the normal course of the Group's business. Derivative financial

instruments are used as a means of reducing exposure to fluctuations in foreign exchange rates and interest rates, when deemed necessary.

#### 17.1 Fair values of financial assets and liabilities

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

#### 17.2 Categories of financial assets and liabilities

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

Group - 2012	At fair value through profit or loss	Through other comprehensive income	At amortised cost	Financial liabilities at amortised cost	Non financial assets and liabilities	Total
	N\$	N\$	N\$	N\$	N\$	N\$
<b>Assets</b>						
Property, plant and equipment	--	--	--	--	168 170 453	168 170 453
Deferred tax assets	--	--	--	--	27 759 386	27 759 386
Inventories	--	--	--	--	121 360 170	121 360 170
Biological assets	--	--	--	--	27 992 804	27 992 804
Trade and other receivables	--	--	135 130 260	--	28 861 428	163 991 688
Taxation	--	--	--	--	1 377 541	1 377 541
Cash and cash equivalents	--	--	143 965 056	--	--	143 965 056
	--	--	279 095 316	--	375 521 782	654 617 098
<b>Liabilities</b>						
Non – current interest bearing loans and borrowings	--	--	--	90 299 918	--	90 299 918
Provisions	--	--	--	--	12 891 995	12 891 995
Bank overdraft	--	--	--	4 629	--	4 629
Current interest bearing Loans and borrowings	--	--	--	118 613 943	--	118 613 943
Trade and other payables	--	--	--	87 363 545	--	87 363 545
Income tax payable	--	--	--	--	29 784	29 784
	--	--	--	296 282 035	12 921 779	309 203 814

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 JANUARY 2012 (continued)

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

Corporation - 2012	At fair value through profit or loss	Through other comprehensive income	At amortised cost	Financial liabilities at amortised cost	Non financial assets and liabilities	Total
	N\$	N\$	N\$	N\$	N\$	N\$
<b>Assets</b>						
Property, plant and equipment	--	--	--	--	167 279 794	167 279 794
Investment in subsidiaries	--	--	98 269 243	--	--	98 269 243
Deferred tax assets	--	--	--	--	27 229 659	27 229 659
Inventories	--	--	--	--	112 127 436	112 127 436
Biological assets	--	--	--	--	27 992 804	27 992 804
Trade and other receivables	--	--	81 012 559	--	24 479 869	105 492 428
Cash and cash equivalents	--	--	119 714 146	--	--	119 714 146
	--	--	298 995 948	--	359 109 562	658 105 501
<b>Liabilities</b>						
Non – current interest bearing loans and borrowings	--	--	--	90 299 918	--	90 299 918
Provisions	--	--	--	--	12 751 000	12 751 000
Current interest bearing loans and borrowings	--	--	--	118 613 942	--	118 613 942
Trade and other payables	--	--	--	75 605 713	--	75 605 713
Amounts due to subsidiaries	--	--	--	15 927 664	--	15 927 664
	--	--	--	300 447 237	12 751 000	313 198 237

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

Group - 2011	At fair value through profit or loss	Through other comprehensive income	At amortised cost	Financial liabilities at amortised cost	Non financial assets and liabilities	Total
	N\$	N\$	N\$	N\$	N\$	N\$
<b>Assets</b>						
Property, plant and equipment	--	--	--	--	163 391 563	163 391 563
Deferred tax assets	--	--	--	--	32 454 176	32 454 176
Inventories	--	--	--	--	79 037 472	79 037 472
Biological assets	--	--	--	--	14 281 112	14 281 112
Trade and other receivables	--	--	134 255 560	--	30 070 436	164 325 996
Taxation	--	--	--	--	1 300 349	1 300 349
Cash and cash equivalents	--	--	171 212 850	--	--	171 212 850
	--	--	305 468 410	--	320 535 108	626 003 518
<b>Liabilities</b>						
Non – current interest bearing loans and borrowings	--	--	--	9 533 494	--	9 533 494
Provisions	--	--	--	--	11 191 309	11 191 309
Bank overdraft	--	--	--	59 929 069	--	59 929 069
Current interest bearing loans and borrowings	--	--	--	118 618 088	--	118 618 088
Trade and other payables	--	--	--	88 567 182	--	88 567 182
Income tax payable	--	--	--	--	10 928	10 928
	--	--	--	276 647 833	11 202 237	287 850 070

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 JANUARY 2012 (continued)

Corporation - 2011	At fair value through profit or loss	Through other comprehensive income	At amortised cost	Financial liabilities at amortised cost	Non financial assets and liabilities	Total
	N\$	N\$	N\$	N\$	N\$	N\$
<b>Assets</b>						
Property, plant and equipment	--	--	--	--	162 415 901	162 415 901
Investment in subsidiaries	--	--	55 407 935	--	--	55 407 935
Deferred tax assets	--	--	--	--	32 251 347	32 251 347
Inventories	--	--	--	--	75 618 418	75 618 418
Biological assets	--	--	--	--	14 281 112	14 281 112
Trade and other receivables	--	--	128 520 878	--	13 787 889	142 308 767
Cash and cash equivalents	--	--	112 022 013	--	--	112 022 013
	--	--	295 950 826	--	298 354 667	594 305 493
<b>Liabilities</b>						
Non – current interest bearing loans and borrowings	--	--	--	9 533 494	--	9 533 494
Amounts due to subsidiaries	--	--	--	--	11 073 964	11 073 964
Provisions	--	--	--	59 928 062	--	59 928 062
Bank overdraft	--	--	--	118 583 005	--	118 583 005
Current interest bearing loans and borrowings	--	--	--	75 452 384	--	75 452 384
Trade and other payables	--	--	--	--	--	--
	--	--	--	263 496 945	11 073 964	274 570 909

### 18. Related parties

#### 18.1 Identity of related parties with whom material transactions have occurred

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

#### 18.2 Types of related party transactions

Slaughtering and cold storage fees received from Namibia Allied Meat Company (Pty) Ltd, and included in revenue of the Corporation amounted to N\$5 818 880 (2011: N\$6 981 281).

The Corporation paid commission for the throughput through borders of N\$ NIL (2011: N\$3 433 333) to Namibia Meat Importers and Exporters (Proprietary) Limited, a wholly owned subsidiary, incorporated in the Republic of South Africa.

The Corporation paid commission of N\$ NIL (2011: N\$14 191 185) to Namibia Meat Importers and Exporters (Proprietary) Limited, a wholly owned subsidiary, incorporated in the Republic of South Africa.

The Corporation paid commission of N\$26 717 317 (2011: N\$17 624 518) to Meat Corporation of Namibia (UK) Limited, a wholly owned subsidiary, incorporated in the United Kingdom.

Interest income received from subsidiaries is as follows:

- Namibia Allied Meat Company (Pty) Ltd: N\$ NIL (2011:N\$1 246 991)
- Namibia Meat Importers & Exporters (Pty) Ltd: N\$4 865 028 (2011: N\$329 032)
- Meat Corporation of Namibia (UK) Limited: N\$ NIL (2011:N\$454 826)
- Meat Corporation of Namibia (Guernsey) Limited: N\$ NIL (2011:N\$1 665 049)

Interest expense paid to subsidiaries is as follows:

- Meat Corporation of Namibia (UK) Limited: N\$ NIL (2011:N\$110 813)
- Meat Corporation of Namibia (Guernsey) Limited: N\$ NIL (2011:N\$107 579)

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

Meatco recovered costs amounting to N\$431 492 (2011: N\$1 448 276) from Namibia Allied Meat Company (Pty) Ltd.

Sales from Namibia Allied Meat Company (Pty) Ltd to Meatco amounted to N\$1 425 013 (2011: N\$1793 243).

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JANUARY 2012 (continued)

Sales to Namibia Meat Importers & Exporters (Pty) Ltd amounted to N\$397 761 516 (2011: N\$ NIL).

The directors' remuneration is reflected in Note 14.2.

## 19. Contingent liabilities

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

- A guarantee of N\$ NIL (2011: N\$1 573 250) is supplied to the South African Revenue Service for the liability on the VAT export account relating to export sales to the Republic of South Africa.
- A guarantee of N\$1 000 000 (2011: N\$1 000 000) is supplied to Customs and Excise.
- A guarantee of N\$91 000 (2011: N\$91 000) is supplied to Nampower for the purchase of electricity for Okapuka Tannery and Feedlot.

- A guarantee of N\$67 566 (2011: N\$67 566) is supplied to the Municipality of Windhoek for the monthly water and electricity account of Windhoek Factory.

- A guarantee of N\$ NIL (2011: N\$49 495) is supplied to the Municipality of Okahandja for the monthly water and electricity account of the Okahandja factory.

During prior years, the Corporation entered into agreements with producers, whereby the producers are required to deliver an agreed quantity of cattle at an agreed future date. The Corporation guarantees the minimum price per kilogram per grade carcass weight to be paid for these cattle, which will not be lower than the prevailing price per kilogram per grade payable by the Corporation to non-participant producers who slaughter their cattle at the Corporation as at the slaughter date. At year-end the Corporation had entered into agreements with producers for the future delivery of a total of 10 778 (2011: 13 030) cattle.





