ANNUAL REPORT

THE MEAT CORPORATION

Meatco Annual Report 2018/19 showcases our activities in the 2018/19 financial year, focusing on Namibia's red meat industry and

2018/19

how Meatco contributes to stability in this important sector.

Photograph: Namibia Brahman Breeders Society

WELCOME STAKEHOLDERS

THE MEAT CORPORATION

REPORT CONTENT

About this 2018/19 Report

This report, covering the financial period of 1 February 2018 to 31 January 2019, contains information on the Meat Corporation's (Meatco's) governance, strategies, performance and prospects and is designed to provide a balanced overview of key developments in the period under review.

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

The Annual Financial Statements, as presented in Meatco's Annual Report for 2018/19, was approved by the Board of Directors on 3 June 2019.

Photograph on front page of cattle in veld: Bonsmara Breeders Society

MEATCO AT A GLANCE

Photograph: Hereford Breeders Society

WHO WE ARE AND WHAT WE DO

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

Our business is meat processing and marketing

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

Meatco has also integrated backwards into the value chain in partnership with Namibian producers, in order to produce high-quality, slaughter-ready livestock.

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

Namibian livestock producers south of the veterinary cordon fence (SVCF) who sell at least one unit of livestock to Meatco every three years and producers north of the veterinary cordon fence (NVCF) who sell one unit of livestock to Meatco every five years, are entitled to membership in the Corporation.

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

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

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WHAT MEATCO LIVES FOR

At the heart of Meatco's operations is the historical relationship it has been able to establish with Namibian cattle producers, acting as a value-adding and marketing entity to pass the value gained from various markets back to our producers through the producer price paid for cattle delivered to Meatco.

Meatco and our processes are regularly audited by independent, internationally recognised auditing company such as NSF International. All its facilities comply with International Organization for Standardization ISO 22 000 which includes Hazard Analysis and Critical Control Points (HACCP) 1033:2007, and quality management. The Corporation is also subject to separate auditing activities mandated by certain of its clients which conduct their own independent audits every two years.

Meatco is proud that our export abattoir in the capital city of Windhoek holds an 'A' grading in terms of the internationally recognised British Retail Consortium (BRC) standards. The BRC standards relate to food safety whereby yearly audits are conducted to confirm compliance to food safety during food production.

VISION

Meatco's vision is to be the preferred marketing channel of Namibian livestock and to promote the most sought-after meat brands in the long-term interest of our stakeholders.

MISSION

The mission is to improve the Namibian socio-economic environment, through maximising producer returns.

OBJECTIVES

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

MEATCO'S OBJECTIVES

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

01. To create equal access to market;

02. To take leadership in the Namibian meat industry in national interest;

03. To create the infrastructure to support our drive to be a sustainable and commercially competitive business with best practice in all we do;

04. To create added value for all customers through unique competencies, cost-effective and innovative processes, sound social and environmental practices;

05. To promote Namibian meat brands in Namibia and selected global markets; and

06. Our people play an important part in realising our objectives and we continuously work to create a culture that is conducive to productivity and development.

CODE OF CONDUCT

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

CODE OF CONDUCT

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

HOW MEATCO IS MANAGED

Ethics

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

Governance

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

Risk management

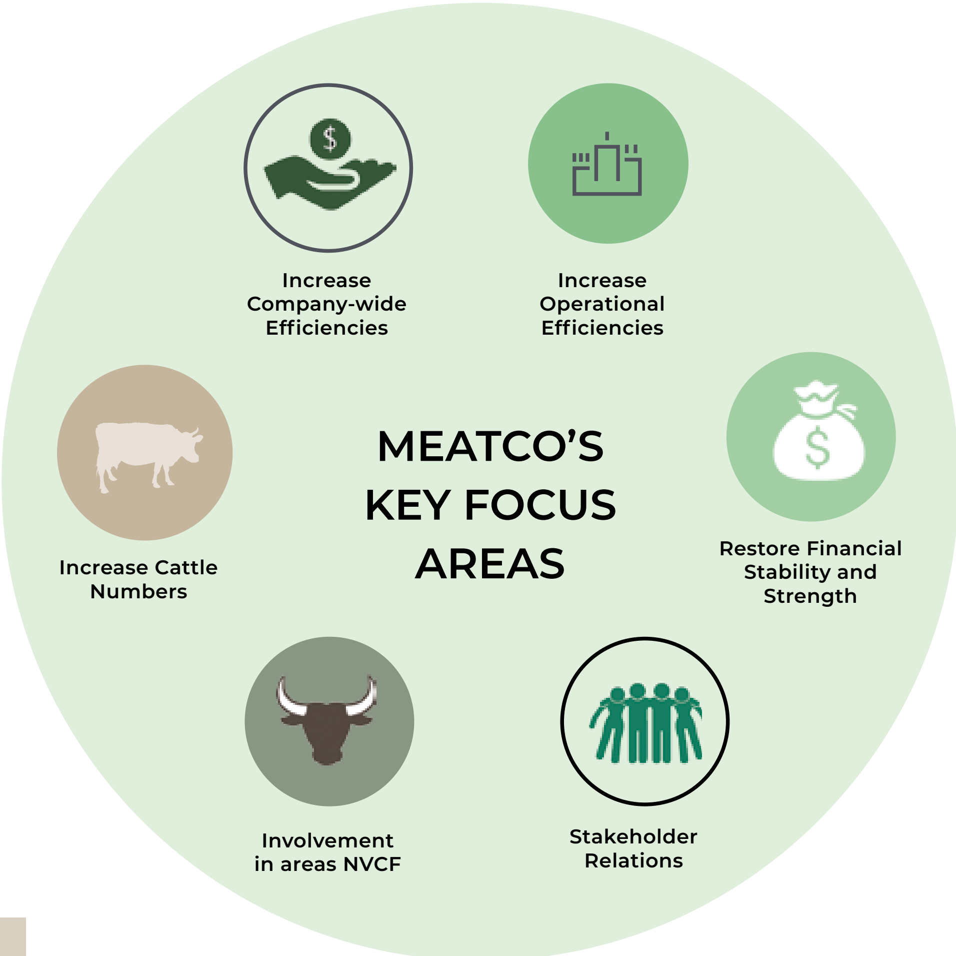
As a pragmatic business entity, Meatco recognises that there is no opportunity without risk. It therefore has appropriate structures in place to identify, monitor and manage its risks effectively. Risk is managed at three discrete levels in the Corporation: the line manager at operational level; the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

Remuneration

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

MEATCO'S BUSINESS FOCUS AREAS

To achieve our objectives, we identified six business focus areas:



MEATCO'S BOARD OF DIRECTORS

DR MARTHA NAMUNDJEBO-TILAHUN
CHAIRPERSON: APPOINTED FOR HER SPECIALISED BUSINESS EXPERTISE

MR RONALD L KUBAS
VICE CHAIRPERSON: APPOINTED FOR HIS EXPERTISE IN ENGINEERING

MR MUSHOKOBANJI I MWILIMA
DIRECTOR: APPOINTED TO REPRESENT COMMUNAL FARMERS

MS SOPHIA KASHEETA
DIRECTOR: APPOINTED AS REPRESENTATIVE OF MINISTRY OF AGRICULTURE, WATER AND FORESTRY

MR ISRAEL I NGANGANE
DIRECTOR: APPOINTED TO REPRESENT EMPLOYEE INTERESTS

MR EDWIN D BEUKES
CO-OPTED MEMBER OF THE BOARD; CO-OPTED FOR HIS EXPERTISE IN FINANCE

DR DIANA L VAN SCHALKWYK
CO-OPTED MEMBER OF THE BOARD; CO-OPTED FOR HER EXPERTISE IN THE MEAT SECTOR

MR SILAS-KISHI SHAKUMU
CO-OPTED MEMBER OF THE BOARD; CO-OPTED FOR HIS EXPERTISE IN CORPORATE LEGAL AND GOVERNANCE MATTERS

EXECUTIVE AND MANAGEMENT TEAM

AS AT 31 JANUARY 2019

JANNIE BREYTENBACH

ACTING CHIEF EXECUTIVE OFFICER AND EXECUTIVE: OPERATIONS

Joined Meatco in 1994.

Formal education:

National Diploma in Finance and Administration (UNISA).

MEATCO'S EXECUTIVE COMMITTEE IS RESPONSIBLE FOR THE DETAILED PLANNING AND IMPLEMENTATION OF MEATCO'S OBJECTIVES AND POLICIES, AS DETERMINED BY THE BOARD OF DIRECTORS.

After the realignment of Meatco's organisational structure (more information is provided further in the report), the Executive and Management Team is comprised of the Acting CEO, executives and senior managers who collectively are responsible for the portfolios that constitute the heart of Meatco's operations.

HEINER BÖHME

EXECUTIVE: LIVESTOCK PROCUREMENT

Joined Meatco in 2007.

Formal education:

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

ISAAC NATHINGE

EXECUTIVE MARKETING AND SALES

Joined Meatco in 2019.

Formal education:

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

ILANA BROWN

ACTING CHIEF FINANCIAL OFFICER AND GROUP ACCOUNTANT

Joined Meatco in 2013.

Formal education:

BCOMPT (Hon), UNISA; BCOMPT, University of Stellenbosch/UNISA, South Africa.

ABRAHAM CHRISTIAAN

SENIOR MANAGER HUMAN RESOURCES AND INDUSTRIAL RELATIONS

Joined Meatco in 2014.

Formal education:

BA Public Administration (Hons), Post-graduate Dip (Dispute Settlement), South Africa; Senior Management Development Programme (all at University of Stellenbosch, South Africa), NatDip Public Administration (NUST).

ADRIANATUS MASEKE (DR)

SENIOR MANAGER QUALITY ASSURANCE

Joined Meatco in 2018.

Formal education:

MSc Veterinary Epidemiology & Public Health, University of London; Bachelor's degree in Veterinary Medicine & Surgery, MEDUNSA; Management Development Programme: University of Stellenbosch Business School.

NAILOKE MHANDA

ADVISOR: LEGAL & COMPLIANCE AND COMPANY SECRETARY

Joined Meatco in 2018.

Formal education:

Admitted Legal Practitioner of the High Court of Namibia; LLB Degree; BA Juris degree; Certificate in International Project Management; Certificate in Entrepreneurship.

KINGSLEY KWENANI

SENIOR MANAGER: MEATCO FOUNDATION

Joined Meatco in 2013.

Formal education:

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

2018/19
AT A GLANCE


Photograph: Nguni Breeders' Society

CATTLE SOURCED AND SLAUGHTERED

In the reporting year, Meatco slaughtered 62,086 cattle sourced south of the veterinary cordon fence (SVCF), of which

- 40,366 (2017/18: 32,976) was from Meatco producers SVCF,
- 2,518 (2017/18: 15,502) from Meatco's backwards integration sources, and
- 19,202 (2017/18: 33,506) from Meatco feedlots.

A total of 1,521 (2017/18: 896) cattle were slaughtered north of the veterinary cordon fence (NVCF).

The 62,086 cattle slaughtered was approximately 7,000 cattle more than cattle expected. Although we did not increase the throughput with as many cattle as we aimed for, the additional 7,000 cattle contributed to keeping the processing plant in production.

AVERAGE PRODUCER PRICES

The average producer price increased by 9.88 per cent, from N$37.64/kg in 2017/18 to N$41.36/kg in 2018/19. This was 4.34 per cent higher than the South African parity price. Of Meatco's overall turnover, we paid out 61.14 per cent (2017/18: 53.2 per cent) to producers, which represented an increase of 7.94 per cent.

SOURCED 7,390 MORE CATTLE FROM MEATCO'S PRODUCERS SVCF

EASE MARKETING ACCESS TO MEATCO

To ease marketing access to Meatco, we successfully introduced an improved online booking system that functions like an app to communicate more efficiently with producers. The system is essentially a webpage that looks and behaves like an app, which means it can be operated on any device.

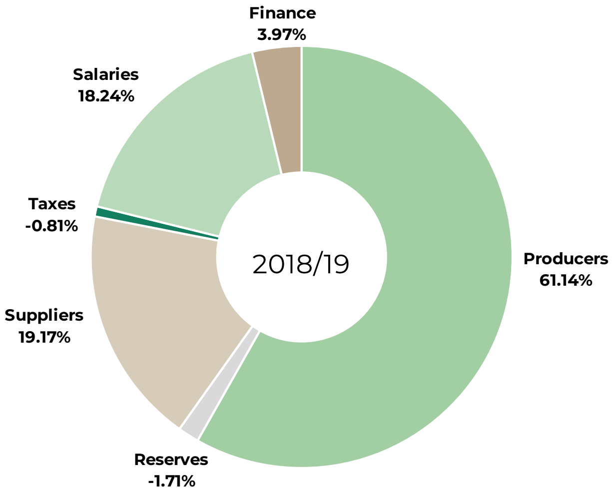
The system has two major objectives: firstly, to make it as simple and easy as possible for all users, taking cognisance of the many rules involved; and secondly, to make it fair for all producers with the appropriate allocations, and with the minimum of human intervention.

INCREASED EFFICIENCIES

Right-sizing Meatco's workforce through organisational restructuring and block slaughtering, result in a saving N$40 million per annum on the salary account.

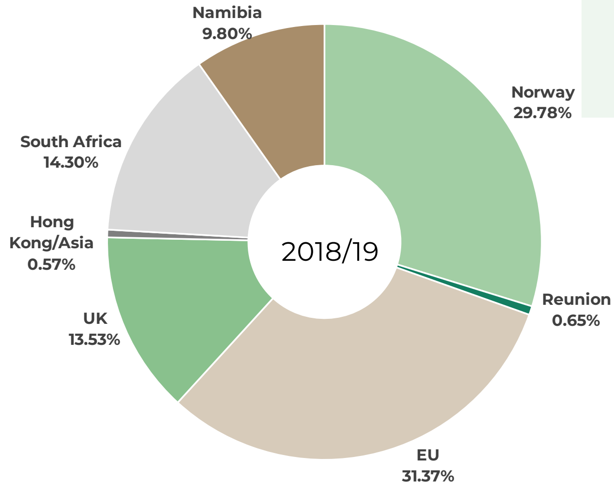
FINANCIAL ACHIEVEMENT

1	Meatco's overall loss decreased from N$51 million to N$18 million; we plan to break even in the next financial year, returning to profitability the year thereafter.	**N$33 million improvement**
2	Meatco's cash conversion cycle improved from 130 days at the end of August 2018 to 74 days at January 2019.	**74 days**
3	Through a wide range of cost-cutting activities, Meatco reduced administration expenses with 12 per cent year-on-year, resulting in a saving of N$31 million.	**N$31 million**



Value Addition

Meatco was able to increase the percentage paid to producers from 53.21 per cent during the previous reporting year to 61.14 per cent in the current financial year. Our finance cost also decreased from 4.85 per cent to 3.92 per cent.



Marketing and Sales

The three international markets — the Norwegian, UK and European Union markets — accounted for 74.68 per cent of the total revenue, representing nearly three-quarters of Meatco's overall income. This fact reinforce the vital role of these niche markets for the Namibian producers.

CORPORATE GOVERNANCE AT MEATCO

It is the responsibility of the Board of Directors to govern, guide and steer the strategic direction of Meatco. The current Board of Directors was appointed on 16 February 2017 for a period of three years. In terms of Section 5 of the Meat Corporation of Namibia Act, Act. No. 1 of 2001, the Minister of Agriculture, Water and Forestry appoints the Meatco Board from individuals nominated by members and other stakeholder groups.

BOARD OF DIRECTORS

INDEPENDENCE, SKILLS AND KNOWLEDGE

The Meatco Board is comprised of a total of six directors and three co-opted members of the Board appointed in terms of section 15 of the establishing Act. All Meatco Board members are non-executive directors, with three of the total directorship appointed to represent the interests of the Corporation's employees, communal farmers and commercial farmers respectively. For the reporting period, there has been a vacancy on the Board for the director representing the interests of commercial farmers.

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

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

THE NAMCODE

THE CORPORATE GOVERNANCE CODE OF NAMIBIA (NAMCODE)

For the purposes of corporate governance, the Corporation has accepted the King Code on Corporate Governance (2016) and most of the precepts of the NamCode. The latter code has been in effect since 1 of January 2014 and is based on international best practices. During the year under review, four Board members and six members of Meatco's management underwent training on Corporate Governance. Deviations that Meatco has taken from the NamCode are listed in the table below.

NAMCODE GUIDELINES	MEATCO DEVIATIONS
Shareholders should approve the company's remuneration policy.	Remuneration is reviewed in detail by the Remuneration and Human Resources Committee and approved by this Committee.
As a minimum directive of the Namcode, two executive directors should be appointed to the board, being the chief executive officer and a director responsible for the finance function.	Composition of the Meatco Board membership is by virtue of statute, as per the provisions of section 5 of the Meat Corporation of Namibia Act. As such the law makes no provision for the appointment of an Executive Director. However, the Chief Executive Officer and the Chief Financial Officer are available for the Board at all times and for purposes of all Board meetings to answer questions from, and make presentations to, the Board.

CONFLICT OF INTEREST

CONFLICT OF INTEREST

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

COMPANY SECRETARY

COMPANY SECRETARY

For the period under review, Ms E. Tuneeko served as the Advisor: Legal and Compliance/Company Secretary until end of April 2018. Since September 2018, Ms N. Mhanda assumed the role of Advisor: Legal & Compliance/ Company Secretary. Both Ms Tuneeko and Ms Mhanda are suitably qualified to serve in the role and have, during their respective tenures, access to the Corporation's resources in order to execute their duties effectively.
The Company Secretary provides support and guidance to the Board in matters relating to governance and compliance practices in all affairs of the Corporation. Directors have unrestricted access to the Company Secretary's expertise.

INDEPENDENCE OF EXTERNAL AUDITORS

INDEPENDENCE OF EXTERNAL AUDITORS

Meatco's 2018/19 Annual Financial Statements were audited by the external auditors, Grand Namibia who have confirmed to the Board's Audit and Risk Committee their independence in the performance of their duties for the reporting period.

FINANCIAL STATEMENTS

FINANCIAL STATEMENTS

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

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

OPERATION OF THE BOARD OF DIRECTORS

AREAS OF RESPONSIBILITY

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

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

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

BOARD STRUCTURE

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

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

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

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

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

For the period under review, it was incumbent upon management through the CEO to provide the Board and its committees with comprehensive and timely information, including detailed financial information, adequate resources and support to enable the directors fully discharge their responsibilities.

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

BOARD MEETINGS

During the year under review, the Board met ten times as follows, both remunerative and non-remunerative:

- Four ordinary meetings
- Two strategic sessions
- One Annual General Meeting with the Meatco members
- One special general meeting with the Meatco members, and
- Two special meetings.

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

Records of Directors' attendance at Board meetings, committee meetings, and the Annual General Meeting are set out in the table below.

Attendance of Board Member	Board Meetings	Audit and Risk Committee Meetings	Remuneration and HR Committee Meetings	Management Support Committee Meetings	Restructuring Committee Meetings	Annual General Meetings	Special General Meeting
M. Namundjebo-Tilahun	5	-	-	-	-	√	√
I.I. Ngangane	6	-	4	-	-	√	√
R.L. Kubas	6	7	-	-	-	√	√
S. Kasheeta	4	-	3	-	-	√	-
E. Beukes	5	6	-	-	7	√	√
S. Oosthuizen	Resigned 16 February 2018						
M. Mwilima	6	3	4	-	8	√	√
D. van Schalkwyk	6	7	-	-	7	√	√
S. Shakumu	5	-	3	-	-	√	√
By invitation:							
J. Breytenbach, Acting CEO/ Executive: Operations	6	7	4	-	6	√	√
Company Secretaries: Ms E Tuneeko/Ms N Mhanda and Recording Secretary: Ms R Campbell	6	7	4	-	8	√	√

BOARD COMMITTEES

AUDIT AND RISK COMMITTEE

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

The meetings were attended by the Executive: Operations/Acting Chief Executive Officer, Group Financial Accountant/Acting CFO, the Internal Auditor, the Internal Audit Consultant, as well as the External Auditor. Other members of management attended on request, when required.

The Audit and Risk Committee reports on its activities and makes recommendations to the Board.

The committee's activities during the year included:

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

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

REMUNERATION AND HUMAN RESOURCES COMMITTEE

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

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

REMUNERATION AND HUMAN RESOURCES COMMITTEE: RESTRUCTURING SUB-COMMITTEE

The Board had established a temporary sub-committee under the Remuneration and Human Resources Committee to assist with the realignment and restructuring exercise at the Corporation. The Restructuring Sub-committee was chaired by Board member Mr M. Mwilima and met eight times during the reporting year. The meetings were attended by the Acting Chief Executive Officer and the Executive: Human Resources/Senior Manager: Human Resources. Other members of the management team as well as workplace union representatives attended on invitation.

The Restructuring Sub-committee oversaw the realignment and restructuring exercise at the Corporation. The committee reports and makes recommendations to the Board.

CHAIRPERSON'S REPORT

DR MARTHA NAMUNDJEBO-TILAHUN

CHAIRPERSON

It is said that in the face of adversary, you have three choices: you can let it define you, let it destroy you, or let it strengthen you. The people of Meatco chose to let it strengthen us.

Ending the previous financial year with a loss of N$51 million and Meatco's ability to continue as a financially viable business being questioned, drastic measures had to be taken.

In 2018/19, we took some drastic measures. First, we took stock; we mapped a road to recovery and sustainability; and then we took the proverbial bull by the horns and went to work.

The Board approved a one-year turn-around strategy in February 2018, focusing on minimising losses, and to increase the sustainability of the Corporation in the current financial environment.

It was a tough year, but true to the tenacity and sheer guts I came to expect from Meatco team of directors and employees, we persevered, although it was another year where we made losses for the Group. However, the financial position of the Group improved substantially — a dramatic turn-around from where we were 12 months ago. As we continue on this road to recovery, the strategy is to break even in the next financial year, and thereafter start building our reserves, going forward.

We are through the worst. Although there is still much work to be done, we are looking ahead with confidence, knowing that we are on the right road. We are more determined than ever to maintain this positive momentum.

Despite the challenges we face, the future of the red meat industry is promising. Agriculture is a vital component of our country's economy, and will remain so for many decades. In the next financial year we will start to execute our Five-year Strategic Plan for 2019/20 until 2023/24. With a clear strategy and a laser focus on the needs of our stakeholders, Meatco is better equipped than ever to help our producers meet their commercial objectives.

I would like to take the opportunity to thank our Line Minister, the Minister of Agriculture, Water and Forestry, Hon. Alpheus G. !Naruseb, MP, and the Minister of Public Enterprises, Hon. Leon Jooste, MP, for their leadership and confidence in Meatco during these challenging times.

A warm word of thanks is also extended to my fellow Board members for their positive support throughout the year, as well as to the Acting CEO, the management and all employees – thank you for all your hard work and for not giving up! We salute you.

DR MARTHA NAMUNDJEBO-TILAHUN
CHAIRPERSON: BOARD OF DIRECTORS
3 JUNE 2019

ACTING CEO'S REVIEW

JANNIE BREYTENBACH
ACTING CHIEF EXECUTIVE OFFICER
-

Welcome to our 2018/19 annual report.

The 2018/19 financial year was a year of taking stock, identifying the critical areas we need to focus our attention on in order to stabilise Meatco in the short term, and to ensure its long-term sustainability to the benefit of all industry stakeholders.

The turn-around strategy, as approved by the Board in February 2018, guided all our actions during this review period. The two focus areas we identified that require our unwavering attention, were:

- Realign the business to the current cattle numbers and thereby minimise losses, and
- Increase the sustainability and competitiveness in the current financial environment.

In order to achieve our objective we identified six strategic actions we had to follow:

1. Increase cattle numbers to the abattoir and processing plant
2. Increase efficiencies in all our activities and processes
3. Increase operational efficiencies
4. Restore financial stability and strength
5. Focus on our stakeholder relationships and reputational risk factors, and
6. Get involved in the areas north of the veterinary cordon fence (NVCF).

Because all our actions throughout the year centred on the turn-around strategy, this year we deliberately diverted from the format we previously used to present our activities to our stakeholders in the annual report – that is, by reviewing each department's activities separately.

This year, we shall report based on the structure of the turn-around strategy. In this regard, all activities planned and executed as part of each of the six strategic actions will be presented in separate sections. Included will be what we achieved thus far, as well as further actions we shall take in the next financial year.

It is common knowledge that Namibia's red meat industry is facing challenges on a number of fronts. Dynamics in the market place – on the domestic, regional and international fronts – change continuously. Issues such as value chain integration, international competitiveness, changing consumer patterns, social license to operate and climate change, coupled with local issues such as drought, a shrinking national herd, degradation of rangelands, among others, will test Namibian livestock producers relentlessly.

By facing challenges together, supporting each other and working hand-in-hand, all stakeholders in the red meat industry will benefit, and not only survive, but thrive.

Meatco has in the past, and will continue in future, to play a central role in stabilising the industry. Our vision remains to be the preferred marketing channel for every Namibian livestock producer and to promote the most sought-after meat brands in the long-term interest of our stakeholders.

This year, more so than ever, demonstrated that all players in the red meat industry are dependent on each other. What affects the one negatively in one part of the country, impacts the other on the other side. We need to accept that we cannot work independently, hence we need to work together to build and expand the industry to everyone's benefit.

In conclusion, a word of thanks to the Board of Directors for their confidence in me to act in this role, guiding Meatco through this difficult time. To each and every Meatco employee – we wouldn't have been here today without your loyalty, tenacity and plain hard work; I thank you all deeply.

Now that we've mapped the road for the next five years in our new Five-year Strategic Plan, we are looking ahead with confidence and enthusiasm. We know we still have a tough road ahead, but we will continue with the momentum we've mustered thus far, to the long-term sustainability of Meatco and the meat industry.

JANNIE BREYTENBACH
ACTING CHIEF EXECUTIVE OFFICER

PERSPECTIVE ON THE GLOBAL AND NAMIBIA'S RED MEAT INDUSTRY

According to the Food and Agriculture Organization (FAO) of the United Nations, in 2016 the world had 998,313,000 head of cattle. Brazil has the largest cattle inventory in the world, followed by India and China.

More than 100 countries (104 to be exact) have a cattle inventory in excess of 1 million head, of which Namibia is one.

Photograph: Simbra Breeders Society

THE GLOBAL CONTEXT

CATTLE NUMBERS

For every head of cattle in Namibia, there are 422 in other countries.

MEAT PRODUCED

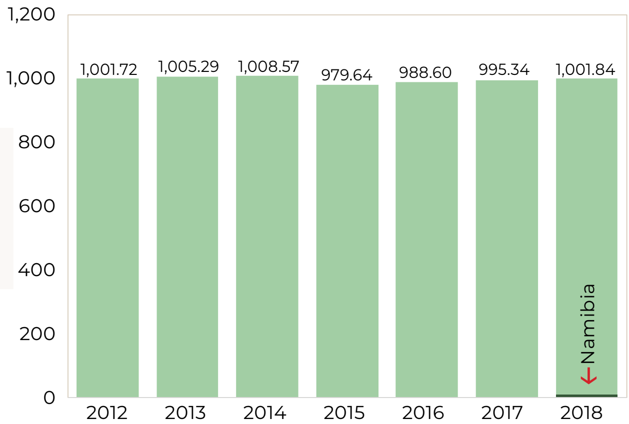
For every tonne of meat produced by Namibia, there are 1,677,500 tonnes produced by other countries.

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

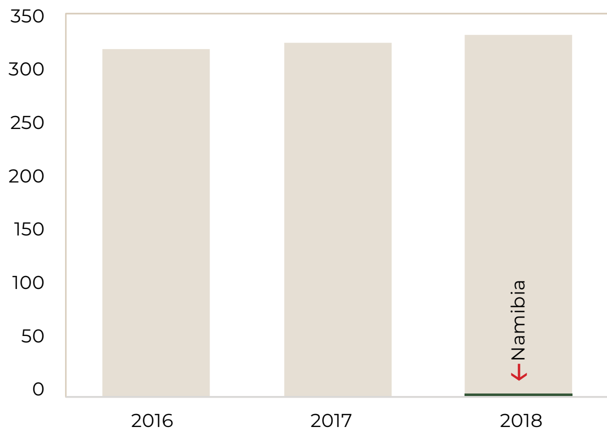
The 2.7 million cattle in Namibia's herd represents less than half a per cent (to be exact, 0.27 per cent) of the global herd, which is estimated to amount to 1.001 billion in 2018.

The production of meat worldwide is estimated to amount to 335,510,000 tonnes, compared with Namibia's meat production of estimated 34,020 tonnes and Meatco's 15,620 tonnes of meat processed in 2018/19.

Number of cattle worldwide, 2012-2018 (in million head)
(Source: US Department of Agriculture; USDA Foreign Agriculture Service)



Production of meat worldwide, 2012-2018 (in million tonnes)
(Source: US Department of Agriculture; USDA Foreign Agriculture Service)



Global Cattle Map

1,001,000,000 cattle

Brazil
Herd in growth phase

232.5 million cattle,

23.22% of global herd

Second largest herd after India (305 million, 30.44% of global herd)

China
Herd in 5 year decline

96.85 million cattle

9.67% of global herd

Major importer from US/OZ/NZ/Brazil/Uruguay

United States
Herd in growth phase

54.4 million cattle

5.43% of global herd

Circa 10% increase since 2014

Cattle price 20% below EU, 25% below UK

Europe
Herd size increased slightly

88.5 million cattle

8.84% of global herd

Growth in dairy herd, decline in beef herd

Argentina

Herd size increased slightly

57.75 million cattle

5.76% of global herd

Much more visible as exporter

Drought had driven sales in 2018

Australia

Herd building started in 2017 after drought

25.5 million cattle

2.54% of global herd

Key exporter to Pacific Rim

Mexico

Herd in 5 year decline

16.38 million cattle

1.63% of global herd

Circa 28% decline since 2009

US demand a strong driver

Uruguay

Herd size slightly decreased

11.75 million cattle

1.17% of global herd

China key market (2nd largest supplier; EU & US key export markets)

New Zealand

Large regional exporter

10.01 million cattle

1.00% of global herd

Net exporter of cattle and lamb

Aberdeen Angus/Wagyu

South Africa

Herd in decline (source: WWF report)

12.8 million cattle

1.27% of global herd

Commercial and feedlots

Exports to SADC region and Middle East

Namibia

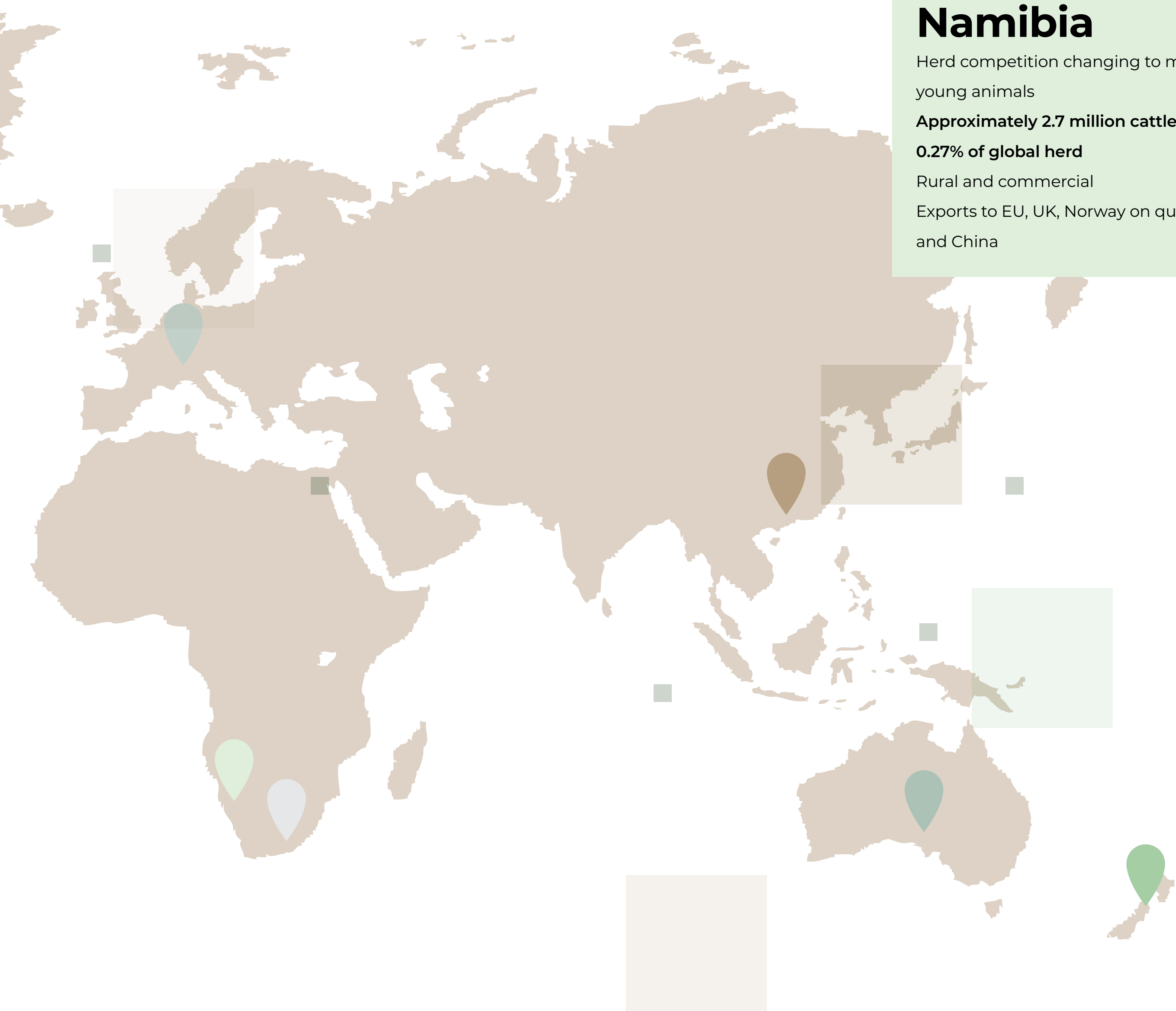
Herd competition changing to more young animals

Approximately 2.7 million cattle

0.27% of global herd

Rural and commercial

Exports to EU, UK, Norway on quotas, and China



GLOBAL CONCERNS

Beef is one of the most consumed meats in the world after pork and chicken, as it is a source of high-quality protein and essential nutrients. Although it is growing in popularity across the world, there are many procurement and supply chain issues facing the beef industry globally.

CARBON FOOTPRINT

70%

Agriculture accounts for 70 per cent of fresh water drawn from rivers, lakes and aquifers.

Consumers are becoming wary about the impact of beef production on the environment. The resource requirement for beef production is high compared to other meats. Cattle require 28 times more land and 11 times more water, while it generates six times more greenhouse gas emissions per unit of protein than pork, chicken or egg production.

TRANSBOUNDARY ANIMAL DISEASES

Transboundary animal diseases such as bovine spongiform encephalopathy (BSE, better known as mad cow disease), foot-and-mouth disease (FMD) and lung sickness are highly contagious diseases that can spread rapidly across the borders of neighbouring countries. While not directly affecting human health, they can cause high rates of death and diseases in animals, and thereby have serious socioeconomic consequences.

GLOBAL UNCERTAINTIES

Global political and economic uncertainties further contributed towards instability in the global agriculture sector.

ANIMAL WELFARE

Numerous animal welfare organisations worldwide, such as People for the Ethical Treatment of Animals (PETA), have consistently promoted curtailing the consumption and production of meat. Their media campaigns showing the brutality and pain suffered by animals in the meat manufacturing process have heightened awareness of animal welfare. Also, the growing trend of vegetarianism and veganism in the developed countries has shown a negative trend towards beef consumption.

CLIMATE CHANGE

It is well-known that the impact of climate change can disrupt food availability, reduce access to food, and affect food quality. For example, projected increases in temperatures, changes in precipitation patterns, changes in extreme weather patterns, and reductions in water availability may all result in reduced agricultural productivity

SUSTAINABILITY OF BEEF PRODUCTION

A growing world population and increasing affluence are driving demand for red meats and animal proteins. The sector is faced with the dilemma of reducing each animal's environmental farm-to-fork 'hoofprint', without compromising the quality or quantity of beef. To be more sustainable, beef production needs to address the 3 Es:

- Environment
- Ethics, and
- Economics.

NAMIBIA'S AGRICULTURE SECTOR

Worth N$7.5 billion in 2017, Namibia's agriculture sector is in dire need of growth. Growth starts at farm level, but will only happen when it is profitable to producers.

A total of 77 per cent of Namibia's agriculture sector's combined value is exported while 23 per cent is imported. Different growth strategies are required for net importers versus net exporters. Net importers need continued protection against unfair competition, while net exporters need internationally competitive export value chains to unlock its potential.

NET EXPORTERS (2017/18)	
Cattle	N$3.4 billion
Sheep and goat	N$830 million
Charcoal	N$185 million
Grapes	N$818 million
Trophy hunting	N$540 million
Total	**N$5.77 billion**

NET IMPORTERS (2017/18)	
Grains	N$408 million
Vegetables	N$211 million
Dairy	N$141 million
Pork	N$124 million
Poultry	N$850 million
Total	**N$1.73 billion**

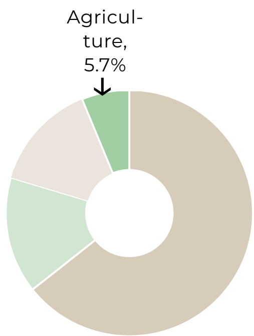
NAMIBIA'S RED MEAT INDUSTRY

Approximately 70 per cent of Namibia's population depends on livestock. According to the lastest available statistics (2017) the livestock industry worth N$3.4 billion, of which Meatco occupies nearly 50 per cent.

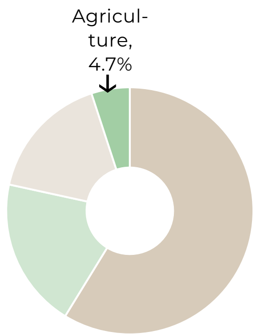
Since Meatco's inception in 1986, the Corporation has stabilised the livestock prices to producers.

We continue to have a relatively high producers price compared with other regional countries such as Botswana for example, which has the same net export status as Namibia, and serves the same international markets as we do.

The agriculture sector's contribution to Namibia's GDP:

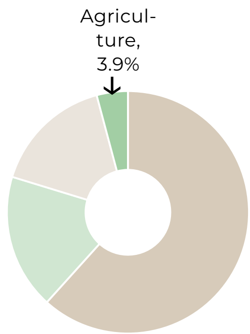


GDP CONTRIBUTION 1991-1996



GDP CONTRIBUTION 2007-2011

(Source: NSA)



GDP CONTRIBUTION 2012-2017

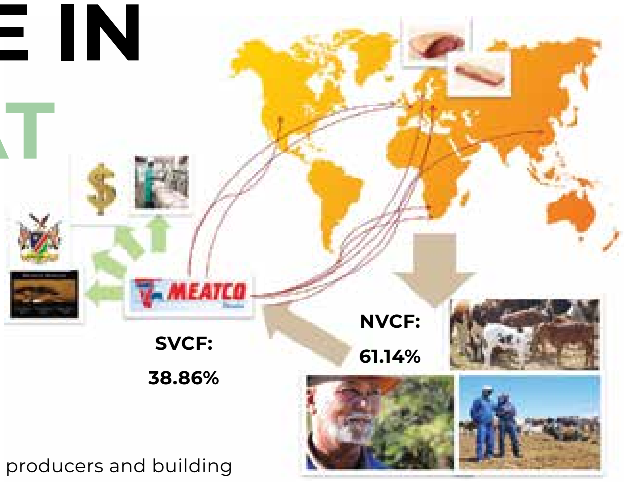
Agriculture sector | Other sectors | Secondary sectors | Tertiary sectors

AGRICULTURE'S CONTRIBUTION TO NAMIBIA'S GDP

During the past three decades, the GDP contribution of agriculture has steadily declined. In the period from 1991 to 1996 agriculture's contribution was 5.7 per cent. Between 2007 and 2011 it declined to 4.7 per cent, while in the past five years — from 2012 to 2017 — it eroded to only 3.9 per cent.

Only a conducive policy and regulatory environment, as well as a common vision will allow substantial growth to take place.

MEATCO'S ROLE IN NAMIBIA'S MEAT INDUSTRY



Meatco plays a vital role in Namibia's red meat industry, not only to stabilise the industry in the national interest, but also to access lucrative international markets on behalf of all livestock producers. Without Meatco's involvement, the red meat industry will revert back to being a commodity-driven industry, which will result in producers receiving much less for their cattle as is currently the case. Such a situation will invariably impact negatively on the sustainability of the whole industry.

Of the 2.7 million cattle in Namibia, 35.74 per cent are found in the areas south of the veterinary cordon fence (SVCF). Cattle sourced for SVCF can be exported to international markets, supporting the Namibian Government's development aims and policies, while maximising return to the producers and building credible premium brands for Namibian beef.

A total of 1.7 million (64.06 per cent) cattle in Namibia are found in the areas north of the veterinary cordon fence (NVCF). Meatco's role is the NVCF is to assist Government in stablising the red meat industry in the NVCF, more specifically to be actively involved with the NVCF with the aim to provide assistance to NVCF farmers and the operators of the NVCF abattoirs.

MEATCO'S MARKET SHARE OF CATTLE MARKETED: INCREASE IN LIVE EXPORTS

For many years, the number of cattle slaughtered in Namibia remained fairly constant at approximately 150,000 cattle per year. But over time, less and less cattle of the total cattle brought to market were slaughtered in Namibia, with the exportation of live animals that suddenly increasing from 2015 onwards.

Competition from South African feedlots increased exponentially, and it seems there was a deliberate strategy aimed at changing the production system in Namibia from a slaughter ox production system to a weaner production system.

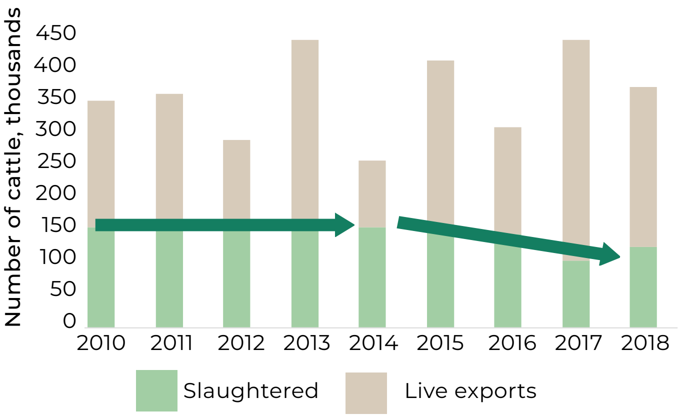
This will have severe consequences on the Namibia production system, as was experienced during the reporting year when the South African Authorities closed the borders due to the foot-and-mouth disease outbreak in South Africa. The feedlots stopped purchasing weaners in Namibia, resulting in a huge effect on the auction prices in Namibia.

2017 and 2018 marked the first time ever since Meatco's inception that our market share dropped below that of local abattoirs.

It was this concerning situation that required the intervention to be undertaken in the form of the turn-around strategy we developed and executed in this review period.

Number of Cattle Slaughtered vs Live Exports, 2010-2018

(Source: Meat Board of Namibia)



CATTLE SLAUGHTERED AT MEATCO

Cattle slaughter numbers have been on the decline, as illustrated by the graph below. The green line represents all cattle slaughtered, while the brown line represents cattle received from commercial producers. Meatco introduced the Okapuka Feedlot in the 1996/97 financial year after a severe drought in 1995.

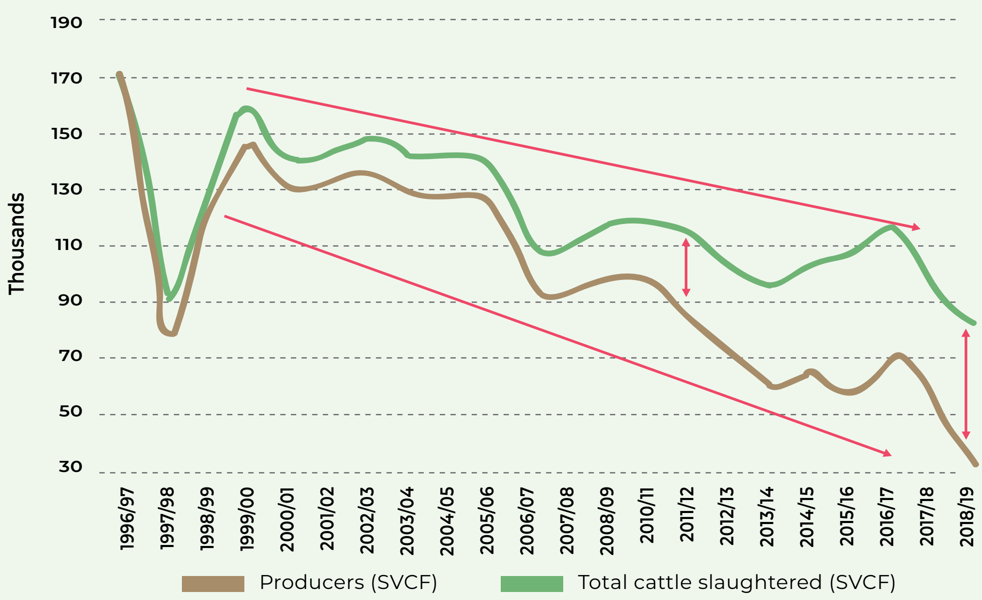
Ever since then, the major argument among stakeholders has been whether Meatco needed to operate a feedlot as part of its supply channel. The fact is, had Meatco not implemented the feedlot channel, the decline per annum would have been 4.48 per cent. However, due to the impact of the feedlot supply, the decline was held at 2.65 per cent over the past 19 years.

Notably, the gap between the green (actual slaughter) and brown (veld cattle) line continued to grow over time. Since 2006/07, Meatco has investigated other supply channels that are cheaper than the feedlot supply.

This resulted in the introduction of the Ekwatho™ Financing Scheme in 2007/08. In 2012/13, Ekwatho™ was terminated and replaced with the Meatco-owned (MoC) scheme, as part of the backwards integration projects.

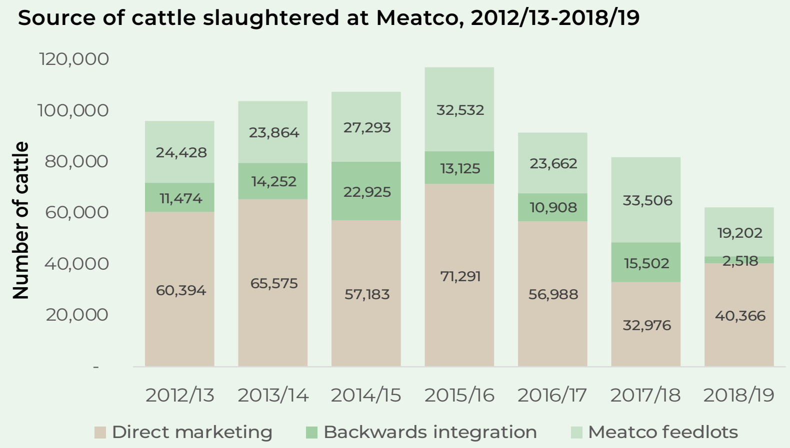
These schemes were developed in-house through trial and error. It must be said with no uncertainty that securing a sustainable supply of cattle for Meatco is not just a function of what Meatco does, it is very much a result of what is happening in the wider livestock and meat industry policy and regulatory environment. The external environment has a major impact on the cattle throughput. Hence the necessity for regular scanning and monitoring of the external environment as a risk mitigating factor.

Number of producers SVCF cattle slaughtered at Meatco vs total cattle slaughtered (SVCF), 1996/97-2018/19



During the past 23 years, supply of veld cattle has decreased even more rapidly: in 2005/06, Meatco sourced 89.2 per cent of its total throughput directly from producers, whereas in 2018/19 it was only 65 per cent.

SOURCES OF CATTLE SLAUGHTERED AT MEATCO



The past seven reporting years (2012/13-2018/19) saw one of the most severe and extended droughts throughout Namibia. With water scarcity a factor in central Namibia due to dams running dry, Meatco had to temporarily close its Okahandja factory in 2016.

As long as slaughter numbers remain below 120,000 per annum levels, Meatco will need only one abattoir capacity to slaughter all cattle available.

As depicted in the graph above, it is important to note two of the cattle streams, namely backwards integration and feedlots, are owned by Meatco. In the years when veld cattle were in good supply, these two streams were scaled down to give preference to veld cattle.

Equally, in years when veld cattle were in short supply, Meatco's own streams of cattle were scaled up to secure throughput, especially during the off-peak season.

It is an extremely sensitive balancing act on Meatco's part due to the cost structure of it own streams. The backwards integration, especially the MoC element, locks up cash in biological assets for an extended period, creating seasonal cash-flow challenges in the business.

Going forward, direct marketing will most likely come under threat due to more and more producers favouring other marketing channels to the disadvantages of export abattoirs. The graph reinforces the notion that producers favour local abattoirs due to their lower standards and no restrictions, compared with that of Meatco's export abattoir.

> Meatco introduced the Okapuka Feedlot in the 1996/97 financial year after a severe drought in 1995. Had Meatco not implemented this feedlot channel, the decline in available animals for slaughtering per annum would have been 4.48 per cent. However, due to the impact of the feedlot supply, the decline was held at 2.65 per cent over the past 19 years.

MEATCO'S MARKET SHARE IN NAMIBIA

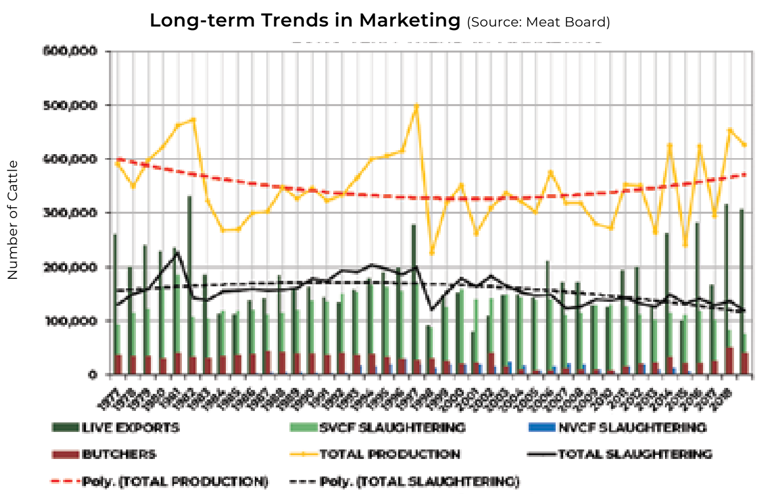
The fact that more producers may in future prefer to market their cattle to local abattoirs rather than directly to Meatco, in turn creates an uneven playing field between local and export abattoirs and as a result export abattoirs, are deprived of throughput. The throughput of local abattoirs or butchers is based on cattle hides sourced from those abattoirs and fairly represents an accurate picture.

The local abattoirs can compete with the Meatco business, although the latter has the advantage of the export market that the local abattoirs do not have access to. Therefore, the local abattoirs need to outperform the Meatco price to secure throughput to their abattoirs. In theory, it is supposed to be the case given their low-cost structure and the fact that they must offer above Meatco price to secure throughput.

This scenario challenges some of the main assumptions upon which the Meatco business model was developed initially, especially that of being a surplus market for cattle that cannot be absorbed by the local abattoirs, given our net-export status.

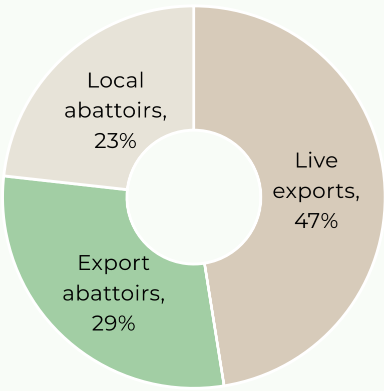
As local abattoirs' capacity is growing rapidly, sustainable cattle supply to Meatco remains one of the most critical value drivers in the business and shall remain so for a very long time.

It goes without saying that there is a need to review the current policy and regulatory environment in the meat industry with a view to safeguard the long-term sustainability of the meat industry of Namibia.

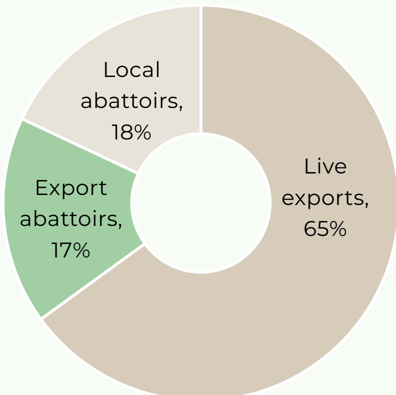


MARKET SEGMENTATION: 2016-2018 (JANUARY TO DECEMBER)

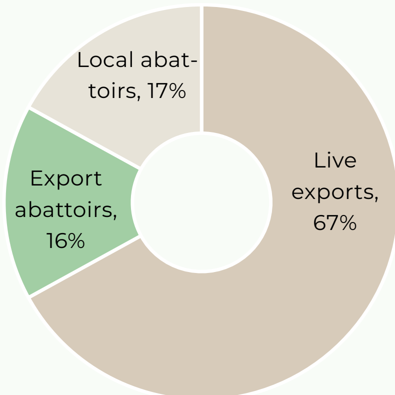
MARKET SHARE OF CATTLE MARKETED, 2016-2018 (Source: Meat Board of Namibia)						
	2016		2017		2018	
	Cattle	Percentage	Cattle	Percentage	Cattle	Percentage
Live exports	164,220	47%	315,198	65%	239,223	67%
Export abattoirs	102,637	29%	82,437	17%	57,465	16%
Local abattoirs	81,393	23%	87,286	18%	62,365	17%



2016
MARKET SHARE



2017
MARKET SHARE



2018
MARKET SHARE

TURNAROUND STRATEGY AND PERFORMANCE IN 2018/19

In the beginning of the period under review, given the situation of the ongoing downward trend of procuring cattle from livestock producers, we predicted that we will slaughter only 55,000 cattle, resulting in a projected revenue of N$827 million and a net loss for the year amounting to N$185 million.

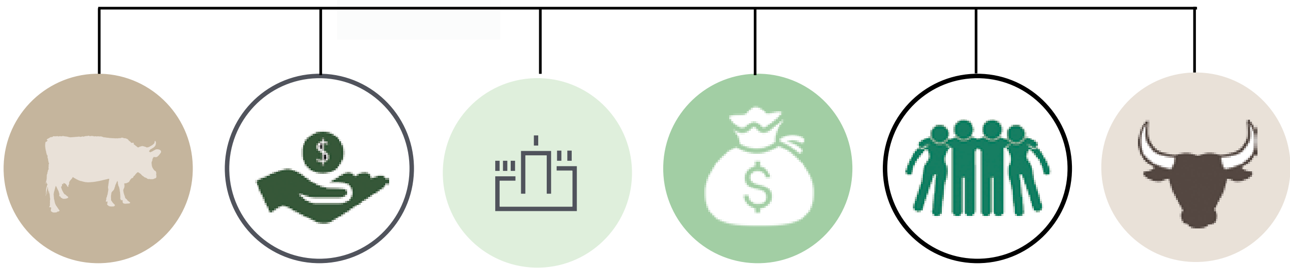
This was a major turning point for Meatco as a financially viable business. Drastic intervention was needed.

The turnaround strategy was approved by the Board in February 2018 and implementation started immediately.

In the rest of this report, we shall outline and discuss all actions the Meatco team took in implementing the turnaround strategy and the performance achieved thus far, as well as actions to be taken in the coming years.

Photograph: Namibia Brahman Breeders Society

THE SIX PILLARS OF THE TURNAROUND STRATEGY



- INCREASE CATTLE NUMBERS
- INCREASE COMPANY-WIDE EFFICIENCIES
- INCREASE OPERATIONAL EFFICIENCIES
- RESTORE FINANCIAL STABILITY AND STRENGTH
- STAKEHOLDER RELATIONSHIPS
- INVOLVEMENT IN AREAS NVCF

THE TURNAROUND STRATEGY AIMED TO:

- REALIGN THE BUSINESS TO CURRENT CATTLE NUMBERS, AND THEREBY MINIMISE LOSSES
- INCREASE SUSTAINABILITY AND COMPETITIVENESS IN THE CURRENT FINANCIAL ENVIRONMENT

2018/19 REVIEW PILLAR 1: INCREASE CATTLE NUMBERS

DESIRED IMPACT OF FIRST PILLAR

The desired impact of the first pillar was to increase throughput to 60,000-70,000 cattle at the abattoir.

PERFORMANCE: 62,086 cattle slaughtered, of which 7,390 more cattle were sourced directly from livestock producers compared with the previous year.

As we projected for a throughput of 55,000 slaughtered cattle at the beginning of the 2018/19 period, it was essential that throughput had to increase with least 10,000 to 60,000-70,000 cattle. At the end of the reporting period, we slaughtered 62,086 cattle, which was 7,086 cattle more than the 55,000 projected.

Of the 62,086 cattle slaughtered, we sourced 40,366 from livestock farmers SVCF, which was 7,390 more than the previous year, attested to the success of the implementation of this strategic pillar.

The increase in cattle numbers was achieved through four strategic actions taken stated below and discussed in greater depth thereafter:

01. Pay competitive prices, bearing the slaughter-weaner ratio in mind.

02. Ease marketing access to Meatco by implementing a simplified system.

03. Establish outlets for all types or ages of cattle.

04. Focus on relationship building and regaining trust with producers.

2018/19 REVIEW PILLAR 1:
INCREASE CATTLE NUMBERS

1. PAY COMPETITIVE PRODUCER PRICES

For most part of the previous reporting year, Meatco's prices were below the South African parity price.

Our first priority was to rectify this situation and to ensure that our producers are paid competitive prices so they don't export their cattle to South Africa based on better prices offered.

However, Meatco had to be in a financial position to be able to do that. It was only after we reduced our cost structure substantially that we could increase our producer prices.

From March 2018 onwards, our prices were consistently higher than the South African parity price (see graph below).

Looking at purchase prices paid internationally and comparing similar policy regime in terms of subsidising farmers, it is noteworthy that Meatco has paid producers some of the highest prices during the reporting period.

For example, in Brazil and Uruguay, the two big cattle producing countries where, similarly to Namibia, farming enterprises are not subsidised, the prices they paid their producers were lower than Meatco's purchase prices.

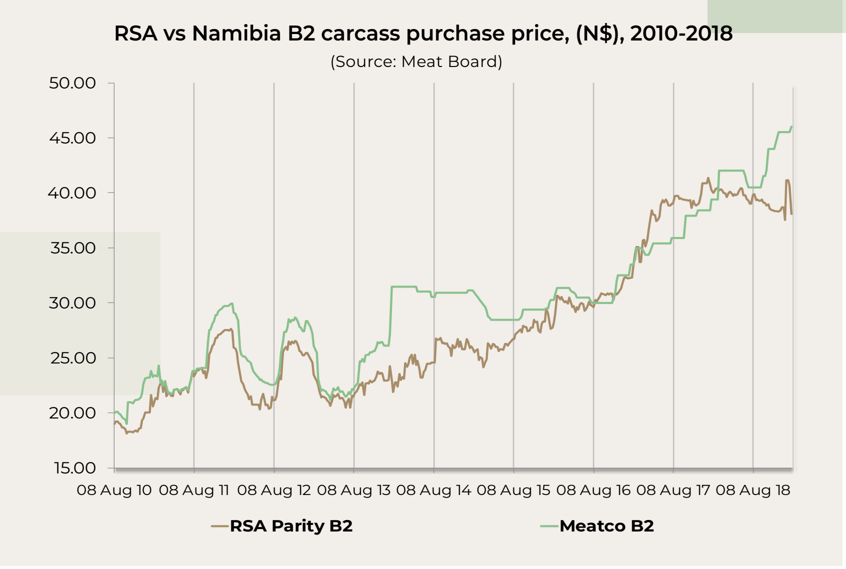
The Brazilian price fell to €1.90/kg or USD 2.22/kg or **N$32.09/kg**.

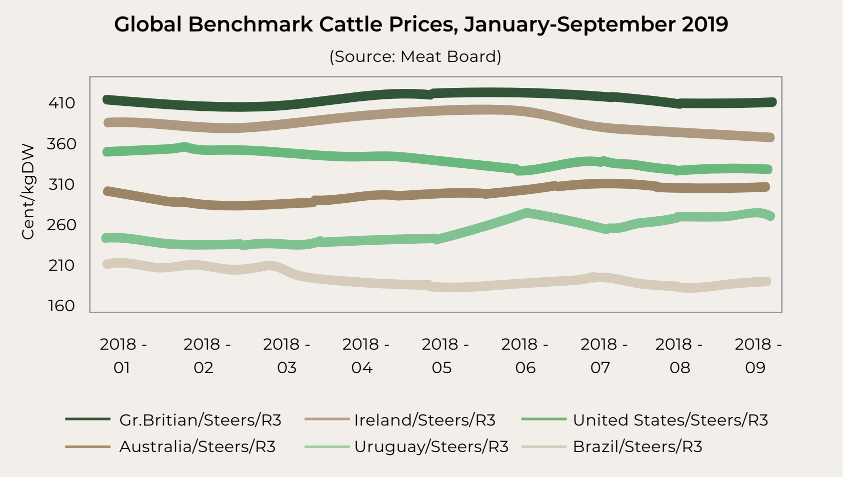
The Uruguay price increased to €2.60/kg or USD 3.03/kg or **N$43.84/kg**.

The Australian price remained stable at €3.10/kg or USD 3.60/kg or **N$52.27/kg** (subsidised by its government).

The US price decreased to €3.25/kg or USD 3.78/kg or **N$54.77/kg** (subsidised by its government).

Meatco's average purchase price for A2/AB2 cattle was €2.79/kg or USD 3.10/kg or **N$44.56/kg**. Therefore, Meatco paid their producers fairly during this reporting year.



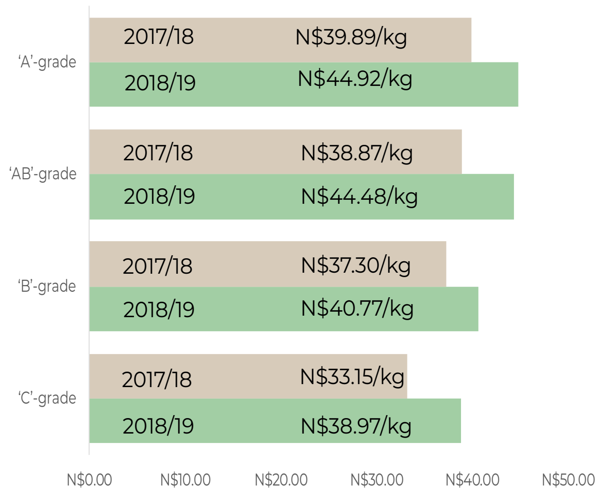


> Meatco sourced 7,390 more cattle directly from livestock farmers SVCF than the previous year, which clearly indicates that our strategy to pay competitive prices was successful.

PRODUCER PRICES

The reporting year was a particularly good year for producers in terms of producer prices. Overall, the average producer price increased by 9.88 per cent from N$37.64 per kg in 2017/18 to N$41.36 per kg. The average weight per carcass increased from to 237.9 kg to 246.3 kg. The average producer price paid by Meatco to Namibian producers was 4.34 per cent higher than the average South African parity price. **In total, Meatco paid out N$632 million to producers in the reporting year, representing 65.22% of our total turnover. This is 12.01 per cent more than the previous year when 53.21 per cent of turnover was paid out.**

Producer Prices, (N$/kg), 2017/18-2018/19



Annual Averages	2018/19	2017/18
Producer price (N$/kg)	N$41.36	N$37.64
Weight (kg/carcass: all factories)	246.3 kg	237.9 kg
Live weight	461.71 kg	441.0 kg

Producer Prices (N$/kg)	2018/19	2017/18	Difference
'A'-grade	N$44.92	N$39.89	↑ 12.61%
'AB'-grade	N$44.48	N$38.87	↑ 14.43%
'B'-grade	N$40.77	N$37.30	↑ 9.30%
'C'-grade	N$38.97	N$33.15	↑ 17.56%
Average	**N$41.36**	**N$37.64**	**↑ 9.88%**

Grading Distribution	2018/19		2017/18	
	Number	%	Number	%
'A'-grade	7.289	11.7	22,548	27.5
'AB'-grade	12.967	20.9	23,350	28.5
'B'-grade	21.847	35.2	21,227	25.9
'C'-grade	19.983	32.2	14,845	18.1
Total	**62,086**	**100.0**	**81,984**	**100.0**

SLAUGHTERED CATTLE SVCF AND NVCF

In the reporting year, Meatco slaughtered 62,086 cattle sourced from the areas south of the veterinary cordon fence (SVCF), of which 40,366 (2017/18: 32,976) was from livestock farmers SVCF, 2,518 (2017/18: 15,502) from Meatco's backwards integration sources and 19,202 (2017/18: 33,506) from Meatco feedlots.

A total of 1,521 (2017/18: 896) cattle were slaughtered from the north of the veterinary cordon fence (NVCF).

Although nearly 20,000 less cattle were slaughtered in the reporting year compared with the previous year, it is still 7,086 more than we anticipated at the beginning of the year.

We sourced 7,390 more cattle from farmers SVCF than the previous year.

Slaughter cattle numbers (2014/15-2018/19)

Year ended in February	2014/15	2015/16	2016/17	2017/18	2018/19
Cattle slaughtered SVCF	107,401	116,948	91,558	81,984	62,086
Cattle slaughtered NVCF	9,370	0	748	896	1,521

INCREASE CATTLE NUMBERS

2018/19 REVIEW PILLAR 1:
INCREASE CATTLE NUMBERS

2. EASE MARKETING ACCESS TO MEATCO

Meatco successfully introduced an improved online booking system that functions like an app to communicate more efficiently with producers. The system is essentially a webpage that looks and behaves like an app, which means it can be operated on any device.

The system has two major objectives: firstly, to make it as simple and easy as possible for all users, taking cognisance of the many rules involved; and secondly, to make it fair for all producers with the appropriate allocations, and with the minimum of human intervention. With much less paperwork, producers are now able to book only one month in advance, compared with three months previously.

3. ESTABLISH OUTLETS FOR ALL TYPES/AGES OF CATTLE

Doing our utmost to ensure the highest level of convenience to our producers, Meatco resolves to act as a 'one-stop-shop'.

This means we will purchase all types and ages of available animals and sort them appropriately: either to our feedlots, abattoir, 'park' on a producer's farm until slaughter-ready, or to be sold.

https://mobile.meatco.com.na

4. RENEW RELATIONSHIPS WITH PRODUCERS

Relationships between Meatco and producers were under much strain in the reporting period and an important part of our turnaround strategy was to regain the trust of our producers.

We initially focused our attention on organised agriculture unions and Government and held many meetings during the year under review.

Our aim was to first get our house in order before conducting Farmers Liaison Meetings, with which we will commence early in the new financial year.

More detail is provided further in the report as part of the fifth pillar of our turnaround strategy.

2018/19 REVIEW PILLAR 2: INCREASE COMPANY-WIDE EFFICIENCIES

DESIRED IMPACT OF SECOND PILLAR

The desired impact of increased efficiencies was the competitiveness and sustainability of Meatco's business model for the future.

The increase in efficiencies was achieved through three strategic actions taken which will be discussed in greater detail thereafter:

01. **MEATCO'S SALARY ACCOUNT:** To right-size Meatco's workforce through organisational restructuring and block slaughtering.

02. **COST IN COMPANY:** To reduce production, administration and overhead costs.

03. **OPTIMISE RETURNS FROM MARKETING ACTIVITIES:** To optimise Meatco's international and local markets.

PERFORMANCE:

- **Salary account saving of N$40 million per annum**
- **Cost reduction of N$48 million**
- **Producer payments increased with 9.88%**
- **Additional Norway quota delivered 231.8 tonnes**
- **Net income increased with N$15 million**

1. MEATCO'S SALARY ACCOUNT:

Right-sizing Meatco's workforce through organisational restructuring and block slaughtering.

Contrary to popular belief, our staff complement reduced considerably between 2013 and 2017.

Between 2013 and 2014, staff numbers reduced due to the closure of the sheep abattoir. Between 2014 and 2015, staff increases were driven by cut specifications, especially in the deboning section, to meet demand because of volume and customer specifications.

Between 2015 and 2016, staff reduction was driven by two elements: the closure of northern abattoirs and the temporary closure of Okahandja abattoir due to low cattle numbers.

This reduction was significant as it affected both full-time and fixed-term contract employees.

Finally, between 2016 and 2017, the number of full-time employees moved sideways while fixed-term employees increased to meet slaughter demand, especially during the peak season.

In line with international trends of a lean top management structure, and as part of the turnaround strategy, it became imperative to realign the organisational structure accordingly. Rather than retrench employees who need their jobs, voluntary retrenchment and voluntary retirement for staff members who were 55 years and older was introduced. These strategic initiatives reduced the number of employees by 196, from 950 to 743.

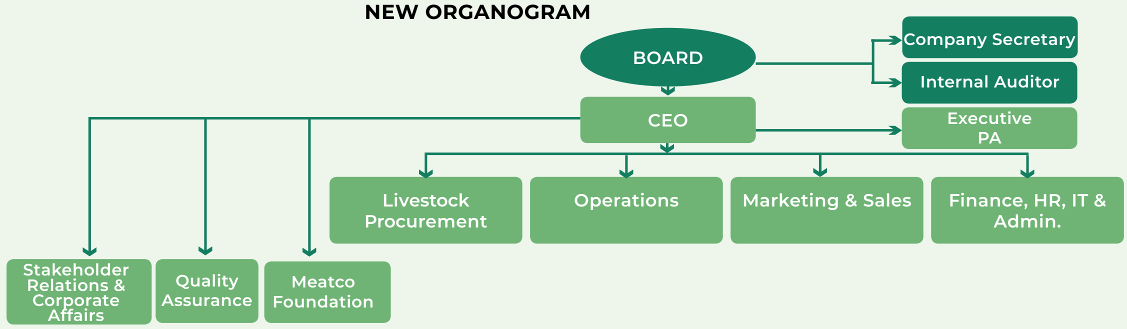
Some skills and expertise in Meatco's business are readily available in the job market, while others are not. This fact compelled Meatco to retain certain crucial skills and expertise in the business, while filling the other vacant positions.

During the year under review, block slaughtering took place in light of a significant decrease in cattle numbers delivered to the abattoir at certain times during the year. As a result, the fixed-term contract employees' contracts have been terminated as Meatco was operating only with permanent staff. This contributed to a decrease in Meatco's salary account.

RETRENCHMENTS:

1. Head count freeze on HR positions as from 2017/18.
2. Voluntary early retirement for employees aged 55 years and older.
3. Voluntary retrenchment for all, with management having the first right of refusal for critical skills/positions.

NEW ORGANOGRAM



2018/19 REVIEW PILLAR 2:
INCREASE COMPANY-WIDE EFFICIENCIES

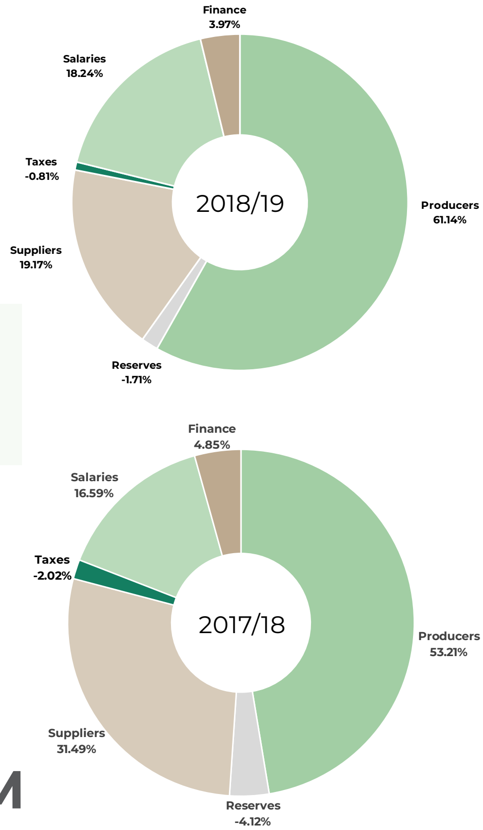
2. COST IN COMPANY:

Reduce production, administration and overhead costs.

Through a wide range of cost-cutting activities, Meatco reduced administration expenses with 5 per cent year-on-year, resulting in a saving of N$10 million. Through extensive negotiations with our financing partners, we reduced interest charges with 11 per cent, saving an additional N$6 million, while the per-animal expenditure at Meatco feedlots decreased approximately with N$700 per animal, a substantial saving.

Overall, Meatco reduced production, administration and overhead costs with N$48 million. The success achieved with this strategic action, enabled Meatco to increase the percentage paid to producers in our value addition statement with 7.94 per cent, from 53.21 per cent to 61.14 per cent.

Value Addition Statement: 2017/18 and 2018/19



3. OPTIMISE RETURNS FROM MARKETING ACTIVITIES:

Optimise returns from Meatco's international and local markets.

Meatco's sales and marketing strategy remained consistent with the focus being on maximising carcass returns through developing niche premium markets and ensuring our products are spread across markets as widely as possible to reduce risk exposure.

Building on the increase of 11.4 per cent (N$6.27/kg) in carcass returns which we achieved in the previous financial year, a further year-on-year growth of 23 per cent (N$14.37/kg) was achieved during the current period.

In terms of performance against budget, the carcass returns were 11.1 per cent (N$7.52/kg) above budget.

Volume against budget was 15.9 per cent lower than expected, as cattle numbers and carcass weights did not materialise as planned. As a result, total revenue was approximately 10 per cent below budget.

Throughout the reporting year, as pressure mounted and a global recession became more of a concern, we measured our exposure to certain markets and reduced operations in certain sectors of the industry.

Income per head slaughtered

Although Meatco's total turnover has been fluctuating over the years, there is a clear trend that the income per head slaughtered has been increasing over the last six years. This is because of several factors, one being continued efforts on value extraction from available beef volumes.

	2014/15	2015/16	2016/17	2017/18	2018/19
ANNUAL TURNOVER	N$ 1.610 billion	N$ 1.802 billion	N$ 1.694 billion	N$1.425 billion	N$1.340 billion
SVCF CATTLE SLAUGHTERED	107,401	116,948	91,558	81,984	62,086
NVCF CATTLE SLAUGHTERED	9,370	0	748	896	1,521
TOTAL CATTLE SLAUGHTERED	116,771	116,948	93,306	82,880	63,607

NORWEGIAN QUOTA

In addition to its allocation of 1,300 tonnes of the total Norwegian quota of 1,600 tonnes, Meatco received another allocation of 231.8 tonnes that could not be fulfilled by another abattoir. This meant Meatco could export 1,531.8 tonnes to the lucrative Norwegian market, adding unbudgeted-for revenue.

A challenging but successful year

The 2018/19 year was marked by many external factors that impacted on our business, namely:

- a global oversupply of beef with an increase in global beef production of approximately 5 per cent
- a summer drought across Europe leading to increased and early cattle kills further depressing the market, and
- very low cattle prices in Brazil and across the Mercosur region. (Mercosur refers to the South American trade bloc.)

In addition to these factors, the United Kingdom (UK) had to deal with the added uncertainty of Brexit and the country witnessed some sizeable business failures.

However, although the trading environment was challenging, Meatco can report that in addition to a rise in overall carcass returns, we took no losses through bad debts in the sales of product to our international markets during the reporting period.

2018/19 REVIEW PILLAR 2:
INCREASE COMPANY-WIDE EFFICIENCIES

The three main international markets accounted for 72.2 per cent of total revenue — nearly three quarters of Meatco's overall income.

This fact reinforces the vital role of these niche markets.

MAIN EXPORT DESTINATIONS

The main export destinations remained the European Union (EU), Norway, the United Kingdom (UK) and South Africa.

Norway remained the highest returning market for Meatco, and represented nearly one-third (29.98 per cent) of our revenue, even though it absorbed only 10.37 per cent of our total volume.

The UK and South African markets continued to decline in both volume and overall value.

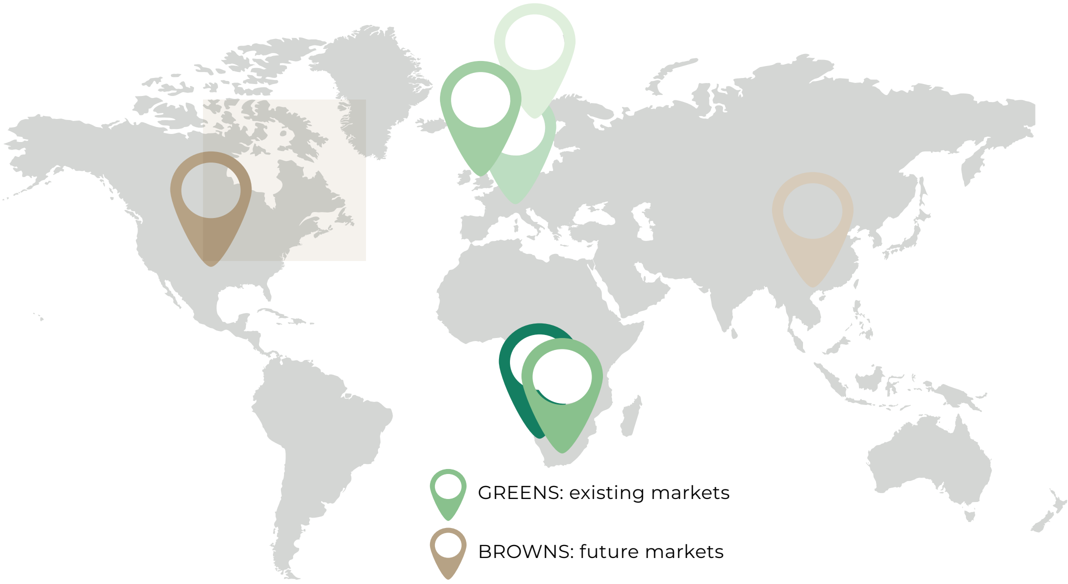
The Norwegian market

The Norwegian beef market is beginning to close the gap between the country's production and consumption and therefore, less imported beef is required. The reporting year saw a significant volume of EU carcass imports entering the Norwegian market at the same time as the summer drought hit the country and resulted in high kills of Norwegian cattle.

The combined effect was the overload of the Norwegian market with beef, resulting in downward price pressure on all cuts, including the premium steaks. The Norwegian Government took the decision to intervene in the market and to freeze 2,500 tonnes of Norwegian carcasses. These carcasses were released into the market place in early 2019 at a discounted rate, resulting in relatively deflated prices from January to March 2019.

The exchange rate plays a significant role in terms of Meatco's realisations from the Norwegian market. The Norwegian Krone (NOK) has lost 15-20 per cent of its value against the Euro over recent years. For Meatco this meant a loss of approximately €2/kg from this foreign exchange effect alone.

Therefore, although Norway remains our most valuable and premium market, Meatco saw much price resistance, overall lower prices and a concerted resistance on steak volumes in favour of less expensive meat cuts.



The UK market

Brexit and the effects of a hard/soft Brexit was the main focus throughout the year. Regular meetings were held with the British Government's Department of International Development officers, trade bodies, Agriculture and Horticulture Development Board and UK customs officials. Action plans were drawn up for both hard and soft Brexit scenarios and measures taken to offset risk.

The UK continues to play a smaller value and volume role in the overall markets realisation basket and, with the uncertainty around Brexit this is likely to remain the case. The current advice, at the time of writing, is that the UK/SADC EPA is 95% completed and should be finalised within the next 8 to 10 weeks.

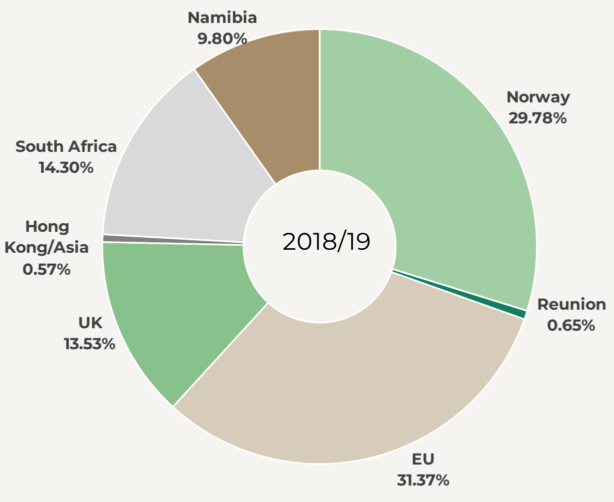
As mentioned above, the UK saw significant business failures during the year, including the loss of both the second and sixth largest catering butchers in the country and several high-profile processors and manufacturers.

Credit insurance is becoming more challenging and a high level of scrutiny is being applied to all UK active accounts.

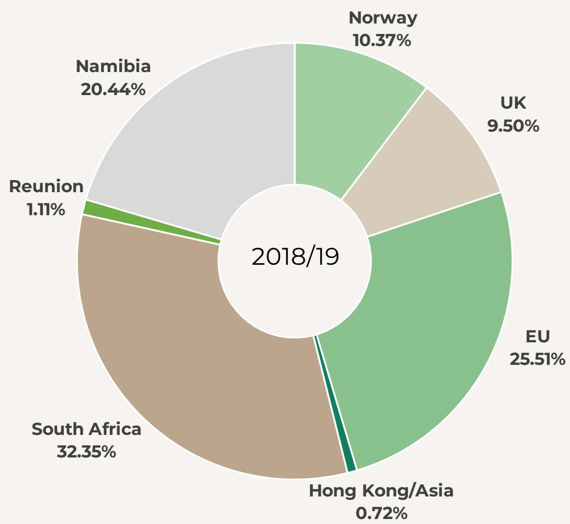
The vulnerability of many companies is exacerbated by the high volumes of cheap Mercosur beef available throughout the UK and Europe, as well as the need to do unusually large amounts of kills due to prevailing drought conditions.

Pre-2008 price levels were frequently seen on the market, and it is a credit to the loyalty of the customers to Meatco's Natures Reserve beef brand that we were able to not just hold prices but to grow the overall market returns.

MEATCO SALES PER COUNTRY, 2018/19



MEATCO VOLUME PER COUNTRY, 2018/19



2018/19 REVIEW PILLAR 2:
INCREASE COMPANY-WIDE EFFICIENCIES

The EU market

Similar to the UK, across Europe there were high incidents of slaughtering animals due to drought conditions from June onwards and, again, in line with the UK, there was an abundance of cheap, low cost South American steak cuts being sold.

The strategy of spreading Meatco's Natures Reserve beef across many markets proved invaluable as we moved products out of weakening markets to more favourable positions in other EU countries.

Similar to the UK market, customers' support of the Natures Reserve brand helped Meatco maintain and increase our overall returns.

The South African market

The South African market has largely developed into a manufacturing beef market and with the high A2 and weaner prices of 2018/19 Meatco was able to drive our overall prices up by over 10 per cent.

The manufacturing meat prices were very close to round cut prices, which indicated that this was the maximum level that we would have been able to achieve.

We continued to work with customers such as Famous Brands, Finlar/McDonald's and Grand Foods/ Burger King, as well as Rhodes Food Group and packers processing for Woolworths and other high-end retailers.

Obviously, the change of fortunes in the South African market came in January 2019 when there was an outbreak of foot-and-mouth disease in Limpopo. This had the immediate effect of stopping all exports and locking the meat into South Africa only.

Going forward

With full access to the China and United States of America markets obtained during the reporting year, Meatco have successfully sent a sample of steak meat and forequarter to the United States of America (US), and plans to send the first container of meat products to China early in the next reporting year.

Currently we are monitoring market prices in the US and reviewing protocols in terms of 'Never Ever' statements, with the aim of pro-actively developing opportunities in this segment of the US market. ('Never Ever' signifies no growth implants, no antibiotics, and no animal by-products in the feed.)

These new markets offer Meatco and the Namibian farmers greater opportunity and flexibility, whilst reducing the dependence on some of the more traditional leading markets.

New products and protocols need to be refined and developed, but there are definitely clear opportunities for Meatco's beef in these new destinations.

A big concern is the ever-increasing Brazilian herd and the growing volume of commodity priced beef in our core and emerging markets.

It remains paramount that Meatco continues to develop niche markets and sustain our brand presence to differentiate ourselves from the commodity players.

INCREASE EFFICIENCIES

2018/19 REVIEW PILLAR 3: IMCREASE OPERATIONAL EFFICIENCIES

DESIRED IMPACT OF THIRD PILLAR

The desired impact of increased operational efficiencies was to ensure utilisation of the plant and equipment is maximised, while consistent quality is delivered.

The increase in operational efficiencies was achieved through four strategic actions taken which will be discussed in more detail thereafter:

01. **MAXIMISE RETURNS IN THE LOCAL MARKETS:** To capitalise on the local markets through MeatMa Central, Meatco Wholeslae and the MeatMa sales outlets.

02. **MANAGE EQUIPMENT UTILISATION AT THE CANNERY:** To ensure the aging equipment at the cannery is optimised and losses minimised.

03. **MAXIMISE RETURNS IN THE TANNERY:** To capitalise on the exchange rate, to decrease the purchase price paid for hides and to reduce production cost.

04. **ENSURE CONSISTENT HIGH QUALITY PROCESSES AND PRODUCTS:** To ensure Meatco continues to produce meat of the highest quality, enabling us to access the most lucrative markets, thereby maximise returns whilst building strong brands.

PERFORMANCE:

- All three business units operating in the local markets have done well considering the current economic climate in the country
- Lower production at cannery due to Meatco's cash flow constrains
- Amidst a flooded market, the tannery remains a lucrative business unit
- Consistent adherence to strict international food safety and hygiene practices

INCREASE EFFICIENCIES

1. LOCAL MARKETS

All business units in Meatco have been mandated to fine tune their efficiencies. The local market business units comprise the production unit of MeatMa (MeatMa Central), Meatco Wholesale, the MeatMa sales outlets in Windhoek and Oshakati, as well as the Mobile Slaughter Unit operating in the areas north of the veterinary cordon fence (NVCF). All these business units have done considerably well during the reporting year, especially within the context of the current Namibian economic situation.

In its fourth year since its inception, MeatMa Central, the production unit of the MeatMa brand, has shown a growth in sales of 27 per cent into the local market. Over one million kilogrammes of value-added products were distributed into the local market.

The bone-in products like the soup bones or sliced stewing neck and chakalaka braaiwors remained popular and are among the top sellers.

Meatco Wholesale, being the Meatco product distributor in Namibia, had a slight decline of 3 per cent in sales compared with the previous reporting year. However, the increased focus on efficiencies enabled the Wholesale division to contribute a decent profit to the Meatco Group.

The MeatMa Windhoek sales outlet, close to Meatco Head Office, has experienced some decline in turnover but continues to contribute profits to Meatco's bottomline.

We are developing new concepts to further expand the MeatMa footprint countrywide to support our mission of providing affordable, hygienically-produced proteins to Namibians.

In the NVCF, through the sales outlet of MeatMa Bonanza in Oshakati, Meatco sold the entire basket containing carcasses, MeatMa products, Meatco products distributed through the Wholesale division, and are adding value from carcasses slaughtered in the NVCF.

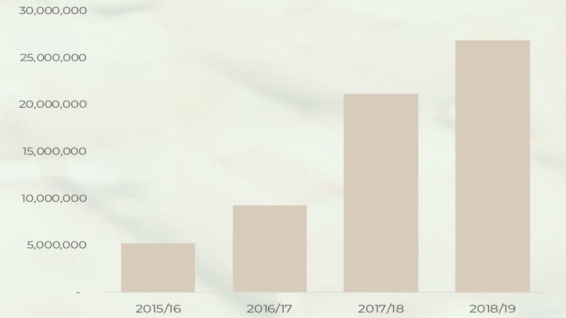
The Mobile Slaughter Unit (MSU) continued to slaughter cattle at Matumbo Ribebe, close to Rundu. The carcasses are distributed to many retail outlets across the NVCF and the positive sales development is reflected through the MeatMa Bonanza figures.

Comparing the year-on-year growth when Meatco first started slaughtering at the MSU, sales at Bonanza grew by 69 per cent in the 2015/16 financial year, a further 28 per cent growth was recorded in 2016/17 and another increase of 24 per cent in the current reporting year.

Going forward

The business units will continue to implement measures that will increase efficiencies and capitalise on the potential to increase the share in the local market and throughput at the MSU.

MeatMa Sales Volume (N$): 2015/16-2018/19



2. THE CANNERY

A tough year for the canning division

The current reporting year was a challenging one for the cannery due to the high cost of raw material and shortage of supply quantities. Higher production costs and the water-saving measures put in place added more pressure on cost saving. Penalties on higher water usage volumes also had an impact due to the prevailing drought in Namibia.

Total canned products for the reporting year were 11,033,885 cans, which was 8,091,115 cans less than the budget. We sold 13,645,800 cans for this period, which were 5,354,640 less than the sales budgeted.

Production

Due the cash flow constraints Meatco experienced during the first half of the financial year, the cannery was forced to lower production to 50,000 cans per day against the usual 85,000 cans per day. This was to ensure sufficient cash flow remains available for Meatco's core business of slaughtering and processing.

Some serious breakdowns were experienced on the labeling machine and seamers. An inspection was done by a machine manufacturer and we are waiting for their reports and recommendation on the production equipment.

The cannery was closed for three weeks in July 2018 to assist with cash flow and reduce stock levels. Production was also hampered by the lack of raw material due to the temperature control measures implemented by the Directorate of Veterinarian Services (DVS). In the last quarter, raw material also increased with 20-30 per cent, and cans with 5 per cent, which was not budgeted for.

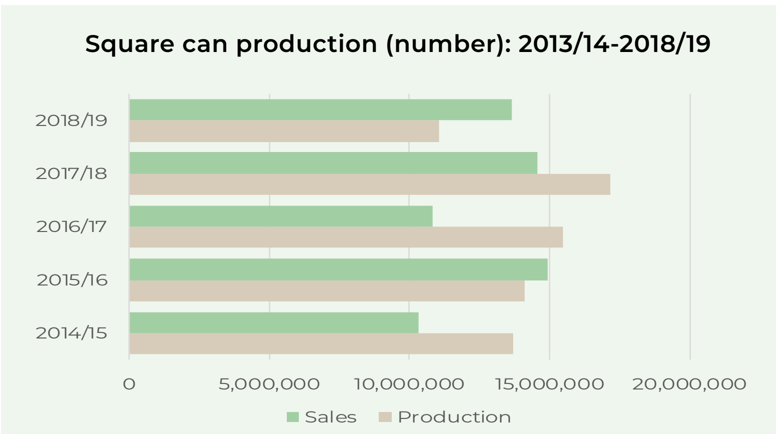
Regarding round can production, a total of 2.1 million round cans were budgeted for in terms of production and sales. However, only 24,153 round cans were produced and are still in stock awaiting release by the Namibian Standards Institution.

Sales

Although we were not in the position to reach our sales target for the year, the market is there and some of our clients are prepared to give us a written commitment for all cans produced. The challenge is to make sure we have consistency in supply with the aging equipment in the cannery.

Going forward

In the next financial year, Meatco plans to do a systems audit on the canning operation to develop and implement a turnaround strategy that will enhance efficiency, increase production and generate additional value per can.



INCREASE EFFICIENCIES

3. THE TANNERY

After the complete collapse of the hide industry in the beginning of the 2017/18 reporting year, the strategy applied to the tannery was to maximise return in three ways, namely to capitalise on the exchange rate, to decrease the purchase price paid for the raw hides and to reduce cost.

The current market is still flooded with hides and is expected to remain unchanged in the next financial year. While the selling prices decreased with 60 per cent, the purchase price of raw hides also decreased with 80 per cent, balancing the effect of each one out. With that in mind, the tannery is still a lucrative business for Meatco.

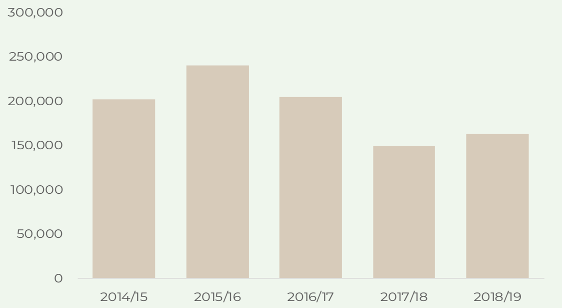
During the past few years, due to the increase in raw material prices, leather became too expensive and lost out against synthetic materials in the market place. This led to the over-supply of leather, with the resultant decrease in purchase prices. According to market players, this low purchase price will remain for some time into the future.

The outbreak of foot-and-mouth disease (FMD) in South Africa also impacted negatively on the local leather industry, as all hides had to be processed locally, which pushed wet salted hide prices downwards. This is attested by the fact that the current raw price levels are at the lowest levels since 2007.

Global sales prices are stable for the last quarter, although global markets need to deal with an oversupply of approximately 40 million hides. The South African raw hides prices decreased to levels below R3.50 per kg and with the import ban of animal product into Namibia due to FMD, Meatco could capitalise on this opportunity to import cheaper hides from South Africa. Due to the global oversupply, Namibia's hide purchase prices are busy decreasing continuously.

With the trade war between United States and China still not being resolved and the Chinese festive season ended in February, global markets for the reporting period were depressed.

Tannery production (number of hides): 2013/14-2018/19



Going forward

The focus in the new financial year will be the realignment of the tannery according to the availability of local hides – mostly from Meatco's own supplies and contract tanning.

Additional initiatives will focus on cost management, namely cost reduction and the maximisation of the effects of the exchange rate. Due to the oversupply of better quality hides from South America, low grading hides are not sourced because the processing cost exceeds the market demand.

The current drought situation is expected to have a big impact on the hide business, for example on water supply and the availability of hides.

In terms of markets, Meatco's strategy is to focus only on the Italian market in the forseeable future.

4. QUALITY ASSURANCE

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

Stringent quality controls and the knowledge that Meatco's products conform to the highest international standards of food safety and quality are at the heart of what we do.

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

The international standard, FSSC 22000 which is a combination of the Hazard Analysis Critical Control Point (HACCP) and ISO 9001 standards used previously, is now fully integrated into Meatco's quality assurance processes and procedures. The FSSC 22000 (Food Safety System Certification) is recognised by the Global Food Safety Initiative (GFSI) and is based on existing ISO 9001 standards. The transition to this one standard, instead of two (HACCP and ISO 9001) separate ones used in the past, resulted in substantial cost and time savings for Meatco.

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

In August 2018, Meatco received approval from a new international client, namely the UK-based Greene King, a company founded in 1799 that owns approximately 3,000 various outlets in the UK.

Following the outbreak of listeriosis in South Africa, Meatco's cannery department was audited on hygiene testing and on product safety in April 2018 by one of Meatco's well-known customers, Lucky Star. The auditor expressed satisfaction with the entire quality assurance process at plant level.

2018/19 REVIEW PILLAR 4: RESTORE FINANCIAL STABILITY AND STRENGTH

DESIRED IMPACT OF FOURTH PILLAR

The desired impact of restoring financial stability and strength is to ensure sufficient working capital to drive the business and return to profitability.

This pillar was successfully executed, as attested by the improvement of financial ratios as depicted in the table on the next page. This was achieved through three strategic actions taken:

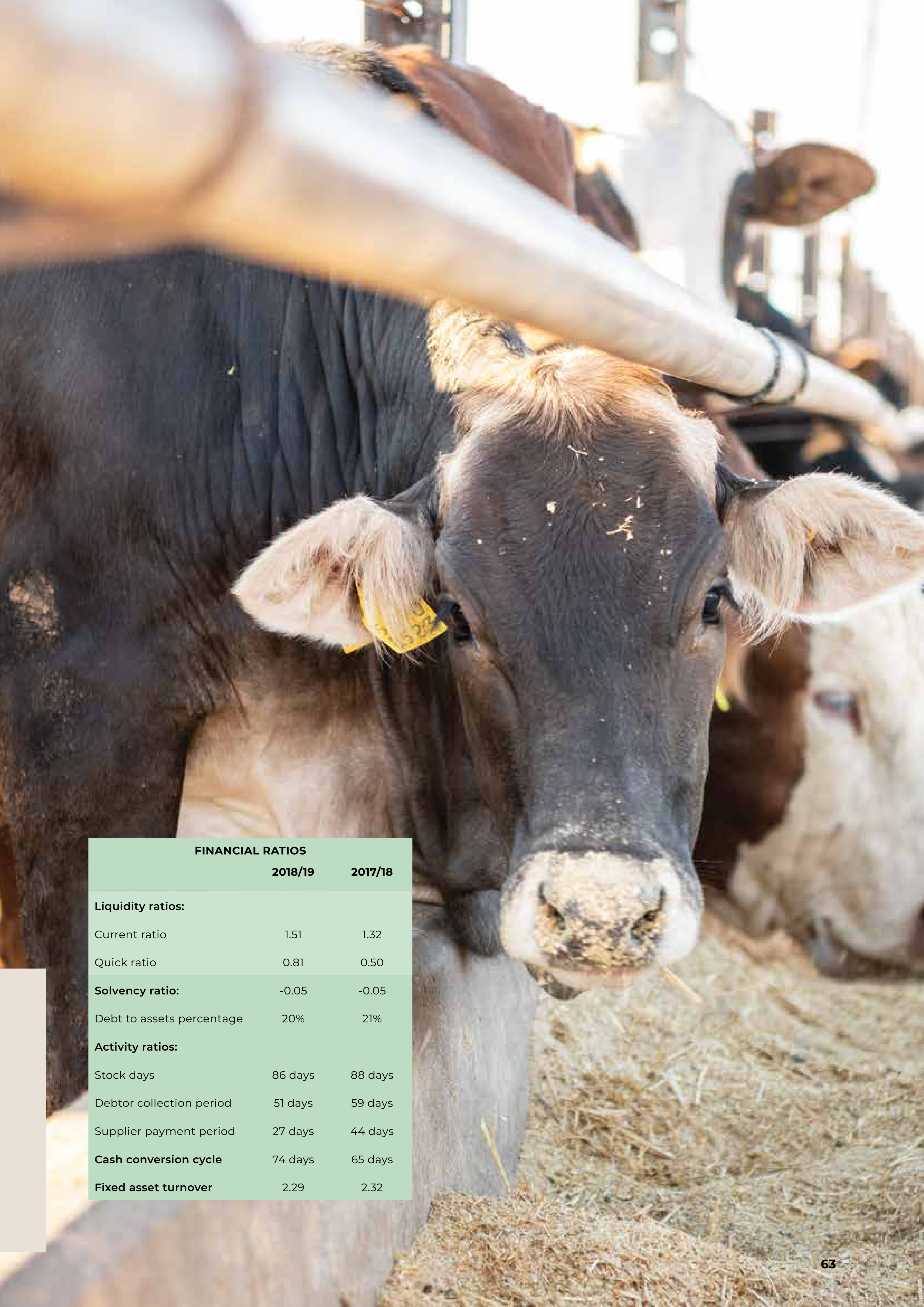
01. **MANAGE OPERATIONS TO ACHIEVE FINANCIAL STABILITY:** To strengthen internal controls through an internal audit plan and centralised finance, as well as to integrate non-financial information with monthly management accounts.

02. **MANAGE GROUP COST OPTIMALLY:** To implement strict cost control management, ensuring there is sufficient cash in the business to maintain Meatco's daily business operations, while improving the cash conversion cycle.

03. **DEVELOP AND EXECUTE A PLAN TO RETAIN PROFITS TO BUILD CASH RESERVES:** To maintain and increase working capital funding and restructing of Meatco's balance sheet.

PERFORMANCE:

- **Financial stability achieved and ratio improvement**
- **Cash conversion cycle reduced from 130 to 74 days**
- **Working capital funding increased**



FINANCIAL RATIOS	2018/19	2017/18
Liquidity ratios:		
Current ratio	1.51	1.32
Quick ratio	0.81	0.50
Solvency ratio:	-0.05	-0.05
Debt to assets percentage	20%	21%
Activity ratios:		
Stock days	86 days	88 days
Debtor collection period	51 days	59 days
Supplier payment period	27 days	44 days
Cash conversion cycle	74 days	65 days
Fixed asset turnover	2.29	2.32

2018/19 REVIEW PILLAR 5: STAKEHOLDER RELATIONSHIPS AND REPUTATIONAL RISK

The desired impact of the fifth pillar was to build relationships and trust with all stakeholders, and to protect and build Meatco's brand and reputation.

PERFORMANCE:

- Made excellent progress in restoring and enhancing all stakeholder relations
- Execute communications plan
- Enhance Meatco's local brands in the local market

The Stakeholder Relations and Corporate Affairs department is tasked to protect and build the reputation of the Meatco brand, as well to ensure that Meatco has healthy and sound relationships with all our key stakeholders in order to fulfill our mandate.

Enhance stake-holders' relations

In the past five years, there have been fundamental changes to the external environment in which Meatco operated and the business experienced volatile situations at all levels. Unfortunately, the relationship between the producers and Meatco's was negatively affected to the point where the commitment of producers to support the business with throughput had diminished during the past two reporting periods.

For example, in 2011/12, Meatco sourced 75,022 cattle through direct marketing from producers, whereas in 2018/19, producers only delivered 40,366 cattle to Meatco. This trend presents material risks to the sustainability of Meatco as a business. This situation required the business to redefine new pathways in the restitution of functional and beneficial relationships with its producer communities.

The low trust relationship between the various stakeholders as experienced during the previous reporting year was not tenable and disadvantaged the entire value chain.

Following the different factors that have influenced and brought about major changes in Meatco, the turnaround strategy clearly defined the need to review and develop better and efficient communication to both our internal and external stakeholders.

Numerous meetings were held with various stakeholders, and while we didn't focus on producers' liaison meetings during the reporting year — we first needed to get our house in order — we have seen positive results on various fronts.

The Meatco Board held its Special Members meeting on 26 October 2018 to provide feedback on the turnaround strategy to members, as per resolutions adopted at the Annual General Meeting held on 22 June 2018. After this meeting, a second meeting of the designated interest group (commercial farmers) was convened in accordance with section 5(3) of the Meatco Act to appoint a member to represent the commercial farmers on Meatco's Board of Directors. Four members were nominated and the nominations sent to the Minister of MAWF for his appointment.

Meatco also provided feedback on its turnaround strategy at the Namibia National Farmers Union Council (NNFU) meeting in September 2018, as well as at the Livestock Producers Organisation (LPO) conference in October 2018.

The following stakeholder engagements took place during the reporting year:

- six meetings with Government/ ministry;
- 15 meetings with Meatco's financial partners;
- five media conferences/meetings;
- two industry meetings (Farmers' Unions);
- four interactions with Meatco's clients; and
- three interactions with Meatco's staff.

Execute communications plan

During the year under review, the department embarked upon the execution of a communications and relationship-building strategy to support stakeholders with a wide range of communications. In addition, it engaged stakeholders with interventions that brought about increased efficiencies, cash flow management, and the optimisation of the international and local markets. Meatco's turnaround strategy focused on fostering stakeholder relationships and increasing Meatco's involvement in the areas north of the veterinary cordon fence (NVCF). It also aimed to communicate clear messages to bring about positive changes amongst staff behaviour, and to restore a healthy culture of trustworthiness, respect and integrity in Meatco.

Enhance MeatMa brand

The department supported the building of Meatco's local brand, MeatMa, through various media campaigns in the local media. The continued acceptance of the brand attested to the successful execution of Meatco's communications plan.

Going forward

As part of Meatco's 5-Year Strategic Plan, the department will focus on building and or restoring healthy relationships with our key stakeholders. In particular, it aims to:

- restore trust and credibility with producers/farmers,
- create authenticity media messages aimed at targeted audiences,
- reinvigorate enthusiasm and excitement about Meatco, and
- develop and deliver communication messages focusing on producers to increase cattle numbers.

2018/19 REVIEW PILLAR 5: STAKEHOLDER RELATIONSHIPS AND REPUTATIONAL RISK

PRODUCER OF THE YEAR AWARDS 2018

Acknowledging excellent producers who supported Meatco

(Above, from left to right) Adolf de Koe, Meatco's Technical Advisor, Melanie Esterhuizen, Hollard representative, Dr Martha Namundjebo-Tilahun, Meatco Board Chairperson, Mrs and Mr Gert Kotze, Producer of the Year 2017 winner, Dirk Coetzee, Meatco's Technical Advisor and Heiner Böhme, Meatco's Executive Livestock Procurement.

Every year Meatco recognises commercial and communal farmers who are at the forefront of excellent cattle producers to Meatco during the preceding year. A total of 74 awards in 15 categories were handed over to the finest cattle producers in the country.

Gert Kotze of Okakeua Ranch was crowned Meatco Producer of the Year for 2017 and Sakaria Gaeb scooped the Communal Producer 2017 at a colourful ceremony in Windhoek on 25 October 2018. They were awarded plaques and certificates, as well as cash prizes.

Kotze also received awards in the BIG 5: Cattle Slaughtered category, Top Regional Producers: Slaughter Commercial, as well as the Top Five Producers (Slaughter Commercial) category, and also benefit as a Golden Producers 2018. Gaeb received awards in the Top Regional Producers: Slaughter Communal category, as well as in the Top Five Producers: Slaughter Communal category.

The awards also recognised farmers who produced and delivered top quality cattle to Meatco for slaughtering and feedlot, while displaying their passion and commitment towards the farming sector.

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

The respective categories of the Producer of the Year Awards are:

Producer of the Year
Communal Producer of the Year
Golden Producers 2018
Big Five Producers: Cattle Live Sales
Big Five Producer: Cattle Slaughtered
Producer of the Month
Farmers' Association Communal
Top Regional Producer: Live Sales Commercial
Top Regional Producer: Slaughter Communal
Top Regional Producer: Slaughter Commercial
Top Producers: Live Sales Communal
Top Producers: Live Sales Commercial
Top Producer: NVCF/MSU
Top Five Producers: Slaughter Communal
Top Five Producers: Slaughter Commercial

(Above, from left to right) Melanie Esterhuizen, Hollard representative, Sakaria Gaeb, Communal Producer 2017 winner, Heiner Böhme, Meatco's Executive Livestock Procurement, Israel Ngangane, Meatco Board member, Mrs Gaeb, and Dirk Coetzee, Meatco's Technical Advisor.

Producer of the Month

January 2017	Kubas Family Trust
February 2017	WP Michau
March 2017	JH Botha
April 2017	Kamab Guest Farm & Simbra Stud
May 2017	Farm Marienhof Trust
June 2017	A and C Van Wyk Farming CC
July 2017	Alt Seeis Farming
August 2017	Christoph Felix Knye
September 2017	HHK Kronsbein
October 2017	F Eberhard Wolfgang Fischer
November 2017	HH Frowerk
December 2017	WF Lubbe

2018/19 REVIEW PILLAR 5: STAKEHOLDER RELATIONSHIPS AND REPUTATIONAL RISK

COMMUNITY INVOLVEMENT

Good community relations is as vital for our business success as the effective management of our operations. Meatco strives to build enduring relationships based on open, respectful and trustworthy communication. We are aware that operating in a sustainable community provides us with substantial benefits, such as skilled and loyal employees, capable local suppliers of goods and services, and healthy environments for our employees and their families.

(Right) The 2018 Kapana Cook-off Competition grand finale was held in August 2018, following several regional cook-offs. Nedbank Namibia, in proud association with MeatMa, and several other sponsors, recognised the best Kapana cooks in an entry-level category and a professional chefs category. In the entry-level category, the grand winner, Mr Sakeus Kateya, walked away with N$10,000 cash prize from Nedbank, a MeatMa shopping voucher worth N$5,000, a SME Mentorship Development Training Programme and the grand prize of a trailer (mobile kitchen) valued at N$100,000. Mr Immanuel Kudumo was the winner of the professional chef category.

(Left) In June 2018, as part of its corporate social responsibility, the Meatco Foundation partnered with various sponsors in donating various items to the J & W Mouton Primary School, a school on a small farm outside Rehoboth. Blankets, soccer kits, soccer boots, stationery, food, meat, cool drinks and a printer to the sum of N$30,000 were handed over to the school. The pupils celebrated the gesture with song and dance in a colourful ceremony graced by Hardap Regional Deputy Director for Education, school board members and community members.

(Right) On an annual basis, Meatco, as a responsible corporate citizen, allocates funds to support deserving students in their studies in the form of bursaries. Petrus Kagogo received his bursary in 2016, and completed his studies towards a BSc Eng. in Electro/Mechanical Engineering at the University of Cape Town (UCT). He is now working back his bursary at Meatco. Before studying at UCT, he obtained a BSc in Applied Mathematics and Statistics from the Namibia University of Science and Technology. “Meatco rescued me right before I quit on my journey in Electro/Mechanical Engineering because I could not afford to continue paying for myself. I will forever be thankful for the opportunity and I am happy to be back and applying my skills at Meatco where I also get to assist and supervise those doing their apprenticeship here at Meatco,” said Kagogo.

(Left) The Ambassador of the United States (US), Her Excellency Lisa Johnson, paid a familiarisation visit to the Meatco plant in June 2018. She was informed that Meatco is ready to send the first consignment to the US, much earlier than previously expected. Namibia was granted access to the American market in 2016, but was waiting for labeling approval to start its beef exports. Under the US export rules, Namibia is eligible to export to the US boneless (not ground) beef raw products, such as primal cuts, chucks, blade, and beef trimmings. Meatco's Acting Chief Executive Officer presented a box of striploin to her as a token of appreciation.

STAKEHOLDER INVOLVEMENT

Meatco places a high premium on stakeholder involvement and encourages our various stakeholders to interact with us regularly. Visitors to our abattoir and processing plant are continuously impressed with the high quality standards maintained in our plant.

Stakeholder relations is a pillar of Meatco's business and essential to our ongoing success. We ensure that we are close to key industry decision makers and also interact regularly with Government on important matters of mutual interest. We sensitise stakeholders on the dynamics of the export business and how Meatco plays a role in contributing to the Namibian economy. Relationships with our line Ministries, particularly the Ministry of Agriculture, Water and Forestry, is vital, as they can influence decisions that affect our producers, a key stakeholder group.

(Left) In May 2018 the then recently-appointed Minister of Agriculture, Water and Forestry (MAWF), Honourable Alpheus G !Naruseb, visited Meatco as part of a familiarisation tour of businesses that fall under his ministry. The Honourable Minister was welcomed by Meatco Board Chairperson, Dr Martha Namundjebo-Tilahun, her fellow board members and the Meatco senior management team. Hon. !Naruseb was taken on a tour of the Meatco facilities to see operations first hand. During the tour, the Honourable Minister indicated that he was impressed by Meatco's food safety activities, adding that it is easy to see why Meatco can guarantee quality products at all times.

(Right) In April 2018, Meatco, through the Directorate of Veterinary Services (DVS), hosted a meeting with a high level delegation from Mongolia. The delegation aimed to study Namibia's animal health management systems, livestock marketing and the livestock traceability system. The eight-member delegation, headed by Mongolian Member of Parliament and a member of the Standing Committee of Environment, Food, and Agriculture, Mr Soltan Gombojai, toured the Meatco plant for a broader understanding of our operations.

THE MEATCO FOUNDATION

Founded by Meatco, the Meatco Foundation is aimed at leveraging all the developmental work that we are doing amongst the cattle farmers and communities we operate in. Hence the Foundation promotes socioeconomic development and empowerment in the livestock sector.

The Foundation prides itself in its healthy record of corporate social responsibility and investment through donor funding and assistance. Over the years, we have supported numerous communities and organisations with special needs.

During the reporting year, and as part of Meatco's turnaround strategy, our focus was on assisting NVCF farmers and abattoir operators to develop a long-term strategy for the NVCF.

2018/19 REVIEW PILLAR 6: INVOLVEMENT IN AREAS NVCF

The areas north of the veterinary cordon fence (NVCF) of Namibia comprise 43 per cent of Namibia's total area and support approximately 60 per cent of its population. Of the 2.7 million cattle (64.06 per cent) in Namibia, 1.7 million are found in the NVCF and 0.475 million cattle (35.94 per cent) in the areas south of the veterinary cordon fence (SVCF).

Overall, subsistence farming remains the main source of income for 22.4 per cent of rural communities [1] (representing nearly 60,000 households), with approximately 40 per cent of households in the Omusati Region and just over 20 per cent in Oshikoto and Ohangwena regions that are dependent on subsistence farming.

Marketing of NVCF cattle has been a challenge for many years, and the source of substantial losses for Meatco when the Corporation was still responsible for the three NVCF abattoirs. In 2016/17, Meatco relinquished the operation of the abattoirs to the Ministry of Agriculture, Water and Forestry, and introduced the Mobile Slaughter Unit (MSU) as a more cost effective slaughtering alternative. While the MSU slaughtered 1,521 cattle sourced from 120 farmers during the reporting year, it is still under-utilised.

As part of its mandate, as defined in the Meatco Act, "to serve, promote and co-ordinate the interests of producers of livestock in Namibia, and to strive for the stabilisation of the meat industry of Namibia in the national interest", **Meatco identified the need to be actively involved with the NVCF with the desired impact of providing assistance to NVCF farmers and the operators of the NVCF abattoirs**. Based on the business experience gained in the NVCF through the years, we identified four areas where we could have a positive impact, as depicted below.

1 Namibia Statistics Agency, Namibia Household Income and Expenditure Survey, 2015/16 Report

EXPERT ASSISTANCE

RUNDU ABATTOIR

MANAGEMENT SUPPORT

HACCIADEP PLAN

MEATCO'S INVOLVEMENT IN AREAS NVCF

01. Meatco experts can assist with:

- Feedlot establishment
- Abattoir operations
- Markets and marketing

02. Operating Rundu abattoir

03. Management support to operators of Oshakati and Katima abattoirs

04. HACCIADEP implementation plan

PROGRESS ACHIEVED THUS FAR IN NVCF

EXPERT ASSISTANCE

As part of Meatco's turnaround strategy, and as a first step in our involvement in the areas NVCF, we initiated a consultation process to define the performance problems and challenges within Meatco and its NVCF operations, clearly outlining the negative impact on Meatco's market share in the areas NVCF.

Developing a comprehensive Meatco NVCF strategy was the second step towards Meatco's turnaround strategic focus for 2019/20 reporting year. Operational stress within Meatco was identified and a thorough analysis undertaken. The objective of this exercise was aimed at arresting any further decline in Meatco's market share, while continuing to trade.

Through this process some specific tasks have been completed, which included a thorough analysis of the Meatco NVCF strengths, weaknesses, opportunities and threats (SWOT analysis). Other specific tasks have been conducted towards the development of the Meatco NVCF strategy, as follows:

- Analyse the positioning of Meatma Bonanza;
- Analyse the positioning of the Mobile Slaughter Unit (MSU);
- Analyse the positioning of the wholesale;
- Scope the market for Meatco by conducting a market survey for Meatco's current customers and potential customers;
- Identify potential customers for hindquarters (prime cuts) that are produced in the areas NVCF;
- Analyse the demand for prime cuts in the domestic market;
- Analyse the suppliers of the prime cuts in the domestic market;
- Determine the type and quantities of beef demanded in the Government Institutions;
- Determine the type and quantities of beef products supplied from south of the veterinary cordon fence to the areas NVCF;
- Analyse the scope of hotels, restaurants and catering markets available for Meatco products in Namibia;
- Analyse the viability of Meatma Bonanza with the aim of ascertaining the potential that can be realised from maximising the value from the carcasses in the various market segments in the areas NVCF;
- Analyse how the Meatco processing plant can make Meatco Wholesale competitive in the domestic market with respect to pricing the EU-compliant and non-EU compliant carcasses;
- Analyse how Meatco can maintain quality, price and consistency in the niche markets in the area SVCF with special focus on deboning capacity;
- Analyse the measures that would minimise losses in the business units, especially those in the areas NVCF;
- Validate the list of customers at Meatco Wholesale and their demand specifications and advise how the business unit can strive to meet their demand;
- Identify strategic partners that Meatco should focus on in the retail and steak market to generate maximum return on the forequarters and hindquarters carcasses, both for cattle sourced from SVCF and NVCF;
- Analyse the various methods that Meatco should employ to increase its visibility, consumer base and sales in the domestic market;
- Advise on the distribution network of Meatco products for the local market, such that there is complementarity between business units to impact the local market;
- Verify the size of the local market, specifically for beef products and the share of imported beef products, in general for other livestock products (substitutes); and
- Analyse any other critical success factors for the implementation of the strategy.


Photograph: Nguni Breeders Society

From this comprehensive analysis, the short-term, medium-term and long-term vision, mission and objectives for Meatco NVCF strategy will be developed and (in terms of marketing) will be defined. This in turn will position Meatco in the areas NVCF market. Specific areas where Meatco's experts could assist include feedlot establishment, abattoir operations, establishment of markets and marketing.

OPERATE RUNDU ABATTOIR

In addition to the development of Meatco's NVCF strategy, the Corporation expressed its willingness to operate the Rundu abattoir. In March 2018, stakeholders visited the Rundu abattoir and outcomes will further inform the NVCF strategy.

MANAGEMENT SUPPORT

Based on our experience with operating the Oshakati and Katima Mulilo abattoirs in the past, we shared our management experience with the new operator, Zambezi Meat Corporation (Pty) Ltd, specifically in terms of the development of a business plan. This management support is ongoing, and Meatco expects to gain future benefits from this sharing.

HACCIADEP PLAN

In assisting the MAWF in the implementation of the Harambee Comprehensively Coordinated and Integrated Agriculture Development Programme (HACCIADEP) plan, several consultative meetings were held during the reporting year. The HACCIADEP plan is aimed at facilitating market access for small- and medium-scale agricultural producers and agroprocessors in Government institutions, as a means of stimulating sustainable agricultural production and productivity, specifically in the areas NVCF. Meatco's assistance will form part of our NVCF strategy.

2018/19 REVIEW PILLAR 6: INVOLVEMENT IN AREAS NVCF

MOBILE SLAUGHTER UNIT DELIVERS ON PROMISE

Meatco's Mobile Slaughter Unit (MSU) was introduced into the areas north of veterinary cordon fence (NVCF) in mid-August 2016 and has been on a good journey thus far. The unit extended its stay at Matumbo Ribebe Quarantine Camp due to increased demand for slaughter.

In keeping with the demand, a centralised area of Meatco's operations for the areas NVCF is in the pipeline and will soon be made public.

The MSU, with a slaughter throughput of between 20 and 25 cattle per day, managed to slaughter 1,521 animals in 2018/19 (2017/18: 896; 2016/17: 746), with demand still surging. The carcasses were transported to Meatco's outlet in Oshakati, Bonanza, for processing for the local market.

The total value of animals purchased north of the veterinary cordon fence was N$22.6 million since its inception, benefiting 222 farmers with an average price of N$6,460 per animal paid to the farmers.

Meatco also procured 353 live animals and export them to Angola due to the limited marketing opportunities in the areas NVCF.

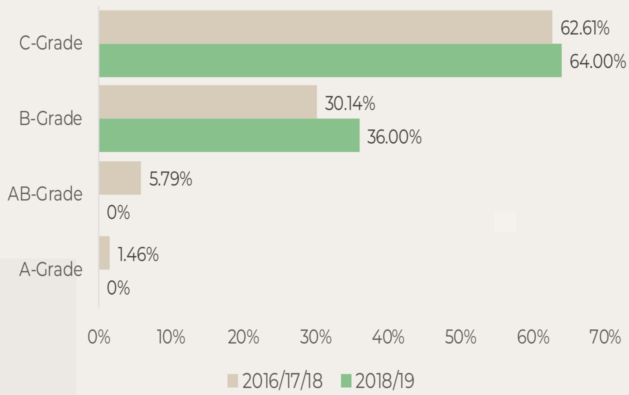
The areas NVCF has always been a tough market due to the veterinary cordon fence, which means that marketing opportunities in the area remain limited because meat from this area cannot be exported.

The limited market has a bearing on the efficient operations of the MSU in that fewer cattle are slaughtered compared to budget. However, more local farmers have expressed their interest in selling their cattle to Meatco.

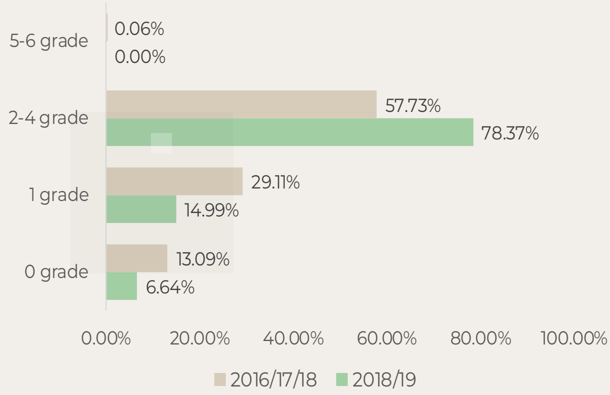
Cattle slaughtered at the MSU are marketed as carcasses or value added into beef cuts, beef stew and some fresh beef products. Offal products are sold directly to the Kavango Marketing Cooperative with the help of the Meatco Foundation.

The Kavango Marketing Cooperative then repackages the offal products and sells them to the local market, an income-generating activity that enhances the cooperative's capacity.

MSU Grading Distribution (%): 2016/17/18-2018/19



MSU Fat Distribution (%): 2016/17/18-2018/19



MSU CARCASS COLD & LIVE MASS/KG AND PRICE/KG

	2018/19	2016/17/18
Average carcass cold mass	216.00 kg	208.91 kg
Average cold mass price/kg	N$32.28/kg	N$29.79/kg
Average carcass live mass	432 kg	430.01 kg
Average live mass price/kg	N$15.64/kg	N$14.82/kg

SUPPORTING THE OHANGWENA COOPERATIVE

The Meatco Foundation has been supporting individuals and farmers' organisations to improve their farming, especially in communal areas. Particular focus was on the livestock sector. This was done through providing technical support, business plan developments, facilitating financial support by means of donors and implementing support projects and farming interventions.

During the reporting year, the Foundation supported the Ohangwena Livestock Marketing Cooperative (OHLMC) in a project proposal development, which was funded by Global Environmental Facility (GEF) through their Small Grants Programme (SGP). The project focused on conservation agriculture (CA), rangeland and livestock management, and livestock marketing at Omupanda, Ekulu and Wangolo grazing areas in the Ohangwena Region.

The project, which started in November 2018, allows the Meatco Foundation to provide technical support in the implementation of its activities. Thus far, three cluster trainings in rangeland and livestock management, as well as CA trainings have been conducted. CA farmers also received fertilisers, while livestock farmers conducted the over-seeding of perennial grass.

Furthermore, three auctions have been held since the commencement of the project through which tents, generators and other equipment were procured to enable operations and support farmers and the members.

In May 2018, the cooperative received two tractors, which were used for ripper furrowing, hence complementing the CA component of the project. The interventions have improved income generation for the cooperative by means of the ploughing services and commissions.

The Meatco Foundation will continue to support other cooperatives and farmers' associations in their bid to improve capacity and service delivery to Namibian farmers.

Otjiuapehuri Water Project at Gam

The water facility continues to provide water to the community of Gam. As part of the project, further activities are planned for the next reporting period to provide capacity on rangeland management.

This has emerged as a priority, as the cattle numbers have started to increase around the water point, hence the need to capacitate the farmers on rangeland to ensure that rangeland degradation is avoided.

The Gam community has already started mobilising their resources to lay out pipes from the water source to the quarantine facility.

Through this project it is envisaged that the Gam community will be able to sell their livestock in a manner that will be compliant with all the export requirements and hence rendered meat sourced from them fit to participate in the lucrative Norwegian market.

Revamped Okangoho crush pen increased marketing opportunities for communal farmers

During the reporting period, the Okangoho Multi-purpose Cooperative, through the Meatco Foundation, held the first permit day at the refurbished crush pen. The 250-member cooperative is using the crush pen as a hub of the area for livestock marketing, as well as for vaccinations and treating injured livestock. Okangoho is located in the Otjozondjupa Region, 45 km northeast of Okakarara.

The permit day held at the crush pen, which was constructed with the express purpose to empower and create marketing opportunities for farmers in surrounding areas, was held in April 2018.

A total of 136 cattle comprising of slaughter cattle, feedlot cattle and weaners were sold. The permit day also hosted small-scale vendors and kapana vendors who were supported by the large number of community members in attendance.

Meatco regularly conducts permit days in communal areas during which farmers can bring their cattle to a central point where cattle is weighed and sold for immediate cash. The permit days are organised at various multi-purpose loading kraals spread out across communal areas by the respective organising associations or cooperatives.

The upgrade of the crush pen to the current world-class standard was funded by the Meatco Foundation in partnership with UNIL (Norwegian Group).

To date, N$3,419,728 was generated through cattle sales, enabling the crush pen committee to earn N$68,400 in commission. These funds will be used for the day-to-day operating cost and also for future repairs and expansion of the crush pen.

(Left and below) Cattle at the Okangoho crush pen during the successful permit day held in April 2018.

Helena crush pen serving the community

The Helena crush pen facility contributes to the developmental aspirations of the community and hence also contributes towards livelihood improvement in the community. During auction days, the crush pen has become a market place for the community with several small entrepreneurs, especially women, selling products to the participants.

During the reporting year, 860 cattle were sold, which generated N$4,561,232 for farmers and N$91,232 commission for the crush pen committee. This was less than the previous year, due to drought-related challenges.

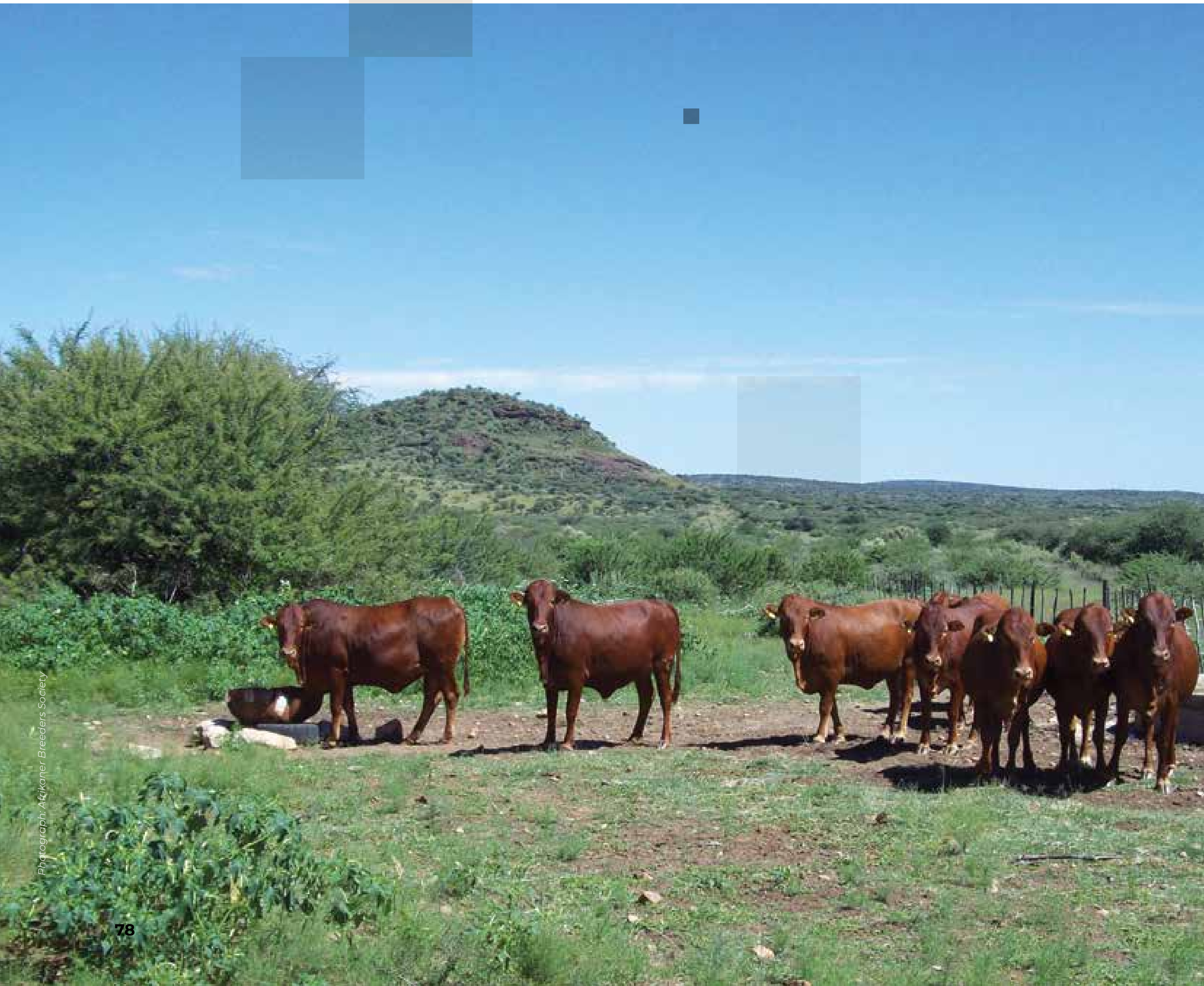
To date, the crush pen generated a cumulative amount of N$10,621,232 for the community, which was reinvested in the operations, maintenance and future expansion of the crush pen. A total of 1,870 cattle were sold since its construction, enabling the committee to generated a cumulative amount of N$212,432.

MEATCO'S TURNAROUND STRATEGY: IN CONCLUSION

OUR EFFORTS WERE REWARDED

Agriculture in Namibia will remain a vital component of the country's economy, especially as so many people are dependent on it for their survival and daily sustenance.

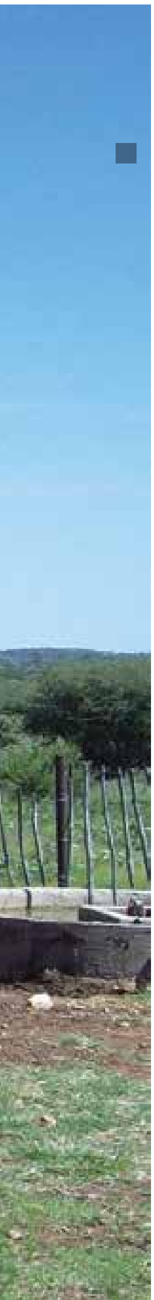
The future of Namibia's red meat industry continues to be positive, despite the many challenges it faces.



Photograph: Afrikaner Breeders Society

IN CONCLUSION

> **The combined effect of the strategic actions taken in this turnaround strategy was that Meatco ended the financial period with a loss of N$18 million, compared with a loss of N$51 million the previous reporting year. This is a dramatic turnaround from where we were a year ago, taking into consideration that we slaughtered less cattle this reporting year.**



It was a difficult year, but our efforts were rewarded. The combined effect of the strategic actions taken, was that Meatco ended the 2018/19 financial period with a loss of N$18 million, compared with a loss of N$51 million the previous year. This in effect means, an improvement of N$33 million in our financial situation.

Meatco slaughtered 20,000 less animals than the previous reporting year, but decrease the loss with N$33 million — an substantial improvement in our financial situation.

Meatco will continue on this road to recovery, and according to our budget projections, we will break even in the next financial year. The year thereafter we will be in a position to start building our reserves again.

There is still much work to be done, but Meatco as a business entity is through the worst. Together with all the industry stakeholders, especially our producers, we are confident that we will maintain the positive momentum generated during this turnaround year.

The next five-year strategic planning cycle will guide Meatco during the reporting periods 2019/20 until 2023/24. Vacant positions on Meatco's senior management team that were created during the reporting period due to our voluntary retrenchment and voluntary retirement for staff members, were nearly all filled. This, together with a strategic roadmap for the next five years and a strong drive to focus on the needs of our stakeholders, Meatco is facing the future with confidence.

MEATCO ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JANUARY 2019

Photograph: Charollais Breeders Society

Meat Corporation of Namibia

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

GENERAL INFORMATION

Country of incorporation and domicile	Namibia
Nature of business and principal activities	Manufacturing of beef and value added beef products.
Directors	Dr M Namundjebo-Tilahun: Chairperson
	Mr RL Kubas: Vice Chairperson
	Mr II Ngangane
	Ms S Kasheeta
	Mr M Mwilima
	Mr S Oosthuizen (resigned 16 February 2018)
	Mr E Beukes: co-opted
	Dr D van Schalkwyk: co-opted
	Mr SK Shakuma: co-opted
Business address	Meat Corporation Building
	Sheffield Street
	Northern Industrial Area
	Windhoek
Postal address	P O Box 3881
	Windhoek
	Namibia
Bankers	Bank Windhoek Namibia
	First National Bank
	Standard Bank of Namibia
	Development Bank of Namibia
Auditor	Grand Namibia
	Registered Accountants and Auditors
	Chartered Accountants (Namibia)
Secretary	Ms Nailoke Mhanda
	Ms E Tuneeko (resigned end April 2018)

CONTENTS

The reports and statements set out below comprise the annual financial statements presented to the members.

DIRECTORS' RESPONSIBILITY FOR THE ANNUAL FINANCIAL STATEMENTS

for the year ended January 2019.

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

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

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the group and all employees are required to maintain the highest ethical standards in ensuring the group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the group is on identifying, assessing, managing and monitoring all known forms of risk across the group. While operating risk cannot be fully eliminated, the group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

The directors have reviewed the group's cash flow forecast for the year to 31 January 2020 and, in light of this review and the current financial position, they are satisfied that the group has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditor is responsible for independently auditing and reporting on the group's annual financial statements. The annual financial statements have been examined by the group's external auditor and the report is presented on pages 85 to 86.

The annual financial statements set out on pages 85 to 138, which have been prepared on the going concern basis, were approved by the board.

Signed on behalf of the Board of Directors by:

....
Dr M Namundjebo-Tilahun
Chairperson

....
Mr RL Kubas
Director

Windhoek, Namibia
Date: 3 June 2019

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREOLDER OF MEAT CORPORATION OF NAMIBIA for the year ended 31 January 2019

Opinion

We have audited the group annual financial statements of Meat Corporation of Namibia set out on page 87 to 138, which comprise the group and separate statement of financial position as at 31 January 2019, and the group and separate statement of comprehensive income, the group and separate statement of changes in equity and the group and separate statement of cash flows for the year then ended, and the notes to the group and separate annual financial statements, including a summary of significant accounting policies and the directors' report.

In our opinion, the group and separate annual financial statements present fairly, in all material respects, the financial position of Meat Corporation of Namibia as at 31 January 2019, and its group and separate financial performance and cash flows for the year ended in accordance with International Financial Reporting standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Annual Financial Statements section of our report. We are independent of Meat Corporation of Namibia in accordance with the independence requirements applicable to performing audits of financial statements in Namibia which is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We have fulfilled our other ethical responsibilities in accordance with the ethical requirements applicable to performing audits in Namibia. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

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

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

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

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

Responsibilities of the directors for the Annual Financial Statements

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

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

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

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

As part of an audit in accordance with 1SAs, we exercise professional judgement and maintain professional scepticism throughout the audit.

We also:

- identify and assess the risks of material misstatement of the annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control,
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors` use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's reportto the related disclosures in the annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Grand Namibia

Grand Namibia
Registered Accountants and Auditors
Chartered Accountants (Namibia)
Per: R Theron - Partner
Windhoek
11 June 2019

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DIRECTORS' REPORT

for the year ended January 2019.

The directors have pleasure in presenting their report for the financial year which ended on 31 January 2019.

The mandate of Meat Corporation

The overall mandate of the Corporation is set out in the Meat Corporation of Namibia Act, 2001 (Act 1 of 2001) and described in more detail earlier in this Report. In accordance with the Meat Corporation of Namibia Act (Act 1 of 2001), the mandate of the Corporation is as follows:

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

Vision of Meat Corporation

Meatco's vision is to be the preferred marketing channel of Namibian livestock and to promote the most sought-after meat brands in the long-term interest of our stakeholders.

Meatco's objectives

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

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

DIRECTORS' REPORT (CONTINUED)

Operating results

During the financial year under review throughput of cattle supply in the areas south of the trans veterinary cordon fence decreased to 62,086 (2017/18: 81,984). The average cold dress weight increased to 246.31 kg (2017/18: 223.57 kg), resulting in actual throughput of 18,329 tonnes (2017/18: 15,292 tonnes).

Cattle supply in the areas north of the tans veterinary cordon fence increased to 1,521 (2017/18: 896). The average cold dressed weight increased to 215.92 kg (2017/18: 231.35 kg), resulting in actual throughput of 328.4 tonnes (2017/18: 207).

The revenue for the Group decreased to N$1,340 million (2017/18: N$1,425.0 million). The net loss for the year after interest and taxation decreased, from a loss in the prior year, to N$16.77 million loss (2017/18: N$42.96 million loss).

We draw attention to the financial statements, which indicates that the Company incurred a net loss of N$16.77 million (2017/18: N$42.96 millionloss) during the year ended 31 January 2019 and, as of that date, the Company's current liabilities did not exceed its total assets. The ability of the company to continue as a going concern is dependent on a number of factors. The most significant of these is that the directors continue to procure funding for the ongoing operations for the company and that the subordination agreement of these annual financial statements will remain in force for so long as it takes to restore the solvency of the company.

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.

		2018/19	2017/18
Cattle supply (units)			
- SVCF	*decrease*	62,086	81,984
- NVCF	*increase*	1,521	896
Average cold dress weight in kg			
- SVCF		246.31	223.57
- NVCF		215.92	231.35
Throughput in tonnes			
- SVCF		15,292	18,329
- NVCF		328.2	207.3
Group Revenue	*decrease*	N$1,340.0 million	N$1,425.0 million
Group Net profit / (loss)		(N$16.77 million)	(N$42,96 million)

	2018/19 N$	2017/18 N$
Net loss after taxation	(16,771,471)	(42,969,590)

DIRECTORS' REPORT (CONTINUED)

Property, plant and equipment replacement and development

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

	2018/19 N$	2017/18 N$
Capital projects		
Additions for the year	2,302,617	32,475,077
Capital budget for the ensuing year	30,172,900	34,535,000

Associates **Interest in Corporation at 31 January 2019 in:**					
		Issues share capital	**Place of business/ country of Incorporation**	**Percentage holding direct/indirect**	**Share investment N$**
Investment in associates					**216,791**
GPS Norway AS	NOK	300	Norway	33%	216,791
					216,791
Associates					
Interest in Corporation at 31 January 2019 in:					
Investment in associates					**216,791**
GPS Norway AS	NOK	300	Norway	33%	216,791
					216,791

The Corporation obtained a 25% interest in GPS Food Group (Holdings) Ltd on 20 May 2014. GPS Food Group (Holdings) Ltd is the ultimate holding company of an international group of wholly-owned subsidiaries that offer a comprehensive range of meat protein products sourced via a global network of supply partners. This Investment in Associate has been classified as a Financial Asset Held for Sale on 31 January 2018. Please refer to the notes in the Financial Statements for further information.

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

DIRECTORS' REPORT (CONTINUED)

Subsidiaries
Interest of Corporation as 31 January 2019 in:

		Issued share capital	Percentage holding direct/indirect	Share investment N$	Loans & Trade receivable / (payable) N$
Investments in subsidiaries				**200**	**11,938,571**
Meat Corporation of Namibia (UK) Limited (United Kingdom)	GBP	1,250,000	100%	-	-
Namibia Meat Importers & Exporters (Pty) Ltd (South Africa)	ZAR	100	100%	100	-
Namibia Cattle Procurement (Pty) Ltd (Namibia)	NAD	100	100%	100	11,938,571
Amounts from/(due) to subsidiaries					**33,648,324**
Meat Corporation of Namibia (UK) Limited (United Kingdom)	GBP				10,781,034
Namibia Meat Importers & Exporters (Pty) Ltd (South Africa)	ZAR				12,785,422
Namibia Cattle Procurement (Pty) Ltd (Namibia)	NAD				10,081,868
				200	**45,586,895**

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

Subsidiaries
Interest of Corporation as 31 January 2019 in:

		Issued share capital	Percentage holding direct/indirect	Share investment N$	Loans & Trade receivable / (payable) N$
Investments in subsidiaries				**200**	**11,938,571**
Meat Corporation of Namibia (UK) Limited (United Kingdom)	GBP	1,250,000	100%	-	-
Namibia Meat Importers & Exporters (Pty) Ltd (South Africa)	ZAR	100	100%	100	-
Namibia Cattle Procurement (Pty) Ltd (Namibia)	NAD	100	100%	100	11,938,571
Amounts from / (due) to subsidiaries					**705,589**
Meat Corporation of Namibia (UK) Limited (United Kingdom)	GBP				(27,466,387)
Namibia Meat Importers & Exporters (Pty) Ltd (South Africa)	ZAR				5,609,880
Namibia Cattle Procurement (Pty) Ltd (Namibia)	NAD				22,562,095
				200	**12,644,160**

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

DIRECTORS' REPORT (CONTINUED)

Associates					
Interest in Group at 31 January 2019 in:					
		Issues share capital	**Place of business/ country of Incorporation**	**Percentage holding direct/indirect**	**Share investment N$**
Investment in associates					**5,252,020**
GPS Norway AS	NOK	300	Norway	33%	5,252,020
					5,252,020
Associates					
Interest in Group at 31 January 2019 in:					
Investment in associates					**4,662,844**
GPS Norway AS	NOK	300	Norway	33%	4,662,844
					4,662,844

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION

as at 31 January 2019

		Group		Corporation	
		2018/19	2017/18	2018/19	2017/18
	Note(s)	N$	N$	N$	N$
Assets					
Non-Current Assets					
Property, plant and equipment	4	584,660,672	614,367,505	584,462,726	614,071,145
Investments in subsidiaries	5	-	-	11,938,771	11,938,771
Investments in associates	6	5,252,020	4,662,844	216,791	216,791
Deferred tax	7	173,752,127	118,763,599	172,545,365	118,655,399
		763,664,819	**737,793,948**	**769,163,653**	**744,882,106**
Current Assets					
Biological assets	8	97,397,055	131,813,058	90,277,431	107,491,316
Inventories	9	112,847,397	232,649,591	108,598,426	232,482,501
Loans to group companies		-	-	33,648,324	28,171,975
Trade and other receivables	10	206,096,088	173,814,884	152,050,910	163,095,138
Cash and cash equivalents	12	40,646,852	52,058,917	35,055,317	44,910,479
		456,987,392	590,336,450	419,630,408	576,151,409
Non-current assets held for sale	13	-	83,292,714	-	41,701,435
Total Assets		**1,220,652,211**	**1,411,423,112**	**1,188,794,061**	**1,362,734,950**
Equity and Liabilities					
Equity					
Foreign currency translation reserve		(5,996,738)	(4,573,669)	-	-
Revaluation reserves		233,594,937	233,594,937	233,594,937	233,594,937
Retained income		346,642,058	363,413,529	315,088,340	298,451,465
		574,240,257	**592,434,797**	**548,683,277**	**532,046,402**
Liabilities					
Non-Current Liabilities					
Borrowings	15	198,848,715	222,746,405	198,848,717	222,746,405
Finance lease liabilities	16	-	4,336,988	-	4,336,988
Retirement benefit obligation	17	10,669,000	16,847,000	10,669,000	16,847,000
Deferred tax	7	134,030,287	127,431,593	133,391,942	127,418,585
		343,548,002	**371,361,986**	**342,909,659**	**371,348,978**
Current Liabilities					
Trade and other payables	14	88,680,567	96,804,469	88,230,134	94,219,201
Loans from group companies		-	-	-	27,466,387
Borrowings	15	44,845,737	79,297,806	44,845,737	79,297,806
Finance lease liabilities	16	4,379,378	5,150,975	4,379,378	5,150,975
Current tax payable	11	749,130	534,746	-	-
Provisions	18	10,234,445	56,544,939	5,771,181	43,911,807
Bank overdraft	12	153,974,695	209,293,394	153,974,695	209,293,394
		302,863,952	**447,626,329**	**297,201,125**	**459,339,570**
Total Liabilities		646,411,954	818,988,315	640,110,784	830,688,548
Total Equity and Liabilities		**1,220,652,211**	**1,411,423,112**	**1,188,794,061**	**1,362,734,950**

CONSOLIDATED AND SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

as at 31 January 2019

		Group		Corporation	
		2018/19	2017/18	2018/19	2017/18
	Note(s)	N$	N$	N$	N$
Revenue	19	1,340,237,156	1,425,093,832	1,336,704,486	1,408,789,563
Cost of sales	20	(1,204,720,649)	(1,281,779,827)	(1,219,954,668)	(1,272,142,734)
Gross profit		**135,516,507**	**143,314,005**	**116,749,818**	**136,646,829**
Other income	24	24,908,365	17,757,135	24,893,208	17,757,135
Administrative expenses		(171,626,164)	(181,235,460)	(156,792,697	(169,215,047)
Operating loss	**21**	**(11,201,292)**	**(20,164,320)**	**(15,149,671)**	**(14,811,083)**
Investment income	22	599,253	2,253,649	312,267	1,873,350
Finance costs	23	(50,715,349)	(56,886,986)	(50,715,349)	(56,072,724)
Exchange differences reclassified on disposal of foreign operation		649,326	-	-	-
Income from equity accounted investments		366,774	10,405,725	-	-
Profit (loss) on sale of shares in associate		(4,587,372)	-	34,273,017	-
Loss before taxation		**(64,888,660)**	**(64,391,932)**	**(31,279,736)**	**(69,010,457)**
Taxation	25	48,117,189	21,422,342	47,916,608	21,946,343
(Loss) profit for the year		**(16,771,471)**	**(42,969,590)**	**(16,636,872)**	**(47,064,114)**
Other comprehensive income:					
Items that may be reclassified to profit or loss:					
Exchange differences on translating foreign operations		(1,423,068)	(8,157,109)	-	-
Total comprehensive (loss) income for the year		**(18,194,539)**	**(51,126,699)**	**(16,636,872)**	**(47,064,114)**

CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGE IN EQUITY

as at 31 January 2019

	Foreign currency translation reserve	Revaluation reserve	Retained income	Total equity
	N$	N$	N$	N$
Group				
Balance at 01 February 2017	**3,583,439**	**233,594,937**	**406,383,119**	**643,561,495**
Loss for the year	-	-	(42,969,590)	(42,969,590)
Other comprehensive income	(8,157,109)	-	-	(8,157,109)
Total comprehensive loss for the year	**(8,157,109)**	**-**	**(42,969,590)**	**(51,126,699)**
Balance at 01 February 2018	**(4,573,670)**	**233,594,937**	**363,413,528**	**592,434,795**
Loss for the year	-	-	(16,771,471)	(16,771,471)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	**-**	**-**	**(16,771,471)**	**(16,771,471)**
Transfer from retained earnings to foreign currency translation reserve	(1,423,068)	-	-	(1,423,068)
Total contributions by and distributions to owners of company recognised directly in equity	**(1,423,068)**	**-**	**-**	**(1,423,068)**
Balance at 31 January 2019	**(5,996,738)**	**233,594,937**	**346,642,057**	**574,240,256**
Corporation				
Balance at 01 February 2017	**-**	**233,594,937**	**345,515,579**	**579,110,516**
Loss for the year	-	-	(47,064,114)	(47,064,114)
Total comprehensive loss for the year	**-**	**-**	**(47,064,114)**	**(47,064,114)**
Balance at 01 February 2018	**-**	**233,594,937**	**298,451,468**	**532,046,405**
Profit for the year	-	-	16,636,872	16,636,872
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	**-**	**-**	**16,636,872**	**16,636,872**
Balance at 31 January 2019	**-**	**233,594,937**	**315,088,340**	**548,683,277**

CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS

as at 31 January 2019

		Group		Corporation	
		2018/19	2017/18	2018/19	2017/18
	Note(s)	N$	N$	N$	N$
Cash flows from operating activities					
Cash generated from/(used in) operations	26	67,022,300	(116,831,643)	68,227,871	(159,467,606)
Interest income	22	599,253	2,253,649	312,267	1,873,350
Finance costs	23	(50,715,349)	(56,886,986)	(50,715,349)	(56,072,724)
Tax paid	28	-	(15,971,925)	-	-
Retirement benefit obligation		6,178,000	(6,168,494)	6,174,000	(7,489,494)
Net cash from operating activities		**23,084,204**	**(193,605,399)**	**24,002,789**	**(221,156,474)**
Cash flows from investing activities					
Purchase of property, plant and equipment	4	(2,302,616)	(32,492,077)	(2,302,616)	(32,483,129)
Proceeds from disposal of property, plant and equipment	4	9,301,117	1,169,291	11,247,256	1,169,291
Proceeds from sale of associate	13	78,705,342	-	75,974,453	-
Proceeds from sale of financial assets		-	18,229,265	-	18,242,570
Net cash from investing activities		**85,703,843**	**(13,093,521)**	**84,919,092**	**(13,071,268)**
Cash flows from financing activities					
Repayment of borrowings	15	(58,349,759)	(29,725,648)	(58,349,759)	(29,725,648)
Finance lease payments	16	(5,108,585)	-	(5,108,585)	-
Net cash from financing activities		**(63,458,344)**	**(29,725,648)**	**(63,458,344)**	**(29,725,648)**
Total cash movement for the year		**45,329,703**	**(236,424,568)**	**45,463,537**	**(242,527,713)**
Cash at the beginning of the year		(157,234,478)	87,347,199	(164,382,915)	78,144,798
Effect of exchange rate movement on cash balances		(1,423,068)	(8,157,108)	-	-
Total cash at end of the year	12	**(113,327,843)**	**(157,234,477)**	**(118,919,378)**	**(164,382,915)**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS as at 31 January 2019

CORPORATE INFORMATION

Meat Corporation of Namibia is a body corporate established in terms of the Meat Corporation of Namibia Act, 2001 (Act 1 of 2001) domiciled in Namibia. The consolidated financial statements of the Corporation for the year ended 31 January 2019 comprise the Corporation and its subsidiaries (together referred to as the "Group").

1. SIGNIFICANT ACCOUNTING POLICIES

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

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

1.1 Basis of preparation

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

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

1.2 Consolidation

Basis of consolidation

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

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

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

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

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

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

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

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

Where a subsidiary is disposed of and a non-controlling shareholding is retained, the remaining investment is measured to fair value with the adjustment to fair value recognised in profit or loss as part of the gain or loss on disposal of the controlling interest. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Investments in subsidiaries in the separate financial statements

In the Company's separate financial statements, investments in subsidiaries are carried at cost less any accumulated impairment losses. This excludes investments which are held for sale and are consequently accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

Investment in associates are accounted for at cost in the separate financial statements of Meatco.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.3 Investments in associates

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

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

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

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

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

1.4 Significant judgements and sources of estimation uncertainty

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

Critical judgements in applying accounting policies

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

Calculation of net realisable value for inventory

The valuation of the net realisable value of inventory is based on the latest selling prices available which are in certain instances foreign currency denominated. The significant volatility in the exchange rates as well as volatility in the selling prices thus affects the information used by management in determining the net realisable value.

Determination of fair value of biological assets

The fair value of livestock is based on the livestock prices per kilogram. The kilograms on hand at year end are based on actual quantities of livestock on hand at year end adjusting the actual weight of the livestock at date of purchase with the estimated growth while in feedlot prior to slaughter.

Residual value and remaining life of property, plant and equipment

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.4 Significant judgements and sources of estimation uncertainty (continued)

Allowance for slow moving, damaged and obsolete inventory

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

Provisions

Provisions are inherently based on assumptions and estimates using the best information available. Additional disclosure of these estimates of provisions are included in note 18.

Impairment of trade receivables

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

Impairment of other assets

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

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

Taxation

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

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

Key sources of estimation uncertainty

Trade receivables

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

Allowance for slow moving, damaged and obsolete inventory

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

Fair value estimation

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

Impairment testing

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

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.4 Significant judgements and sources of estimation uncertainty (continued)

Useful lives and residual values of property, plant and equipment

Management assess the appropriateness of the useful lives of property, plant and equipment at the end of each reporting period. The useful lives of plant, vehicles, furniture and equipment are determined based on group replacement policies for the various assets. Individual assets within these classes, which have a significant carrying amount are assessed separately to consider whether replacement will be necessary outside of normal replacement parameters.

When the estimated useful life of an asset differs from previous estimates, the change is applied prospectively in the determination of the depreciation charge.

The residual value of property, plant and equipment was estimated by management based on the specialized nature of the asset 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 residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

Provisions

Provisions are inherently based on assumptions and estimates using the best information available. Additional disclosure of these estimates of provisions are included in note 18.

GATT licenses

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

Fair value estimation of financial instruments

The fair value of financial instruments traded in active markets (such as trading and available for sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the group is the current bid price.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

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.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.5 Biological assets

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

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

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

1.6 Property, plant and equipment

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.6 Property, plant and equipment (continued)

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

Property, plant and equipment is subsequently stated at historical cost less accumulated depreciation and any accumulated impairment losses.

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

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

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

Item	Depreciation method	Average useful life	Residual value
Plant	Straight line	20 years	15%
Factory equipment	Straight line	5 years	15%
Computer equipment	Straight line	3 years	N$ Nil
Office equipment	Straight line	3 years	N$ Nil
Motor vehicles	Straight line	5 years	25%
Mobile equipment	Straight line	3 years	N$ Nil
Tools	Straight line	3 years	N$ Nil

Land is not depreciated.

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

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

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

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

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

1.7 Financial instruments

Financial instruments held by the group are classified in accordance with the provisions of IFRS 9 Financial Instruments.

Broadly, the classification possibilities, which are adopted by the group ,as applicable, are as follows:

Financial assets which are equity instruments:

- Mandatory at fair value through profit or loss; or
- Designated as at fair value through other comprehensive income. (This designation is not available to equity instruments which are held for trading or which are contingent consideration in a business combination).

Financial assets which are debt instruments:

- Amortised cost. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows); or

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.7 Financial instruments (continued)

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

Derivatives which are not part of a hedging relationship:

- Mandatory at fair value through profit or loss.

Financial liabilities:

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

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

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

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

Loans receivable at amortised cost

Classification

Loans to group companies, loans to shareholders, loans to directors, managers and employees, and loans receivable (note 10) are classified as financial assets subsequently measured at amortised cost.

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

Recognition and measurement

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

They are subsequently measured at amortised cost.

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

Application of the effective interest method

Interest income is calculated using the effective interest method, and is included in profit or loss in investment income (note 22).

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

- The effective interest rate is applied to the gross carrying amount of the loan, provided the loan is not credit impaired. The gross carrying amount is the amortised cost before adjusting for a loss allowance.
- If a loan is purchased or originated as credit impaired, then a credit adjusted effective interest rate is applied to the amortised cost in the determination of interest. This treatment does not change over the life of the loan, even if it is no longer credit impaired.
- If a loan was not purchased or originally credit impaired, but it has subsequently become credit impaired, then the effective interest rate is applied to the amortised cost of the loan in the determination of interest. If, in subsequent periods, the loan is no longer credit impaired, then the interest calculation reverts to applying the effective interest rate to the gross carrying amount.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.7 Financial instruments (continued)

Impairment

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

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

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

In order to assess whether to apply lifetime ECL or 12 month ECL, in other words, whether or not there has been a significant increase in credit risk since initial recognition, the group considers whether there has been a significant increase in the risk of a default occurring since initial recognition rather than at evidence of a loan being credit impaired at the reporting date or of an actual default occurring.

Significant increase in credit risk

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

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

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

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

The group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increases in credit risk before the amount becomes past due.

Credit risk

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

Derecognition

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

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

Trade and other receivables

Classification

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

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

Recognition and measurement

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

They are subsequently measured at amortised cost.

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

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.7 Financial instruments (continued)

Application of the effective interest method

For receivables which contain a significant financing component, interest income is calculated using the effective interest method, and is included in profit or loss in investment income (note 22).

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

- The effective interest rate is applied to the gross carrying amount of the receivable, provided the receivable is not credit impaired. The gross carrying amount is the amortised cost before adjusting for a loss allowance.
- If a receivable is a purchased or originated as credit impaired, then a credit adjusted effective interest rate is applied to the amortised cost in the determination of interest. This treatment does not change over the life of the receivable, even if it is no longer credit impaired.
- If a receivable was not purchased or originally credit impaired, but it has subsequently become credit impaired, then the effective interest rate is applied to the amortised cost of the receivable in the determination of interest. If, in subsequent periods, the receivable is no longer credit impaired, then the interest calculation reverts to applying the effective interest rate to the gross carrying amount.

Impairment

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

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

Measurement and recognition of expected credit losses

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

The customer base is widespread and does not show significantly different loss patterns for different customer segments. The loss allowance is calculated on a collective basis for all trade and other receivables in totality.

An impairment gain or loss is recognised in profit or loss with a corresponding adjustment to the carrying amount of trade and other receivables, through use of a loss allowance account. The impairment loss is included in other operating expenses in profit or loss as a movement in credit loss allowance (note 21).

Write off policy

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

Credit risk

Details of credit risk are included in the trade and other receivables note (note 10) and the financial instruments and risk management note (note 3).

Derecognition

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

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

Borrowings and loans from related parties

Classification

Loans from group companies, loans from shareholders and borrowings are classified as financial liabilities subsequently measured at amortised cost.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.7 Financial instruments (continued)

Recognition and measurement

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

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

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

Interest expense, calculated on the effective interest method, is included in profit or loss in finance costs (note 23.)

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

Loans denominated in foreign currencies

When borrowings are denominated in a foreign currency, the carrying amount of the loan is determined in the foreign currency. The carrying amount is then translated to the Namibia Dollar equivalent using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in profit or loss in the other income (note 24).

Details of foreign currency risk exposure and the management thereof are provided in the specific loan notes and in the financial instruments and risk management (note 3).

Derecognition

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

Trade and other payables

Classification

Trade and other payables (note 14), excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

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

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

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

If trade and other payables contain a significant financing component, and the effective interest method results in the recognition of interest expense, then it is included in profit or loss in finance costs (note 23).

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

Derecognition

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

Cash and cash equivalents

Cash and cash equivalents are stated at carrying amount which is deemed to be fair value.

Bank overdrafts

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

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.7 Financial instruments (continued)

Derecognition

Financial assets

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

Financial liabilities

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

Reclassification

Financial assets

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

The reclassification date is the beginning of the first reporting period following the change in business model which necessitates a reclassification.

Financial liabilities

Financial liabilities are not reclassified.

1.8 Financial instruments: IAS 39 comparatives

Classification

The group classifies financial assets and financial liabilities into the following categories:

- Financial assets at fair value through profit or loss - designated
- Loans and receivables
- Available-for-sale financial assets
- Financial liabilities at fair value through profit or loss - designated
- Financial liabilities measured at amortised cost.

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re assessed on an annual basis, except for derivatives and financial assets designated as at fair value through profit or loss, which shall not be classified out of the fair value through profit or loss category.

A financial asset classified as available for sale that would have met the definition of loans and receivables may be reclassified to loans and receivables if the entity has the intention and ability to hold the asset for the foreseeable future or until maturity.

Initial recognition and measurement

Financial instruments are recognised initially when the group becomes a party to the contractual provisions of the instruments.

The group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available for sale financial assets.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through profit or loss are recognised in profit or loss.

Regular way purchases of financial assets are accounted for at trade date.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.8 Financial instruments: IAS 39 comparatives (continued)

\Subsequent measurement

Financial instruments at fair value through profit or loss are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in profit or loss for the period.

Net gains or losses on the financial instruments at fair value through profit or loss exclude dividends and interest.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Available for sale financial assets are subsequently measured at fair value. This excludes equity investments for which a fair value is not determinable, which are measured at cost less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Derecognition

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.

Impairment of financial assets

At each reporting date the group assesses all financial assets, other than those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the group, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in profit or loss.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in profit or loss except for equity investments classified as available for sale.

Impairment losses are also not subsequently reversed for available for sale equity investments which are held at cost because fair value was not determinable.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in profit or loss within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Loans to (from) group companies

These include loans to and from holding companies, fellow subsidiaries, subsidiaries, joint ventures and associates and are recognised initially at fair value plus direct transaction costs.

Loans to group companies are classified as loans and receivables.

Loans from group companies are classified as financial liabilities measured at amortised cost.

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.

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.9 Tax (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the group's accounting policy for borrowing costs.

Derivatives

Derivative financial instruments, which are not designated as hedging instruments, consisting of foreign exchange contracts and interest rate swaps, are initially measured at fair value on the contract date, and are re measured to fair value at subsequent reporting dates.

Derivatives embedded in other financial instruments or other non financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in profit or loss.

Changes in the fair value of derivative financial instruments are recognised in profit or loss as they arise.

Derivatives are classified as financial assets at fair value through profit or loss - held for trading.

1.9 Tax

Current tax assets and liabilities

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

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

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused STC credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income, or
- a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.10 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases – lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

1.11 Inventories

Inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Inventories includes a “right to returned goods asset” which represents the group right to recover products from customers where customers exercise their right of return under the group returns policy. The group uses its accumulated historical experience to estimate the number of returns on a portfolio level using the expected value method. A corresponding adjustment is recognised against cost of sales.

Meat and meat products

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

Packing material, consumable store and spare parts

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

1.12 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities.

Ordinary shares are recognised at par value and classified as ‘share capital’ in equity. Any amounts received from the issue of shares in excess of par value is classified as ‘share premium’ in equity. Dividends are recognised as a liability in the group in which they are declared.

1.13 Employee benefits

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.

Long-term benefits: Severance benefits

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

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

- Actuarial gains and losses;
- Return on plan assets, excluding amounts included in net interest on the net defined benefit liability; and
- Any changes in the effect of the assets ceiling excluding amounts included in net interest on the net defined benefit liability.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.14 Provisions and contingencies

Provisions are recognised when:

- the group has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the business or part of a business concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 32.

1.15 Revenue from contracts with customers

The group recognises revenue from the following major sources:

- Goods sold and services rendered
- Interest income
- Dividend income

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the group's activities. Revenue is shown net of value added tax, returns, rebates and discounts and after eliminating sales within the group. The group recognises revenue when a legally enforceable contract is entered into with a customer, for which identifiable performance obligations as per contract are established and the entity has satisfied these obligations.

Revenue is measured at the determined transaction price as allocated to each performance obligation in the contract with the customer.

Goods sold and services rendered

Revenue from the sale of goods and GATT quotas is recognised in profit or loss 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.

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.

Dividend income

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

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.16 Cost of sales

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write down or loss occurs. The amount of any reversal of any write down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The related cost of providing services recognised as revenue in the current period is included in cost of sales.

1.17 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when:

- expenditures for the asset have occurred;
- borrowing costs have been incurred, and
- activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.18 Translation of foreign currencies

Functional and presentation currency

Items included in the annual financial statements of each of the group entities are measured using the currency of the primary economic environment in which the entity operates (functional currency).

The consolidated annual financial statements are presented in Namibia Dollar which is the group functional and presentation currency.

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Namibia Dollars, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual financial statements are recognised in profit or loss in the period in which they arise.

When a gain or loss on a non monetary item is recognised to other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised to other comprehensive income and accumulated in equity. When a gain or loss on a non monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Cash flows arising from transactions in a foreign currency are recorded in Namibia Dollars by applying to the foreign currency amount the exchange rate between the Namibia Dollar and the foreign currency at the date of the cash flow.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.18 Translation of foreign currencies (continued)

Investments in subsidiaries, joint ventures and associates

The results and financial position of a foreign operation are translated into the functional currency using the following procedures:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each item of profit or loss are translated at exchange rates at the dates of the transactions; and
- all resulting exchange differences are recognised to other comprehensive income and accumulated as a separate component of equity.

Exchange differences arising on a monetary item that forms part of a net investment in a foreign operation are recognised initially to other comprehensive income and accumulated in the translation reserve. They are recognised in profit or loss as a reclassification adjustment through to other comprehensive income on disposal of net investment.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation are treated as assets and liabilities of the foreign operation.

The cash flows of a foreign subsidiary are translated at the exchange rates between the functional currency and the foreign currency at the dates of the cash flows.

2. NEW STANDARDS AND INTERPRETATIONS

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the group has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Practice statement 2: Making materiality judgements	14 September 2017	The impact of the standard is not material.
• IFRS 9 Financial Instruments	01 January 2018	The impact of the standard is not material.
• IFRS 15 Revenue from Contracts with Customers	01 January 2018	The impact of the standard is material.
• Amendments to IFRS 15: Clarifications to IFRS 15 Revenue from Contracts with Customers	01 January 2018	The impact of the standard is material.

2.2 Standards and interpretations not yet effective

The group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the group's accounting periods beginning on or after 01 February 2019 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	deferred indefinitely	The impact of the standard is not material.
• Long-term Interests in Joint Ventures and Associates - Amendments to IAS 28	01 January 2019	Unlikely there will be a material impact
• Amendments to IAS 12 Income Taxes: Annual Improvements to IFRS 2015 - 2017 cycle	01 January 2019	Unlikely there will be a material impact
• Amendments to IAS 23 Borrowing Costs: Annual Improvements to IFRS 2015 - 2017 cycle	01 January 2019	Unlikely there will be a material impact
• Uncertainty over Income Tax Treatments	01 January 2019	The impact of the standard is not material.
• IFRS 16 Leases	01 January 2019	The impact of the standard is not material.

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Categories of financial instruments

Categories of financial assets

Group - 2018/19

	Note(s)	Fair value through profit or loss - Designated	Amortised cost
Trade and other receivables	10	-	151,987,667
Cash and cash equivalents	12	40,646,852	-
		40,646,852	**151,987,667**

Group - 2017/18

	Note(s)	Fair value through profit or loss - Designated	Amortised cost
Trade and other receivables	10	-	173,814,884
Cash and cash equivalents	12	52,058,917	-
		52,058,917	**173,814,884**

Corporation - 2018/19

	Note(s)	Fair value through profit or loss - Designated	Amortised cost
Loans to group companies		-	108,381,879
Trade and other receivables	10	-	100,106,162
Cash and cash equivalents	12	35,055,316	-
		35,055,316	**208,488,041**

Corporation - 2017/18

	Note(s)	Fair value through profit or loss - Designated	Amortised cost
Loans to group companies		-	28,171,975
Trade and other receivables	10	-	85,864,986
Cash and cash equivalents	12	44,910,479	-
		44,910,479	**114,036,961**

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Categories of financial instruments (continued)

Categories of financial liabilities

Group - 2018/19

	Note(s)	Amortised cost
Trade and other payables	14	88,680,567
Borrowings	15	243,694,452
Finance lease obligations	16	4,379,378
Bank overdraft	12	153,974,695
		490,729,092

Group - 2017/18

	Note(s)	Amortised cost
Trade and other payables	14	96,804,469
Borrowings	15	302,044,211
Finance lease obligations	16	9,487,963
Bank overdraft	12	209,293,394
		617,630,037

Corporation - 2018/19

	Note(s)	Amortised cost
Trade and other payables	14	88,230,134
Loans from group companies		74,733,555
Borrowings	15	243,694,454
Finance lease obligations	16	4,379,378
Bank overdraft	12	153,974,695
		565,012,216

Corporation - 2017/18

	Note(s)	Amortised cost
Trade and other payables	14	94,219,201
Loans from group companies		27,466,387
Borrowings	15	302,044,211
Finance lease obligations	16	9,487,963
Bank overdraft	12	209,293,394
		642,511,156

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Capital risk management

The group's objective when managing capital (which includes share capital, borrowings, working capital and cash and cash equivalents) is to maintain a flexible capital structure that reduces the cost of capital to an acceptable level of risk and to safeguard the group's ability to continue as a going concern while taking advantage of strategic opportunities in order to maximise stakeholder returns sustainability.

The capital structure and gearing ratio of the group at the reporting date was as follows:

		Group		Corporation	
		2018/19	2017/18	2018/19	2017/18
	Notes	N$	N$	N$	N$
Loans from group companies		-	-	74,733,555	27,466,387
Borrowings	15	243,694,452	302,044,211	243,694,454	302,044,211
Finance lease liabilities	16	4,379,378	9,487,963	4,379,378	9,487,963
Trade and other payables	14	88,680,567	96,804,469	88,230,134	94,219,201
Total borrowings		**336,754,397**	**408,336,643**	**411,037,521**	**433,217,762**
Bank overdraft	12	153,974,695	209,293,394	153,974,695	209,293,394
Net borrowings		**490,729,092**	**617,630,037**	**565,012,216**	**642,511,16**
Equity		574,240,256	592,434,795	548,683,278	532,046,403
Gearing ratio		85%	104%	103%	121%

Financial risk management

Overview

The group is exposed to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk (currency risk, interest rate risk).

The board has overall responsibility for the establishment and oversight of the group's risk management framework. The board has established the risk committee, which is responsible for developing and monitoring the group's risk management policies. The committee reports quarterly to the board on its activities.

The group's risk management policies are established to identify and analyse the risks faced by the group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the group's activities.

The group audit committee oversees how management monitors compliance with the risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the group. The audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit and Risk Committee.

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Financial risk management (continued)

Credit risk

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The group is exposed to credit risk on loans receivable, debt instruments at fair value through other comprehensive income, trade and other receivables, contract receivables, lease receivables, loan commitments and financial guarantees.

Credit risk for exposures other than those arising on cash and cash equivalents, are managed by making use of credit approvals, limits and monitoring. The group only deals with reputable counterparties with consistent payment histories. Sufficient collateral or guarantees are also obtained when necessary. Each counterparty is analysed individually for creditworthiness before terms and conditions are offered. The analysis involves making use of information submitted by the counterparties as well as external bureau data (where available). Counterparty credit limits are in place and are reviewed and approved by credit management committees. The exposure to credit risk and the creditworthiness of counterparties is continuously monitored.

The maximum exposure to credit risk is presented in the table below:

Group

	Notes		2018/19			2017/8	
		Gross carrying amount	Credit loss allowance	Amortised cost / fair value	Gross carrying amount	Credit loss allowance	Amortised cost / fair value
Trade and other receivables	10	163,888,533	(11,900,866)	151,987,667	102,177,075	(8,510,258)	93,666,817
Cash and cash equivalents	12	40,646,852	-	40,646,852	52,058,917	-	52,058,917
		221,014,513	**(11,900,866)**	**209,113,647**	**186,296,768**	**(8,510,258)**	**177,786,510**

Corporation

			2018/19			2017/18	
		Gross carrying amount	Credit loss allowance	Amortised cost / fair value	Gross carrying amount	Credit loss allowance	Amortised cost / fair value
Trade and other receivables	10	123,937,034	(7,405,937)	116,531,097	121,909,000	(4,001,345)	117,907,655
Cash and cash equivalents	12	35,055,317	-	35,055,317	44,910,479	-	44,910,479
		267,374,230	**(7,405,937)**	**259,968,293**	**194,991,454**	**(4,001,345)**	**190,990,109**

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Financial risk management (continued)

Liquidity risk

The group is exposed to liquidity risk, which is the risk that the group will encounter difficulties in meeting its obligations as they become due.

The maturity profile of contractual cash flows of non-derivative financial liabilities, and financial assets held to mitigate the risk, are presented in the following table. The cash flows are undiscounted contractual amounts.

Group - 2018/19	**Notes**	**Less than 1 year**	**1 to 5 years**	**Over 5 years**	**Total**	**Carrying amount**
Non-current liabilities						
Borrowings	15	-	172,223,769	26,624,948	198,848,717	198,848,717
Current liabilities						
Trade and other payables	14	88,680,567	-	-	88,680,567	88,680,567
Borrowings	15	44,845,737	-	-	44,845,737	44,845,737
Finance lease liabilities	16	4,379,378	-	-	4,379,378	4,379,378
Bank overdraft	12	153,974,695	-	-	153,974,695	153,974,695
		291,880,377	**172,223,769**	**26,624,948**	**490,729,094**	**490,729,094**

Group - 2017/18	**Notes**	**Less than 1 year**	**1 to 5 years**	**Over 5 years**	**Total**	**Carrying amount**
Non-current liabilities						
Borrowings	15	-	191,794,236	30,956,029	222,750,265	222,746,405
Finance lease liabilities	16	-	4,336,988	-	4,336,988	4,336,988
Current liabilities						
Trade and other payables	16	96,804,469	-	-	96,804,469	96,804,469
Borrowings	15	79,297,806	-	-	79,297,806	79,297,806
Finance lease liabilities	16	5,150,975	-	-	5,150,975	5,150,975
Bank overdraft	12	209,293,394	-	-	209,293,394	209,293,394
		390,546,644	**196,131,224**	**30,956,029**	**617,633,897**	**617,630,037**

Corporation - 2018/19	**Notes**	**1 to 5 years**	**Total**	**Carrying amount**
Non-current liabilities				
Loans from group companies		74,735,555	74,735,555	74,733,555
Borrowings	15	-	198,848,715	198,848,715
Current liabilities				
Trade and other payables	16	88,230,134	88,230,134	88,230,134
Borrowings	15	44,845,737	44,845,737	44,845,737
Finance lease liabilities	16	4,379,378	4,379,378	4,379,378
Bank overdraft	12	153,974,695	153,974,695	153,974,695
		366,165,499	**565,014,214**	**565,012,214**

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Financial risk management (continued)

Liquidity risk (continued)

Corporation - 2017/18	**Notes**	**Less than 1 year**	**1 to 5 years**	**Over 5 years**	**Total**	**Carrying amount**
Non-current liabilities						
Loans from group companies		-	-	-	-	27,466,387
Borrowings	15	-	191,794,236	30,952,169	222,746,405	222,746,405
Finance lease liabilities	16	-	4,336,988	-	4,336,988	4,336,988
Current liabilities						
Trade and other payables	14	94,219,201	-	-	94,219,201	94,219,201
Borrowings	15	79,297,806	-	-	79,297,806	79,297,806
Finance lease liabilities	16	5,150,975	-	-	5,150,975	5,150,975
Bank overdraft	12	209,293,394	-	-	209,293,394	209,293,394
		387,961,376	**196,131,224**	**30,952,169**	**615,044,769**	**642,511,156**

Foreign currency risk

Exposure in Namibia Dollar

The net carrying amounts, in Namibia Dollar, of the various exposures, are denominated in the following currencies. The amounts have been presented in Namibia Dollar by converting the foreign currency amounts at the closing rate at the reporting date:

		Group		**Corporation**	
		2018/19	**2017/18**	**2018/19**	**2017/18**
US Dollar exposure:					
Current assets					
Trade and other receivables	10	3,719,283	7,005,931	3,719,283	7,005,931
Cash and cash equivalents	12	934,632	2,482,328	934,632	2,482,328
Non-current liabilities					
Trade and other payables	14	(78,343)	-	(78,343)	-
Net US Dollar exposure		**4,575,572**	**9,488,259**	**4,575,572**	**9,488,259**
Euro exposure:					
Current assets:					
Trade and other receivables	10	42,097,114	35,943,999	42,097,114	35,943,999
Cash and cash equivalents	12	18,342,575	10,573,197	18,342,575	10,573,197
Non-current liabilities					
Trade and other payables	14	(1,536,693)	(2,280,622)	(1,536,693)	(2,280,622)
Net Euro exposure		**58,902,996**	**44,236,574**	**58,902,996**	**44,236,574**
GBP exposure:					
Current assets:					
Trade and other receivables	10	57,891,237	16,689,286	15,944,535	16,689,286
Cash and cash equivalents	12	9,243,159	6,531,456	5,949,194	2,721,988
Current liabilities					
Trade and other payables	14	(1,530,504)	(2,231,675)	(1,038,346)	(2,201,911)
Amounts due to subsidiaries		-	(27,466,387)	-	-
Net GBP exposure		**65,603,892**	**(6,477,320)**	**20,855,383**	**17,209,363**
Net exposure to foreign currency in Namibia Dollar		**129,082,460**	**47,247,513**	**84,333,951**	**70,934,196**

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Financial risk management (continued)

Exposure in foreign currency amounts

The net carrying amounts, in foreign currency of the above exposure was as follows:

US Dollar exposure:

		2018/19	2017/18	2018/19	2017/18
Current assets:					
Trade and other receivables	10	272,170	589,273	272,170	589,273
Cash and cash equivalents	12	68,395	208,790	68,395	208,790
Non-current liabilities:					
Trade and other payables	14	(5,733)	-	(5,733)	-
Net US Dollar exposure		**334,832**	**798,063**	**334,832**	**798,063**

Euro exposure:

Current assets:					
Trade and other receivables	10	2,695,094	2,431,359	2,695,094	2,431,359
Cash and cash equivalents	12	1,183,461	715,203	1,183,461	715,203
Current liabilities:					
Trade and other payables	14	(99,147)	(154,268)	(99,147)	(154,268)
Net Euro exposure		**3,779,408**	**2,992,294**	**3,779,408**	**2,992,294**

GBP exposure:

Current assets:					
Trade and other receivables	10	3,236,100	985,741	891,294	985,741
Cash and cash equivalents	12	516,689	385,776	332,558	160,722
Current liabilities:					
Trade and other payables	14	(85,555)	(131,812)	(58,043)	(130,054)
Amounts due to subsidiaries		-	(162,213)	-	-
Net GBP exposure		**3,667,234**	**1,077,492**	**1,165,809**	**1,016,409**

Other currency exposure:

Non-current assets:					
Group loans		-	-	602,656	(1,622,283)

Exchange rates

Namibia Dollar per unit of foreign currency:

US Dollar	13.665	11.889	13.665	11.889
Euro	15.499	14.784	15.499	14.784
GBP	17.889	16.931	17.889	16.931

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Financial risk management (continued)

Foreign currency sensitivity analysis

The following information presents the sensitivity of the group to an increase or decrease in the respective currencies it is exposed to. The sensitivity rate is the rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated amounts and adjusts their translation at the reporting date. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period.

	2018/19	2018/19	2017/18	2017/18
Group				
Increase or decrease in rate	**Increase**	**Decrease**	**Increase**	**Decrease**
Impact on profit or loss:				
US Dollar 10% (2018: 10%)	-	-	948,826	(948,826)
Euro 10% (2018: 10 %)	4,177,153	(4,177,153)	4,423,658	(4,423,658)
GBP 10% (2018: 10 %)	1,892,722	(1,892,722)	2,098,906	(2,098,906)
	6,069,875	**(6,069,875)**	**7,471,390**	**(7,471,390)**
Impact on equity:				
US Dollar 10% (2018: 10%)	-	-	798,064	(798,064)
Euro 10% (2018: 10 %)	2,695,094	(2,695,094)	2,992,294	(2,992,294)
GBP 10% (2018: 10 %)	1,058,025	(1,058,025)	1,239,705	(1,239,705)
	3,753,119	**(3,753,119)**	**5,030,063**	**(5,030,063)**
	9,822,994	**(9,822,994)**	**12,501,453**	**(12,501,453)**

	2018/19	2018/19	2017/18	2017/18
Corporation				
Increase or decrease in rate	**Increase**	**Decrease**	**Increase**	**Decrease**
Impact on profit or loss:				
US Dollar 10% (2018: 10%)	-	-	948,826	(948,826)
Euro 10% (2018: 10 %)	4,177,153	(4,177,153)	4,423,658	(4,423,658)
GBP 10% (2018: 10 %)	1,579,781	(1,579,781)	1,720,936	(1,720,936)
	5,756,934	**(5,756,934)**	**7,093,420**	**(7,093,420)**
Impact on equity:				
US Dollar 10% (2018: 10%)	-	-	798,064	(798,064)
Euro 10% (2018: 10 %)	2,695,094	(2,695,094)	2,992,294	(2,992,294)
GBP 10% (2018: 10 %)	883,092	(883,092)	1,016,459	(1,016,459)
	3,578,186	**(3,578,186)**	**4,806,817**	**(4,806,817)**
	9,335,120	**(9,335,120)**	**11,900,237**	**(11,900,237)**

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Financial risk management (continued)

Interest rate risk

Interest rate profile

The interest rate profile of interest bearing financial instruments at the end of the reporting period was as follows:

	Note	Average effective interest rate		Carrying amount	
		2018/19	2017/18	2018/19	2017/18
Group					
Variable rate instruments:					
Liabilities					
Borrowings	15	12.02%	11.28%	243,694,454	302,044,211
Finance lease liabilities	16	15.07%	12.49%	4,379,378	9,487,963
Bank overdraft	12	14.16%	9.89%	145,828,307	209,293,394
				393,902,139	**520,825,568**
Variable rate financial liabilities as a percentage of total interest bearing financial liabilities				100.00%	100.00%

	Note	Average effective interest rate		Carrying amount	
		2018/19	2017/18	2018/19	2017/18
Corporation					
Variable rate instruments:					
Liabilities					
Borrowings	15	12.02%	11.28%	243,694,454	302,044,211
Finance lease liabilities	16	15.07%	12.49%	4,379,378	9,487,963
Bank overdraft	12	14.16%	9.89%	153,974,695	209,293,394
				402,048,527	**520,825,568**
Variable rate financial liabilities as a percentage of total interest bearing financial liabilities				100.00%	100.00%

Price risk

The group is not exposed to commodity price risk.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

4. PROPERTY, PLANT AND EQUIPMENT

	2018/19			2017/18		
	N$	N$	N$	N$	N$	N$
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Group						
Land and buildings	438,028,863	(29,161,836)	408,867,027	435,913,044	(29,702,643)	406,210,401
Plant, vehicles, furniture and equipment	371,133,992	(195,340,347)	175,793,645	394,360,343	(188,873,673)	205,486,670
Uncompleted projects	-	-	-	2,670,434	-	2,670,434
Total	**809,162,855**	**(224,502,183)**	**584,660,672**	**832,943,821**	**(218,576,316)**	**614,367,505**

	2018/19			2017/18		
	N$	N$	N$	N$	N$	N$
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Corporation						
Land and buildings	438,028,863	(29,161,836)	408,867,027	435,785,924	(29,702,643)	406,083,281
Plant, vehicles, furniture and equipment	370,623,892	(195,028,193)	175,595,699	393,540,024	(188,222,594)	205,317,430
Uncompleted projects	-	-	-	2,670,434	-	2,670,434
Total	**808,652,755**	**(224,190,029)**	**584,462,726**	**831,996,382**	**(217,925,237)**	**614,071,145**

	N$	N$	N$	N$	N$	N$	N$
	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Total
Reconciliation of property, plant and equipment - Group - 2018/19							
Land and buildings	406,210,401	-	(12,902)	2,696,073	(26,545)	-	408,867,027
Plant, vehicles, furniture and equipment	205,486,670	1,254,326	(6,296,437)	1,022,651	26,545	(25,700,110)	175,793,645
Uncompleted projects	2,670,434	1,048,290	-	(3,718,724)	-	-	-
	614,367,505	**2,302,616**	**(6,309,339)**	**-**	**-**	**(25,700,110)**	**584,660,672**

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Reconciliation of property, plant and equipment - Group - 2017/18						
Land and buildings	394,071,920	922,244	-	11,216,237	-	406,210,401
Plant, vehicles, furniture and equipment	190,247,236	9,507,388	(528,461)	32,467,546	(26,207,039)	205,486,670
Uncompleted projects	24,303,856	22,050,361	-	(43,683,783)	-	2,670,434
	608,623,012	**32,479,993**	**(528,461)**	**-**	**(26,207,039)**	**614,367,505**

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	N$ Opening balance	N$ Additions	N$ Disposals	N$ Transfers	N$ Other changes, movements	N$ Depreciation	N$ Total
Reconciliation of property, plant and equipment - Corporation - 2018/19							
Land and buildings	406,083,281	-	(12,902)	2,823,192	(26,544)	-	408,867,027
Plant, vehicles, furniture and equipment	205,317,430	1,254,327	(6,214,188)	895,532	26,544	(25,683,946)	175,595,699
Uncompleted projects	2,670,434	1,048,290	-	(3,718,724)	-	-	-
	614,071,145	**2,302,617**	**(6,227,090)**	**-**	**-**	**(25,683,946)**	**584,462,726**

Reconciliation of property, plant and equipment - Corporation - 2017/18	Opening balance	Additions	Disposals	Projects capitalised	Depreciation	Total
Land and buildings	393,944,800	922,244	-	11,216,237	-	406,083,281
Plant, vehicles, furniture and equipment	190,074,862	9,510,524	(528,461)	32,467,546	(26,207,041)	205,317,430
Uncompleted projects	24,303,856	22,050,361	-	(43,683,783)	-	2,670,434
	608,323,518	**32,483,129**	**(528,461)**	**-**	**(26,207,041)**	**614,071,145**

	Group		Corporation	
	2018/19		2017/18	
	N$	N$	N$	N$
Property, plant and equipment encumbered as security				
The following assets have been encumbered as security for the secured long-term borrowings 12 & 16:				
Net carrying amounts of leased assets				
Plant, vehicles, furniture and equipment	15,068,542	10,832,284	15,068,542	10,832,284

5. INTERESTS IN SUBSIDIARIES INCLUDING CONSOLIDATED STRUCTURED ENTITIES

The following table lists the entities which are controlled directly by the corporation, and the carrying amounts of the investments in the corporation's separate financial statements.

Corporation

Name of company	Issued share capital	% voting power 2018/19	% voting power 2017/18	% holding 2018/19	% holding 2017/18	Carrying amount 2018/19	Carrying amount 2017/18
Meat Corporation of Namibia (UK) Limited (United Kingdom)	1,250,000	100.00%	100.00%	100.00%	100.00%	-	100
Namibia Meat Importers and Exporters (Pty) Ltd (South Africa)	100	100.00%	100.00%	100.00%	100.00%	100	100
Namibia Cattle Procurement (Pty) Ltd (Namibia)	100	100.00%	100.00%	100.00%	100.00%	11,938,671	11,938,571
						11,938,771	**11,938,771**

Risks associated with interests in consolidated structured entities

	Group 2018/19		Corporation 2017/18	
	N$	N$	N$	N$
Amounts from / (due) to subsidiaries				
Meat Corporation of Namibia (UK) Limited (United Kingdom)	-	-	(10,781,034)	(27,466,387)
Namibia Meat Importers & Exporters (Pty) Ltd (South Africa)	-	-	(12,785,422)	5,609,880
Namibia Cattle Procurement (Pty) Ltd (Namibia)	-	-	(21,432,292)	2,562,000
	-	-	**(44,998,748)**	**705,493**

Net profit / (losses) after taxation of subsidiaries				
Namibia Cattle Procurement (Pty) Ltd (Namibia)	-	-	4,514,827	(7,675,378)
Namibia Meat Importers & Exporters (Pty) Ltd (South Africa)	-	-	(1,216,734)	1,231,360
Meat Corporation of Namibia (UK) Limited (United Kingdom)	-	-	1,137,854	132,814
	-	-	**4,435,947**	**(6,311,204)**

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

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

6. INVESTMENTS IN ASSOCIATES

The following table lists all of the associates in the group:

Group

Name of company	Place of business	% ownership interest 2018/19	% ownership interest 2017/18	N$ Carrying amount 2018/19	N$ Carrying amount 2017/18
GPS Norway AS	Norway	33.00%	33.00%	5,252,020	4,662,844

Corporation

Name of company	Place of business	% ownership interest 2018/19	% ownership interest 2017/18	Carrying amount 2018/19	Carrying amount 2017/18
GPS Norway AS	Norway	33.00%	33.00%	216,791	216,791

Summarised financial information of material associates

Summarised Statement of Comprehensive Income	**GPS Norway AS**	
	2018/19	**2017/18**
Revenue	440,145,816	321,550,982
Other income and expenses	(433,542,137)	(316,244,833)
Profit before tax	6,603,679	5,306,149
Tax expense	(1,275,207)	(1,815,796)
Profit (loss) after tax	5,328,472	3,490,353
Total comprehensive income	**5,328,472**	**3,490,353**

Summarised Statement of Financial Position	**GPS Norway AS**	
	2018/19	**2017/18**
Assets		
Non-current	176,215	62,117
Current	45,358,785	40,007,183
Total assets	**45,535,000**	**40,069,300**
Liabilities		
Current	28,339,898	26,020,798
Total liabilities	**28,339,898**	**26,020,798**
Total net assets	**17,195,102**	**14,048,502**

Reconciliation of net assets to equity accounted investments in associates	**GPS Norway AS**	
	2018/19	**2017/18**
Carrying value as at 31 January	4,662,844	3,439,817
Profit / (loss) for the period	366,774	1,163,451
Foreign exchange differences	222,402	59,576
Carrying value of investment in associate	5,252,020	4,662,844

The summarised information presented above reflects the financial statements of the associates after adjusting for differences in accounting policies between the group and the associate.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

7. DEFERRED TAX

	Group		Corporation	
	2018/19		2017/18	
	N$	N$	N$	N$
Deferred tax liability				
Capital allowances	(88,896,687)	(70,029,868)	(88,258,346)	(70,016,858)
Prepayments	(904,711)	(365,737)	(904,711)	(365,737)
Revaluation on land and buildings	(36,588,386)	(53,747,543)	(36,588,386)	(53,747,543)
Other	(7,640,503)	(3,288,447)	(7,640,503)	(3,288,447)
Total deferred tax liability	**(134,030,287)**	**(127,431,595)**	**(133,391,946)**	**(127,418,585)**
Deferred tax asset				
Provisions	7,851,350	10,404,211	6,644,592	10,296,011
Other deferred tax assets	413,324	-	413,324	-
Deferred tax balance from temporary differences other than unused tax losses	8,264,674	10,404,211	7,057,916	10,296,011
Tax losses available for set off against future taxable income	165,487,453	108,359,388	165,487,453	108,359,388
	173,752,127	118,763,599	172,545,369	118,655,399
Total deferred tax asset	**173,752,127**	**118,763,599**	**172,545,369**	**118,655,399**
Deferred tax liability	(134,030,287)	(127,431,595)	(133,391,946)	(127,418,585)
Deferred tax asset	173,752,127	118,763,599	172,545,369	118,655,399
Total net deferred tax asset (liability)	**39,721,840**	**(8,667,996)**	**39,153,423**	**(8,763,186)**
Deferred tax liability				
Deferred taxation liability to be recovered after more than 12 months	(134,030,287)	(127,431,595)	(133,391,946)	(127,418,585)
Deferred taxation liability to be recovered within 12 months	-	-	-	-
	(134,030,287)	**(127,431,595)**	**(133,391,946)**	**(127,418,585)**
Deferred tax asset				
Deferred taxation asset to be recovered after more than 12 months	173,752,127	118,763,599	172,545,369	118,655,399
Deferred taxation asset to be recovered within 12 months	-	-	-	-
	173,752,127	**118,763,599**	**172,545,369**	**118,655,399**
Total net deferred tax asset (liability)	**39,248,613**	**(8,667,996)**	**39,153,423**	**(8,763,186)**
Reconciliation of deferred tax asset / (liability)				
At beginning of year	(8,667,996)	(30,393,630)	(8,763,186)	(30,709,528)
Increase / (decrease) in deferred tax asset available for set off against future taxable income	57,128,065	34,208,138	57,128,065	34,208,138
Increase / (decrease) in deferred tax on capital allowances	(17,768,261)	(8,227,354)	(18,241,488)	(7,898,446)
Increase / (decrease) in deferred tax on prepayments	(538,974)	53,256,630	(538,974)	53,256,630
Increase / (decrease) in deferred tax on revaluation on land and buildings	17,159,157	(53,550,007)	17,159,157	(53,550,007)
Increase / (decrease) in deferred tax on provisions	(3,651,419)	(11,485,795)	(3,651,419)	(11,593,995)
Increase / (decrease) in deferred tax on other	(3,938,732)	7,524,022	(3,938,732)	7,524,022
	39,721,840	**(8,667,996)**	**39,153,423**	**(8,763,186)**
Net deferred tax split				
Meat Corporation of Namibia				
Deferred tax asset	172,545,369	122,553,211	172,545,369	122,553,211
Deferred tax liability	(133,391,946)	(131,316,397)	(134,391,946)	(131,316,397)
Net deferred tax asset / (liability)	**39,153,423**	**(8,763,186)**	**39,153,423**	**(8,763,186)**
Namibia Meat Importers and Exporters (Pty) Ltd				
Deferred tax asset	568,413	95,192	-	-
Net deferred tax assets total	173,752,127	122,648,403	172,545,369	122,553,211
Net deferred tax liabilities total	(134,030,287)	(131,316,397)	(133,391,946)	(131,316,397)
	39,721,840	**(8,667,994)**	**39,153,423**	**(8,763,186)**

8. BIOLOGICAL ASSETS

	2018/19			2017/18		
	N$	N$	N$	N$	N$	N$
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Group						
Livestock cattle	97,397,055	-	97,397,055	131,813,058	-	131,813,058
Corporation						
Livestock cattle	90,277,431	-	90,277,431	107,491,316	-	107,491,316

Reconciliation of biological assets - Group - 2018/19

	Opening balance	Increase due to acquisitions	Decreases due to sales	Gains(losses) arising from changes in fair value	Total
Livestock cattle	131,813,058	160,114,732	(267,835,339)	73,304,604	97,397,055

Reconciliation of biological assets - Group - 2017/18

Livestock cattle	132,581,978	384,662,030	(527,186,513)	141,755,563	131,813,058

Reconciliation of biological assets - Corporation - 2018/19

Livestock cattle	107,491,316	152,394,877	(253,796,485)	84,187,723	90,277,431

Reconciliation of biological assets - Corporation - 2017/18

Livestock cattle	72,792,591	362,096,952	(476,934,827)	149,536,600	107,491,316

	Group		Corporation	
	2018/19	2017/18	2018/19	2017/18
Non-financial information				
Reconciliation of the changes in the number of cattle:				
At the beginning of the year	13,791	19,667	10,345	10,372
Increase due to acquisitions	15,497	35,833	22,398	50,669
Decrease due to sales	(21,176)	(41,709)	(25,346)	(50,696)
	8,112	**13,791**	**7,397**	**10,345**

9. INVENTORIES

	Group		Corporation	
	2018/19	2017/18	2018/19	2017/18
	N$	N$	N$	N$
Meat and meat products	90,259,003	210,319,132	86,010,032	210,152,042
Packing material, consumable stores and other inventory	24,519,592	22,501,183	24,519,592	22,501,183
	114,778,595	**232,820,315**	**110,529,624**	**232,653,225**
Inventories (write-downs)	(1,931,198)	(170,724)	(1,931,198)	(170,724)
	112,847,397	**232,649,591**	**108,598,426**	**232,482,501**
Carrying value of inventories carried at fair value less costs to sell	112,847,397	232,649,590	108,598,426	232,482,501

Inventory pledged as security

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

10. TRADE AND OTHER RECEIVABLES

	Group		Corporation	
	2018/19	2017/18	2018/19	2017/18
	N$	N$	N$	N$
Financial instruments:				
Trade receivables in Namibia, South Africa and Botswana	153,314,716	42,917,213	106,822,433	30,606,468
Loss allowance	(11,900,866)	(8,510,258)	(7,405,937)	(4,001,345)
Trade receivables at amortised cost	141,413,850	34,406,955	99,416,496	26,605,123
Trade receivables Europ and Norway	9,884,149	58,362,961	(2)	58,362,962
Deposits	689,668	896,901	689,668	896,901
Non-financial instruments:				
VAT	35,519,813	45,187,483	35,519,813	45,187,483
Refundable taxes	2,109,477	2,900,808	-	-
Prepayments	16,479,131	32,059,776	16,424,935	32,042,669
Total trade and other receivables	**206,096,088**	**173,814,884**	**152,050,910**	**163,095,138**
Split between non-current and current portions				
Current assets	206,096,088	173,814,884	152,050,910	163,095,138
Categorisation of trade and other receivables				
Trade and other receivables are categorised as follows in accordance with IFRS 9: Financial Instruments:				
At amortised cost	151,987,667	93,666,817	100,106,162	85,864,986
Non-financial instruments	54,108,421	80,148,067	51,944,748	77,230,152
	206,096,088	**173,814,884**	**152,050,910**	**163,095,138**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

10. TRADE AND OTHER RECEIVABLES (CONTINUED)

Exposure to credit risk

Trade receivables inherently expose the group to credit risk, being the risk that the group will incur financial loss if customers fail to make payments as they fall due.

	Group		Corporation	
	2018/19	2017/18	2018/19	2017/18
	N$	N$	N$	N$
Reconciliation of loss allowances				
The following table shows the movement in the loss allowance (lifetime expected credit losses) for trade and other receivables:				
Opening balance in accordance with IAS 39 Financial Instruments: Recognition and Measurement	(8,510,258)	-	(4,001,345)	-
Adjustments upon application of IFRS 9	-	-	-	-
Opening balance in accordance with IFRS 9	**(8,510,258)**	**-**	**(4,001,345)**	**-**
Amounts recovered	-	-	-	-
Provision raised on new trade receivables	(3,404,592)	(8,510,258)	(3,404,592)	(4,001,345)
Provisions reversed on settled trade receivables	-	-	-	-
Foreign exchange gains or losses	-	-	-	-
Impairment loss recognised	13,985	-	-	-
Closing balance in accordance with IFRS	**(11,900,865)**	**(8,510,258)**	**(7,405,937)**	**(4,001,345)**

Refer to note 12 details for trade receivables secured as collateral for bank balances.

11. CURRENT TAX RECEIVABLE / (PAYABLE)

The current tax balance is made up as follows:				
Current tax payable				
Current tax payable	(749,130)	(534,746)	-	(27,466,387)
Provision for taxation				
Opening balance	534,746	435,768	-	-
Tax payable	214,384	98,978	-	-
	(749,130)	**(534,746)**	**-**	**-**
Current taxation balance consists of:				
2017/18	(534,746)	(534,746)	-	-
2018/19	(214,384)	-	-	-
	(749,130)	**(534,746)**	**-**	**-**

12. CASH AND CASH EQUIVALENTS

	Group		Corporation	
	2018/19	2017/18	2018/19	2017/18
	N$	N$	N$	N$
Cash and cash equivalents consist of:				
Bank balances	40,646,852	52,058,917	35,055,317	44,910,479
Bank overdraft	(153,974,695)	(209,293,394)	(153,974,695)	(209,293,394)
	(113,327,843)	**(157,234,477)**	**(118,919,378)**	**(164,382,915)**
Current assets	40,646,852	52,058,917	35,055,317	44,910,479
Current liabilities	(153,974,695)	(209,293,394)	(153,974,695)	(209,293,394)
	(113,327,843)	**(157,234,477)**	**(118,919,378)**	**(164,382,915)**

Cash and cash equivalents pledged as collateral

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

The overdraft facilities at Bank Windhoek have been secured as follows:

- A 1st and 2nd Covering Mortgage bond for N$31.1 million and N$44.7 million over portion of farm Klein Okapuka No 51.
- A 1st and 2nd Covering Mortgage bond for N$64.5 million and N$32.8 million over Erf 479 and 480 Okahandja.
- A 1st general natonal bond for N$68.5 million over Erf 479 and 480 Okahandja.

Pledge and cession of VAT claims amounting to N$74.5 million (2017: N$74.5 million) has been ceded to Nedbank Namibia Ltd.

RSA debtors have been ceded to FNB Namibia Ltd.

Namibian debtors have been ceded to Bank Windhoek Ltd.

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

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

- Pledge and cession of the Santam Policy in respect of foreign Book Debts.
- Unlimited suretyship by Namibia Cattle Procurement (Pty) Ltd supported by a cession of all VAT refunds and various underlying assets.

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

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

- Pre and Post Shipment Trade Finance Overdraft N$130 million reviewed on 30 July 2017 currently at 9.5 per cent.
- VAT overdraft Facility N$70 million reviewed date of 30 July 2017 currently at 9.5 per cent.
- Reducing business loan Facility of N$5,703,446.
- Revolving Credit Line Asset Based Finance (RCL) facility of N$ 20 million reviewed date 30 July 2017.
- Forward exchange contract (FEC) Facility of N$ 10 million.
- Letter of guarantee of N$1 million

First National Bank total facilities details are as follows:

- Direct Overdraft Facility N$50 million.
- Contingent Facility N$2.7 million (guarantees issued by the Bank)
- Pre settlement Facility of N$20 million.
- First card Facility of N$60,000.

Bank Windhoek Limited facilities details are as follows:

- Overdraft Facility, renewed annually of N$40 million.

13. DISCONTINUED OPERATIONS OR DISPOSAL GROUPS OR NON-CURRENT ASSETS HELD FOR SALE

The group disposed its 25% interest in GPS Group (Holdings) Limited during the year.

	Group		Corporation	
	2018/19 N$	2017/18 N$	2018/19 N$	2017/18 N$
Assets and liabilities				
Non-current assets held for sale				
GPS Group (Holdings) Limited	-	83,292,714	-	41,701,435

14. TRADE AND OTHER PAYABLES

Financial instruments:				
Trade payables	88,509,295	94,340,327	88,230,134	94,219,201
Other payables and accruals	171,272	387,924	-	-
	88,680,567	**96,804,469**	**88,230,134**	**94,219,201**

15. BORROWINGS

Held at amortised cost				
Secured				
Bank Windhoek Limited	42,693,951	64,295,528	42,693,953	64,295,528
Secured by Okahandja Factory and Okapuka Tannery as set out in note 4. Interest is payable at prime overdraft rate to prime overdraft rate +1.25% (9.75% 11%) (2018: prime overdraft rate to prime overdraft rate +1.25% (9.75% 11%)) monthly in arrears. Capital and interest are repayable in 64 (2018: 64) monthly installments of N$ 1 200 379 (2017: 32) monthly installments of N$ 644 927.				
Development Bank of Namibia	194,865,761	226,172,130	194,865,761	226,172,130
Secured by the following properties: Erf 6564 Windhoek, Erf 7130 Windhoek, Farm Annasruh Gobabis and Portion 9, Farm Otavi Pforte Grootfontein as set out in note 4. Interest is payable at prime overdraft rate to prime overdraft rate +1.25% (9.75% 11%) (2018: prime overdraft rate to prime overdraft rate +1.25% (9.75% 11%) monthly in arrears. Capital and interest are repayable in 46 (2018: 58) monthly installments of N$ 1 724 493 (2018: 90) monthly installments of N$ 2 064 152 and 92 (2018: 92) monthly installments of N$ 711 899.				
Nedbank Namibia Limited	6,134,740	8,573,073	6,134,740	8,573,073
Interest is payable at 9.75% p.a monthly in arrears. Capital and interest repayable in 38 (2018: 38) monthly installments of N$ 261 975.				
Other loans	-	3,003,480	-	3,003,480
	243,694,452	**302,044,211**	**243,694,454**	**302,044,211**

Split between non-current and current portions				
Non-current liabilities	198,848,715	222,746,405	198,848,717	222,746,405
Current liabilities	44,845,737	79,297,806	44,845,737	79,297,806
	243,694,452	**302,044,211**	**243,694,454**	**302,044,211**

Refer to note 27 Changes in liabilities arising from financing activities for details of the movement in the borrowings during the reporting period and note 3 Financial instruments and financial risk management for the fair value of borrowings.

16. FINANCE LEASE LIABILITIES

	Group		Corporation	
	2018/19	2017/18	2018/19	2017/18
	N$	N$	N$	N$
Minimum lease payments due				
- within one year	4,632,433	5,835,801	4,632,433	5,835,801
- in second to fifth year inclusive	-	4,647,790	-	4,647,790
	4,632,433	**10,483,591**	**4,632,433**	**10,483,591**
less: future finance charges	(253,055)	(995,628)	(253,055)	(995,628)
Present value of minimum lease payments	**4,379,378**	**9,487,963**	**4,379,378**	**9,487,963**
Present value of minimum lease payments due				
- within one year	4,379,378	5,154,836	4,379,378	5,154,836
- in second to fifth year inclusive	-	4,333,127	-	4,333,127
	4,379,378	**9,487,963**	**4,379,378**	**9,487,963**
Non-current liabilities	-	4,336,988	-	4,336,988
Current liabilities	4,379,378	5,150,975	4,379,378	5,150,975
	4,379,378	**9,487,963**	**4,379,378**	**9,487,963**

17. RETIREMENT BENEFITS

Present value of obligation				
Opening balance	(16,847,000)	(23,015,494)	(16,847,000)	(23,015,494)
Current service cost	(1,330,000)	(1,609,000)	(1,330,000)	(1,609,000)
Interest (expense) / income	(1,648,000)	(1,864,000)	(1,648,000)	(1,864,000)
Benefit payments	6,174,000	10,962,494	6,174,000	10,962,494
Gain / (loss) on change in financial assumptions	4,014,000	(1,321,000)	4,014,000	(1,321,000)
Past service cost	(1,032,000)	-	(1,032,000)	-
	(10,669,000)	**(16,847,000)**	**(10,669,000)**	**(16,847,000)**

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

An actuarial valuation was performed on 31 January 2019 of the company's liability in respect of the provision for severance pay.

Key assumptions used				
Discount rates used	9.80%	9.70%	9.80%	9.70%
Expected increase in salaries	7.10%	7.50%	7.10%	7.50%

18. PROVISIONS

	N$ Opening balance	N$ Additions	N$ Utilised during the year	N$ Change in discount factor	N$ Total
Reconciliation of provisions - Group - 2018/19					
Provision for profit share	21,223,294	-	(16,931,302)	-	4,291,992
Other provisions	35,321,645	1,317,458	-	(30,696,650)	5,942,453
	56,544,939	**1,317,458**	**(16,931,302)**	**(30,696,650)**	**10,234,445**

	Opening balance	Additions	Reversed during the year	Total
Reconciliation of provisions - Group - 2017/18				
Provision for profit share	34,286,123	21,223,294	(34,286,123)	21,223,294
Other provisions	33,615,205	35,321,645	(33,615,205)	35,321,645
	67,901,328	**56,544,939**	**(67,901,328)**	**56,544,939**

	Opening balance	Additions	Utilised during the year	Change in discount factor	Total
Reconciliation of provisions - Corporation - 2018/19					
Provision for profit share	8,590,162	-	(8,590,162)	-	-
Other provisions	35,321,645	1,146,186	-	(30,696,650)	5,771,181
	43,911,807	**1,146,186**	**(8,590,162)**	**(30,696,650)**	**5,771,181**

	Opening balance	Additions	Reversed during the year	Total
Reconciliation of provisions - Corporation - 2017/18				
Provision for profit share	11,883,430	8,590,162	(11,883,430)	8,590,162
Other provisions	33,615,205	35,321,645	(33,615,205)	35,321,645
	45,498,635	**43,911,807**	**(45,498,635)**	**43,911,807**

Refer to note 34 for details regarding changes in estimates.

19. REVENUE

	Group		Corporation	
	2018/19 N$	2017/18 N$	2018/19 N$	2017/18 N$
Revenue from contracts with customers				
Sale of goods	1,340,237,156	1,425,093,832	1,336,704,486	1,408,789,563
Disaggregation of revenue from contracts with customers The group disaggregates revenue from customers as follows: ***Region***				
Norway	308,325,241	255,396,782	308,325,241	255,396,782
European Union	380,313,896	398,637,321	378,749,008	398,637,321
Great Britain	133,499,741	166,576,506	133,499,741	166,576,506
Reunion	15,767,801	16,094,769	15,767,801	16,094,769
United States of America	4,547	-	4,547	-
Hong Kong / Asia	8,629,236	20,937,758	8,629,236	20,937,758
Republic of South Africa	231,032,940	296,705,523	231,032,940	280,401,254
Namibia	223,160,823	220,621,849	219,628,153	220,621,849
Zimbabwe	6,623,842	8,084,407	6,623,842	8,084,407
Botswana	34,443,977	72,296,399	34,443,997	72,296,399
	1,340,237,156	**1,425,093,832**	**1,336,704,486**	**1,408,789,563**
Timing of revenue recognition				
At a point in time				
Sale of goods	(1,340,237,156)	(1,425,093,832)	(1,336,704,486)	(1,408,789,563)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

20. COST OF SALES

	Group		Corporation	
	2018/19	2017/18	2018/19	2017/18
	N$	N$	N$	N$
Sale of goods	1,179,051,860	1,255,605,657	1,194,285,879	1,245,956,479
Discount received	(15,157)	(20,786)	(15,157)	(20,786)
Manufactured goods:				
Depreciation and impairment	25,683,946	26,194,956	25,683,946	26,207,041
	1,204,720,649	**1,281,779,827**	**1,219,954,668**	**1,272,142,734**

21. OPERATING PROFIT (LOSS)

Operating loss for the year is stated after charging (crediting) the following, amongst others:

Auditor's remuneration - external				
Audit fees	1,531,671	1,398,800	1,531,671	1,215,452
Auditor's remuneration - internal	**555,100**	**624,000**	**555,100**	**624,000**
Employee costs				
Salaries, wages, bonuses and other benefits	121,822,668	131,249,565	110,270,866	122,286,115
Leases				
Operating lease charges				
Premises	758,598	973,630	758,598	973,630
Equipment	203,634	204,628	176,094	177,022
	962,232	**1,178,258**	**934,692**	**1,150,652**
Depreciation				
Depreciation of property, plant and equipment	25,700,110	26,207,039	25,683,946	26,207,041
Total depreciation	**25,700,110**	**26,207,039**	**25,683,946**	**26,207,041**
Less: Depreciation and amortisation included in cost of merchandise sold and inventories	(25,683,946)	(26,194,956)	(25,683,946)	(26,207,041)
Total depreciation expensed	**16,164**	**12,083**	**-**	**-**

Expenses by nature

The total cost of sales, selling and distribution expenses, marketing expenses, general and administrative expenses, research and development expenses, maintenance expenses and other operating expenses are analysed by nature as follows:

Changes in inventories of finished goods and work in progress	1,179,036,703	1,255,584,871	1,181,162,378	1,245,935,693
Employee costs	121,822,668	131,249,565	110,270,866	122,286,115
Operating lease charges	962,232	1,178,258	934,692	1,150,652
Depreciation	25,700,110	26,207,039	25,683,946	26,207,041
Other expenses	33,260,798	32,920,423	30,052,446	29,932,846
Bank charges	2,343,381	3,296,810	2,313,772	3,267,113
IT expenses	5,254,114	5,592,996	5,254,114	5,592,996
Insurance	7,966,807	6,985,325	7,966,807	6,985,325
	1,376,346,813	**1,463,015,287**	**1,363,639,021**	**1,441,357,781**

22. INVESTMENT INCOME

	Notes	Group		Corporation	
		2018/19	2017/18	2018/19	2017/18
		N$	N$	N$	N$
Interest income					
Investments in financial assets:					
Bank and other cash		599,253	2,253,649	312,267	1,873,350

23. FINANCE COSTS

Group		-	814,262	-	-
Current borrowings		50,715,349	56,072,724	50,715,349	56,072,724
Total finance costs		**50,715,349**	**56,886,986**	**50,715,349**	**56,072,724**

24. OTHER INCOME

Gains (losses) on disposals, scrappings and settlements					
Property, plant and equipment	4	3,994,351	639,814	3,980,328	640,830
Foreign exchange gains (losses)					
Net foreign exchange gains (losses)		4,247,588	(1,111,944)	7,217,835	(1,126,265)
Fair value gains (losses)					
Bad debts recovered		-	674,564	-	687,869
Sundry income		14,480,272	17,555,401	13,695,045	17,554,701
		14,480,272	**18,229,965**	**13,695,045**	**18,242,570**
Total other income		**22,722,211**	**17,757,835**	**24,893,208**	**17,757,135**

25. TAXATION

Major components of the tax income					
Current					
Local income tax - current period		(48,117,189)	(21,422,342)	(47,916,608)	(21,946,343)
Reconciliation of the tax expense					
Reconciliation between applicable tax rate and average effective tax rate.					
Applicable tax rate		88.15%	33.27%	67.06%	31.80%
Effect of subsidiaries being taxed at rates different to the Corporation's standard rate		34.28%	34.28%	-	-
Non-deductable expenditure		(90.43)%	(35.55)%	(35.06)%	0.20%
		32.00%	**32.00%**	**32.00%**	**32.00%**

26. CASH GENERATED FROM/(USED IN) OPERATIONS

	Group		Corporation	
	2018/19	**2017/18**	**2018/19**	**2017/18**
	N$	**N$**	**N$**	**N$**
Loss before taxation	(64,888,660)	(64,391,932)	(31,279,736)	(69,010,457)
Adjustments for:				
Depreciation and amortisation	25,700,110	26,220,140	25,683,946	26,207,041
Gains on disposals, scrappings and settlements of assets and liabilities	(3,994,351)	(640,830)	(3,980,328)	(640,830)
(Gains) Losses on reclassification of financial assets	(4,247,588)	-	(7,217,835)	-
Loss on investment in associate	4,587,372	1,111,944	(34,273,017)	1,126,265
Income from equity accounted investments	(366,774)	(10,405,725)	-	-
Interest income	(599,253)	(2,253,649)	(312,267)	(1,873,350)
Finance costs	50,715,349	56,886,986	50,715,349	56,072,724
Fair value gains	-	(18,229,265)	-	(18,242,570)
Movements in retirement benefits	(6,178,000)	-	(6,178,000)	-
Movements in provisions	(46,310,494)	11,356,389	(38,140,626)	(1,586,829)
Changes in fair value of livestock	(73,304,604)	(141,755,563)	(84,187,723)	(149,536,600)
Exhange difference in translating foreign operations	(1,208,502)	(8,157,109)	-	-
Changes in working capital:				
Inventories	119,802,194	38,548,504	123,884,075	8,912,427
Trade and other receivables	(32,281,204)	118,953,286	5,567,879	(16,454,871)
Trade and other payables	(8,123,902)	(124,074,819)	(33,455,454)	5,559,444
Biological assets	107,720,607	-	101,401,608	-
	67,022,300	**(116,831,643)**	**68,227,871**	**(159,467,606)**

27. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Opening balance	Cash flows	Closing balance
Reconciliation of liabilities arising from financing activities - Group - 2018/19			
Borrowings	302,044,211	(58,349,759)	243,694,452
Finance lease liabilities	9,487,963	(5,108,585)	4,379,378
	311,532,174	**(63,458,344)**	**248,073,830**
Total liabilities from financing activities	**311,532,174**	**(63,458,344)**	**248,073,830**

	Opening balance	Other non-cash movements	Total non-cash movements	Cash flows	Closing balance
Reconciliation of liabilities arising from financing activities - Group - 2017/18					
Borrowings	326,351,188	360,000	360,000	(24,666,977)	302,044,211
Finance lease liabilities	14,906,634	-	-	(5,418,671)	9,487,963
	341,257,822	**360,000**	**360,000**	**(30,085,648)**	**311,532,174**
Total liabilities from financing activities	**341,257,822**	**360,000**	**360,000**	**(30,085,648)**	**311,532,174**

	Opening balance	Other non-cash movements	Cash flows	Closing balance
Reconciliation of liabilities arising from financing activities - Corporation - 2018/19				
Borrowings	302,044,211	-	(58,349,757)	243,694,454
Finance lease liabilities	9,487,963	-	(5,108,585)	4,379,378
Loans from group companies	27,466,386	-	47,267,169	74,733,555
	338,998,560	**-**	**(16,191,173)**	**322,807,387**
Total liabilities from financing activities	**338,998,560**	**-**	**(16,191,173)**	**322,807,387**

	Opening balance	Other non-cash movements	Total non-cash movements	Cash flows	Closing balance
Reconciliation of liabilities arising from financing activities - Corporation - 2017/18					
Borrowings	326,351,188	360,000	360,000	(24,666,977)	302,044,211
Finance lease liabilities	14,906,634	-	-	(5,418,671)	9,487,963
Loans from group companies	27,466,386	-	-	-	27,466,386
	368,724,208	**360,000**	**360,000**	**(30,085,648)**	**338,998,560**
Total liabilities from financing activities	**368,724,208**	**360,000**	**360,000**	**(30,085,648)**	**338,998,560**

28. TAX REFUNDED

	Group		Corporation	
	2018/19	**2017/18**	**2018/19**	**2017/18**
Balance at beginning of the year	(534,746)	-	-	(520,666)
Current tax for the year recognised in profit or loss	48,117,189	21,422,342	47,916,608	21,946,343
Adjustment in respect of businesses sold and acquired during the year including exchange rate movements	(26,785,805)	-	(27,368,171)	-
Balance at end of the year	749,130	534,746	-	-
	21,545,768	**21,957,088**	**20,548,437**	**21,425,677**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

29. RELATED PARTIES

		Group		Corporation	
		2018/19	2017/18	2018/19	2017/18
Relationships					
Subsidiaries	Refer to note 5				
Associates	Refer to note 6				
Related party balances					
Loans to (from) group companies					
Amount owed by subsidiaries		-	-	108,381,879	28,171,975
Amount owed to subsidiaries		-	-	(74,733,555	-
Related party transactions					
Purchases from (sales to) related parties					
Namibia Meat Importers and Exporters (Pty) Ltd		(157,990,147)	(221,698,526)	-	-
Namibia Cattle Procurement (Pty) Ltd		13,407,278	50,017,732	-	-
GPS Norway AS		(103,093,506)	(65,665,854)	-	-
Commission paid to (received from) related parties					
Meat Corporation of Namibia (UK)		(10,694,732)	(10,080,109)	-	-
GPS Food Group (UK) Ltd		-	-	(29,690,900)	(28,156,141)
Compensation to directors and other key management					
Short-term employee benefits		1,767,973	2,344,300	1,767,973	2,344,300

30. CHANGES IN ACCOUNTING POLICY

The annual financial statements have been prepared in accordance with International Financial Reporting Standards on a basis consistent with the prior year except for the adoption of the following new or revised standards.

Application of IFRS 9 Financial Instruments

In the current year, the group has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRSs. IFRS 9 replaces IAS 39 Financial Instruments and introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) impairment for financial assets and 3) general hedge accounting.

The group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9.

31. COMMITMENTS

Operating leases – as lessee (expense)				
Minimum lease payments due				
- within one year	5,835,801	5,835,801	5,835,801	5,835,801
- in second to fifth year inclusive	314,663	4,647,790	314,663	4,647,790
	6,150,464	**10,483,591**	**6,150,464**	**10,483,591**

The group leases various buildings under non-cancellable operating leases expiring within two to eight years. The leases have varying terms, escalations clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

32. CONTINGENCIES

The significant legal case of Namibia Meat Importers and Exporters (Pty) Ltd ex-employees against Namibia Meat Importers and Exporters (Pty) Ltd & Meatco. The plaintiffs have collectively claimed an amount of N$21,264,438.50 plus legal costs and interest. The matter is currently in South Africa High Court and if Meatco and Namibia Meat Importers and Exporters (Pty) Ltd are unsuccessful in their defense it will be liable for the claimed amount plus legal costs and interest.

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

- A guarantee of N$1,000,000 (2017/18: N$1,000,000) is supplied to Customs and Excise.
- A guarantee of N$91,000 (2017/18: N$91,000) is supplied to NamPower for the purchase of electricity for Okapuka Tannery and Feedlot.
- A guarantee of N$67,566 (2017/18: N$67,566) is supplied to the Municipality of Windhoek for the monthly water and electricity account of Windhoek Factory.

33. DIRECTORS' EMOLUMENTS

Non-executive		
2018/19	**Directors' fees**	**Total**
Services as a director	1,767,973	1,767,973
2017/18	**Directors' fees**	**Total**
Services as a director	2,344,300	2,344,300

34. CHANGE IN ESTIMATE

Provisions

In 2017, the Board declared a producer bonus and provided for it at 75c per kg on slaughtered animals and 39c per kg on live sales. Because of 2018 and 2019 financial performance, the Board resolved to adjust the provision to only 1/3 of the original estimation to be paid out to settle the liability that has been on the balance sheet since 2017. The effect of this revision has increased the profits of the corporation's separate financial statements by and reduced the group's loss for the current period by N$30,696,650.

35. COMPARATIVE FIGURES

Certain comparative figures have been present in a different format, not changing any balances.


Photograph: Boran Breeders Society

NOTES

NOTES

This annual report, covering the financial period of 1 February 2018 to 31 January 2019, contains information on the Meat Corporation's (Meatco) governance, strategies, performance and prospects and is designed to provide a balanced overview of key developments in the period under review.

The report aims to provide a greater understanding of Meatco's business, our social and environmental impact and insight into how we manage our business.

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