FISHCOR

National Fishing Corporation of Namibia

SEAFLOWER GROUP OF COMPANIES

ANNUAL REPORT

SEA FLOWER

SEACOPE
FREEZER FISHING (PTY) LTD

NAMROCK

A Culture of **EXCELLENCE**

OUR **VISION**

To be a leader in catching, processing and marketing Namibian fish products in the local and international markets.

OUR **MISSION**

To exploit the allocated quotas in a sustainable manner while ensuring maximum gain for our shareholders, employees and the Namibian economy.

OUR **CORE VALUES**

- Accountability
- Innovation
- Customer care
- Integrity
- Excellence
- Teamwork

Our Services & Processes In Brief

THE WAVE OF QUALITY

By fishing the nutrient rich Benguela Current along Namibia's coastline, we are able to consistently produce hake and lobster products of the highest quality. Namibian lobster is counted among the best in the world.

HAKE FISHERY

The hake fishery makes up the main production in our company and plays a major role in terms of employment, value addition, export earnings, socio-economic contribution and investment. Our trawlers catch Merluccius capensis, one of two hake species found in Namibian waters.

LOBSTER FISHERY

We catch and process the West Coast Rock Lobster (Jesus Lalandii). By chartering our vessels to fishermen from the community and running the only operational lobster-processing factory in Lüderitz, we add value and create employment in our community.

Protecting the natural environment is not only beneficial to the community at large, it is also crucial for Seaflower's long-term success. Increasing production over time to meet growing customer demand can only be achieved if we preserve the marine environment for future generations.

HAKE PRODUCTS

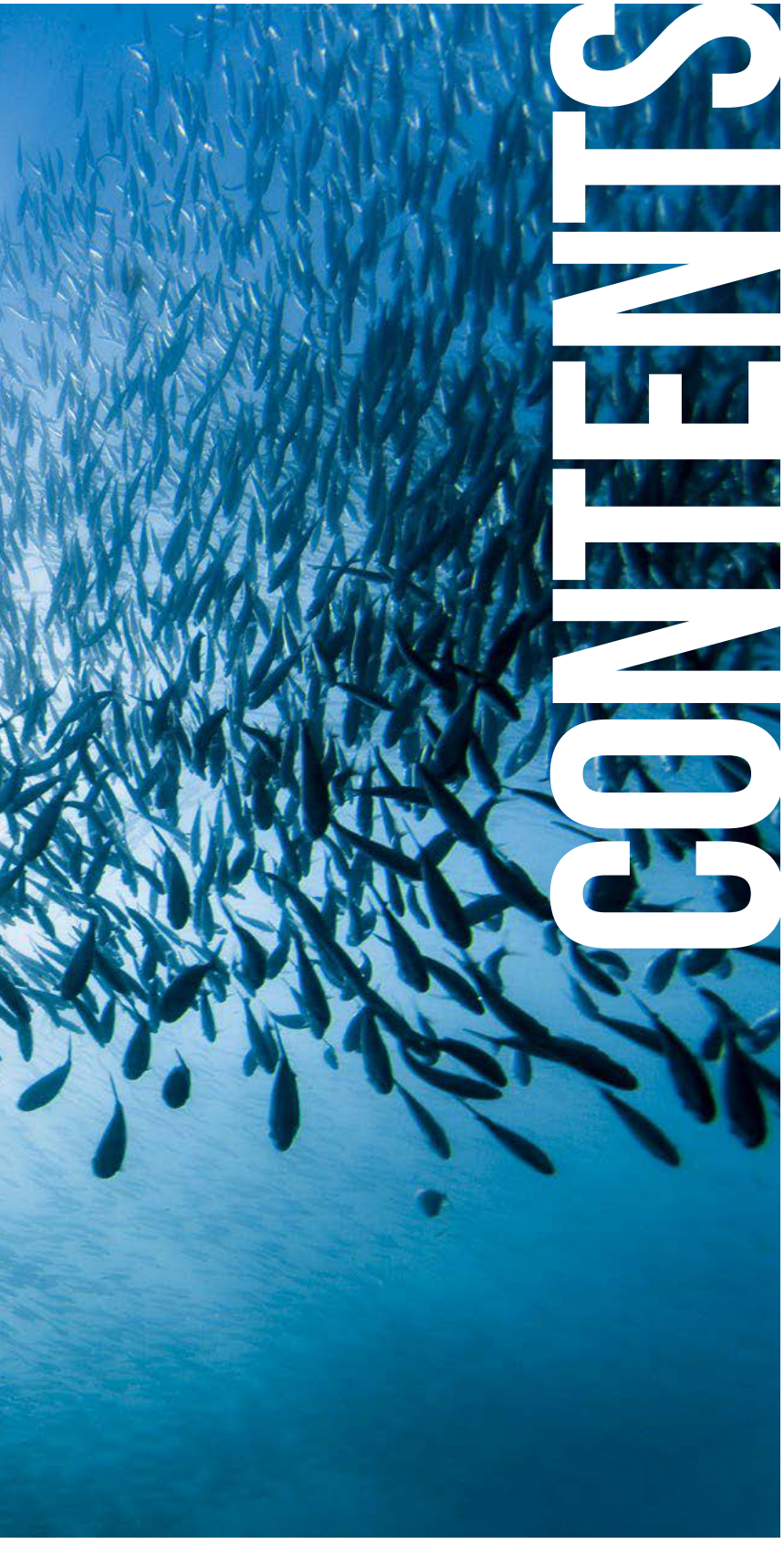
Our factory processes hake into a wide variety of high quality products, including fillets, loins, centres, belly flaps, baby hake and mince.

LOBSTER PRODUCTS

Our lobster-processing factory is equipped to prepare live lobsters for shipping as well as produce whole cooked lobster, whole raw frozen lobster and lobster tails.

EXPORT MARKETS

Our hake and lobster products are very competitive in international markets because of their high quality. Europe is the main export market for our high value hake products, while South Africa receives the highest volumes of hake products. Our lobster products are exported primarily to Hong Kong and Japan.



CONTENTS

OVERVIEW

01 A CULTURE OF EXCELLENCE
02 OUR SERVICES & PROCESSES IN BRIEF
07 OUR PROUD FISHING HISTORY
09 COMPANY OVERVIEW
10 A WORD FROM OUR CHAIRMAN
14 A WORD FROM OUR CHIEF EXECUTIVE OFFICER

LEADERSHIP AND CORPORATE GOVERNANCE

23 CORPORATE GOVERNANCE
24 BOARD OF DIRECTORS
26 MANAGEMENT TEAM

OUR DEPARTMENTS

30 FLEET & MAINTENANCE
32 PRODUCTION
34 IT, ELECTRICAL, ELECTRONICS & REFRIGERATION
36 SALES & COLD STORE
38 QUALITY ASSURANCE
40 HUMAN RESOURCES

CORPORATE SOCIAL INITIATIVES

45 FISH DONATIONS
45 COMMUNITY DEVELOPMENT, EDUCATION & EMPOWERMENT
45 BURSARIES

ANNUAL FINANCIAL STATEMENTS

47 GROUP & COMPANY ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016

07

OUR PROUD FISHING HISTORY

WE ARE PROUD OF OUR HISTORY, PASSIONATE ABOUT OUR INDUSTRY AND EXCITED ABOUT OUR FUTURE.

The National Fishing Corporation of Namibia (FISHCOR) was founded on 27 December 1991 in accordance with the National Fishing Corporation of Namibia Act, 1991 (Act No. 28 of 1991), which paved the way for the establishment of the subsidiaries Seaflower Lobster Corporation Ltd and Seaflower Whitefish Corporation Ltd.

FISHCOR is a holding company, as the two subsidiaries are responsible for the catching, processing and marketing of fish and fishery products.

COMPANY **OVERVIEW**

STAFF COMPLEMENT
676

FISHING VESSELS
10

CSR ANNUAL BUDGET
N$1 million

The National Fishing Corporation of Namibia (FISHCOR) was founded on 27 December 1991 in accordance with the National Fishing Corporation of Namibia Act, 1991 (Act No. 28 of 1991), which paved the way for the establishment of the subsidiaries Seaflower Lobster Corporation Ltd and Seaflower Whitefish Corporation Ltd. FISHCOR is a holding company, as the two subsidiaries are responsible for the catching, processing and marketing of fish and fishery products.

SEAFLOWER LOBSTER CORPORATION LIMITED (SLC)

On 7 April 1993, Seaflower Lobster Corporation Limited (SLC) became a wholly owned subsidiary of FISHCOR. The company owns and operates six lobster vessels as well as a processing facility in Lüderitz. SLC is also a 66% shareholder of the NAMROCK brand, through which lobster products are marketed. Up until 2015, SLC has been the only company that processes lobster in Namibia, as the size of the Total Allowable Catch (TAC) for this fishery is too small to sustainably accommodate more factories. The lobster operation runs for 6 months every year and employs 62 workers on a seasonal basis and 4 on a permanent basis.

SEAFLOWER WHITEFISH CORPORATION LIMITED (SWC)

Seaflower Whitefish Corporation Limited (SWC) was established in 1994 as the main vehicle for FISHCOR to participate in the hake fishery, thereby creating employment in Lüderitz and promoting investment in the fishing industry. SWC is the main operator for the Group, representing approximately 90% of total revenue, investment and employment. FISHCOR owns 78% of the company, and the Governor's Trust owns the remaining 22%.

SWC owns and operates a wet fish processing facility in Lüderitz and three wet hake trawlers, which supply the factory with fish. The workforce consists of 557 on-shore and off-shore employees. The company's products are marketed through the Seaflower brand, which is prominent and well received in international markets, because of the high quality associated with its products.

SEACOPE FREEZER FISHING (PTY) LTD

Established in 2004, Seacope Freezer Fishing (Pty) Ltd (Seacope) is a subsidiary of Seaflower Whitefish Corporation Limited, which holds 51% equity interest. The Spanish fishing company Copemar, which has been active in the Namibian fishing industry since 1978, owns the remaining 49%. Seacope utilises the hake freezer quota allocated to Seaflower. The freezer vessel MFV Pemba Bay, which employs 55 people off-shore, catches and processes the products. The company's products are marketed through the Seacope brand and exported mainly to Spain.

A WORD FROM **OUR CHAIRMAN**

Towards fundamental change

On behalf of the Board of Directors, I am pleased to present FISHCOR's annual report for the year ended 30 September 2016. The period under review has seen a significant number of changes within the Group. What has not changed however is the unique ability of the FISHCOR team to continue adapting to an environment that remains challenging, and to respond in a manner that reflects abundant qualities and experience.

During this period, we conducted a thorough review of our business and took on the challenges that affect our industry in an even stronger and more decisive manner. Accordingly, we grew in value and capacity and enhanced cooperation with various stakeholders, mainly government and the community within which we operate.

We launched a range of initiatives targeted at improving performance and focus, reducing costs, increasing the value of our output and more actively managing our capital. The full details of implementation for these initiatives are contained in the Group Chief Executive Officer's report.

The Board committed itself to continue building on the efforts of the previous financial year by strengthening the Group's ability to meet its financial obligations and to consistently deliver products to customers. The Group revenue decreased to N$313,148,325 in the current financial year from N$356,959,429 in the 2015 financial year, due to reporting on a twelve-month (12) period, compared to a seventeen-month (17) period. The 2015 reporting period was 17 months long in order to align our financial year to the new hake fishing season.

The reported profit after taxation was N$40,685,219 in 2016, compared to N$39,416,107 in the 2015 financial year. This is a significant growth in profitability of 46% when normalised to the twelve-month period compared to the previous financial year.

As previously reported, the Group commissioned a consultant to work with management to develop our 5-year strategic plan, setting out our key areas of focus and investment to deliver the objectives as per the National Fishing Corporation of Namibia Act, 1991 (Act No. 28 of 1991). This process was concluded and we are pleased to report that for the first time in the Group's history we have a strategic plan. The strategic plan was submitted to our line Minister as required by the State-owned Enterprises Governance Act, 2006 (Act No. 2 of 2006) as amended.

We are confident that our new strategic plan driven by passion and hard work from the vessel deck and factory floor to top management will ensure the Group achieves our vision, *"To be a leader in catching, processing and marketing Namibian fish products in the local and international markets."*

Investing for growth

FISHCOR's mandate encapsulates the development of the fishing industry by promoting certain activities and reinvesting our capital in projects that aim to grow the fishing and marine sector.

We concluded the ownership and Namibianisation of the MFV Monte San Roque and Farillon during the period under review. These vessels are now fully owned by the Group and registered and flagged Namibian. This investment amounted to approximately N$80 million.

The modernisation of our factory continued with the replacement of obsolete filleting and skinning machinery. The capital outlay for this purpose amounted to N$5 million. We replaced our tunnel freezer to ensure improved output. The new freezer enables us to produce individually quick frozen (IQF) products and increase the yield per ton of raw material landed.

An additional investment decision was taken after the conclusion of the feasibility study of a land-based processing factory for horse mackerel. The Board with the support of the Ministry of Fisheries and Marine Resources approved this planned project. The facility will utilise modern refrigeration technology to ensure high quality products and at the same time create significant on-shore employment opportunities, especially for women. The projected capital expenditure is approximately N$530,000,000 and is expected to be commissioned in the first quarter of 2018.

THE GROUP REVENUE DECREASED TO N$313,148,325 IN THE CURRENT FINANCIAL YEAR FROM N$356,959,429 IN THE 2015 FINANCIAL YEAR, DUE TO REPORTING ON A TWELVE-MONTH (12) PERIOD, COMPARED TO A SEVENTEEN-MONTH (17) PERIOD.

Profit after Taxation

N$40.6million

The reported profit after taxation was N$40,685,219 in 2016, compared to N$39,416,107 in the 2015 financial year. This is a significant growth in profitability of 46% when normalised to the twelve-month period compared to the previous financial year.

A WORD FROM **OUR CHAIRMAN** (continued)

Strengthening governance

Governance is integral as we lead our organisation. The composition of the Board has the right balance of business acumen, industry sector knowledge and experience, and the background and judgment of each member is valuable to FISHCOR. Our Board meets once a quarter to engage management on the key drivers of our business and industry, while at the same time taking mitigating measures to ensure our strategy is fully implemented.

To exercise its responsibilities in terms of strategy and general policies, the Board examines the strategic proposals made by management, and decides on strategies for FISHCOR and its business units, which are implemented by management. Finally, the Board sets priorities, approves the annual budget and ensures that the Group's financial and human resources are adequate to meet the set targets.

In order to exercise its supervisory responsibilities, the Board assesses implementation at the Group level with robust and independent measures of control that encompass risk management, internal audit, and compliance, and ensures the integrity of our financial reports.

The above is done to ensure that the Board's obligations toward its shareholder are understood and met. The required reporting to the shareholder on the performance of its duties is managed within the set framework of the performance agreement with the line Minister. Within the framework of best governance practices, the Board took part in the skills audit initiative of the Ministry of Public Enterprises during the period under review.

Additionally, the Board is responsible for setting the right tone from the top and ensuring that a strong governance structure is in place to enable the business to succeed and deliver long-term sustainable growth. As part of this responsibility, the Board continued its initiative of sending a Director to attend the Conxemar Seafood Exhibition and meet as many international clients as possible during the period under review. We utilise these platforms to provide a detailed business update and gain feedback from our major clients on market trends and product development.

Stakeholder's model

At FISHCOR, we place significant value on our stakeholder relationships. This spirit of partnership is an essential component of all our business dealings. Among other things, it encompasses the company's policy of social responsibility initiatives as detailed in the Corporate Social Responsibility report contained in this annual report.

The future

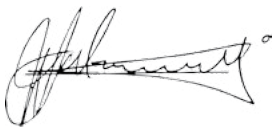
The leadership team and its responsive and committed staff are tackling the challenges that lie ahead with vigour and determination. We are confident that this will improve performance for our shareholder and clients.

At the end of the 2016 Annual General Meeting, the Honourable Minister Leon Jooste of the Ministry of Public Enterprises described FISHCOR as, *"the beacon of hope for public enterprises in Namibia."* However, this statement is not only a confirmation of our stated objective to deliver on the mandate. It also sets us a challenge to continue building on the robust performance of the past and the foundation that has been laid for sustainable profitable growth and to deliver on our long-term vision for FISHCOR.

We would not have achieved our turnaround strategy without the trust and support of Honourable Minister Bernhard Esau and his team at the Ministry of Fisheries and Marine Resources. We at FISHCOR will always be indebted to the Honourable Minister. We thank you.

Our gratitude also goes to the Honourable Governors and the Governor's Trust, and our shareholders in Seaflower Whitefish Corporation, one of our main subsidiaries. Thank you for all your support and valuable contributions.

To the Chief Executive Officer and his management team and my fellow Directors, I thank you all for your support and commitment to FISHCOR.



James Hatuikulipi
Chairman

A WORD FROM **OUR CHIEF EXECUTIVE OFFICER**

The 2016 financial year, which ran from 1 October 2015 to 30 September 2016, was one in which FISHCOR had to overcome significant challenges within a short space of time in order to successfully build on the work done in the previous year.

In this report, I will outline the operations, production, marketing, and finance and administration perspectives of Seaflower Whitefish Corporation (SWC) and its subsidiary Seacope Freezer Fishing (Pty) Ltd (Seacope), as well as Seaflower Lobster Corporation (SLC), during the 2016 financial year.

Operations in Perspective

Fleet strategy

Fleet management is a critical component in the fishing business. A well-managed fleet ensures a constant supply of raw material to the factory. Our fleet strategy was strengthened by the introduction of the scheduled maintenance plan, which monitors the repairs, replacement and lifespan of parts of our fleet. The management of supplier relations is equally relevant to our fleet operations as the absence of a robust supplier-to-client relationship negatively impacts the turnaround of our vessels.

During the period under review, both the MFV Monte San Roque and MFV Farillon were registered and flagged Namibian at a cost of N$80 million. This process greatly enhanced our operations. Firstly, the vessels are now manned by Namibians instead of Spanish officials, amounting to a significantly reduced labour cost. Secondly, we are able to avoid paying chartering fees. Finally, we can now sell products immediately after processing, because we no longer have to wait two to three weeks for Catch Certificates from Spain, which in the past negatively impacted our product off-take to the market.

This report would be incomplete without addressing the challenges we encountered during the period under review. In July 2016, the MFV Rex was hit by a storm-wave that damaged all electronics on the bridge. The damage took approximately two months to repair, which had a negative impact on the volumes of landed raw material needed to produce the required output. As a result, we had to enter into quota swap arrangements with other operators, who assisted us by landing raw material on our behalf.

DURING THE PERIOD UNDER REVIEW, THE TOTAL WET HAKE QUOTA ALLOCATED WAS 6,942.13 METRIC TONS (MT), OF WHICH 5,524.24MT WAS LANDED BY OUR THREE WET HAKE TRAWLERS BY THE END OF SEPTEMBER 2016.

Our freezer hake operation run by Seacope was also interrupted during the period under review. Although the MFV Pemba Bay did not experience any problems affecting the operation of the vessel, she undertook two research trips for the Ministry of Fisheries and Marine Resources to study the stock of orange roughy. As a result, the vessel did not undertake any hake fishing activities in the last part of July 2016 and the whole of August 2016. The research exercise was a success and enabled the scientists to gather much-needed data to draw conclusions on the state of this important marine resource.

Quota utilisation

During the period under review, the total wet hake quota allocated was 6,942.13 metric tons (mt), of which 5,524.24mt was landed by our three wet hake trawlers by the end of September 2016. The remaining 1,417.89mt was rented out to other operators through quota swap arrangements. The allocated hake freezer quota of 5,282.64mt was fully utilised by Seacope. In terms of the horse mackerel quota, a total of 30,000mt was allocated and fully utilised. As per the Designation Agreement between FISHCOR and the Ministry of Fisheries and Marine Resources whereby the Minister allocates quotas for governmental objectives to the Group, a total freezer hake quota of 5,500mt and a total horse mackerel quota of 53,000mt was allocated to the Group for this specific purpose.

Figure 1 illustrates the quota utilisation information as at the end of September 2016.

Figure 1: Wet and freezer quota utilisation

COMPANY NAME	QUOTA TYPE	UTILISED (MT)
SWC		
Quota landed	Hake wet	5,524.24
Quota rented out	Hake wet	1,417.89
Allocated quota	Hake wet	**6,942.13**
Seacope	Hake freezer	5,282.64
Total hake quota allocation	Wet and freezer hake	**12,224.77**
Quota Allocation for Governmental Objectives (QAGO)		
Hake	Hake freezer	**5,500**
Horse mackerel	Freezer	**53,000**
Total allocation for QAGO	Hake and horse mackerel	**58,500**

Source: SWC 2016

A WORD FROM **OUR CHIEF EXECUTIVE OFFICER** (continued)

Production in Perspective

Production is highly dependent on the amount of raw material delivered to the factory during a specific month. In order to achieve the annual production target, approximately 560mt of raw material had to be landed per month to produce approximately 346mt of finished products. The target amounts translate into a sales target of N$16.7 million, subject to the desired product mix.

Figure 2 indicates the final monthly products produced during the period under review.

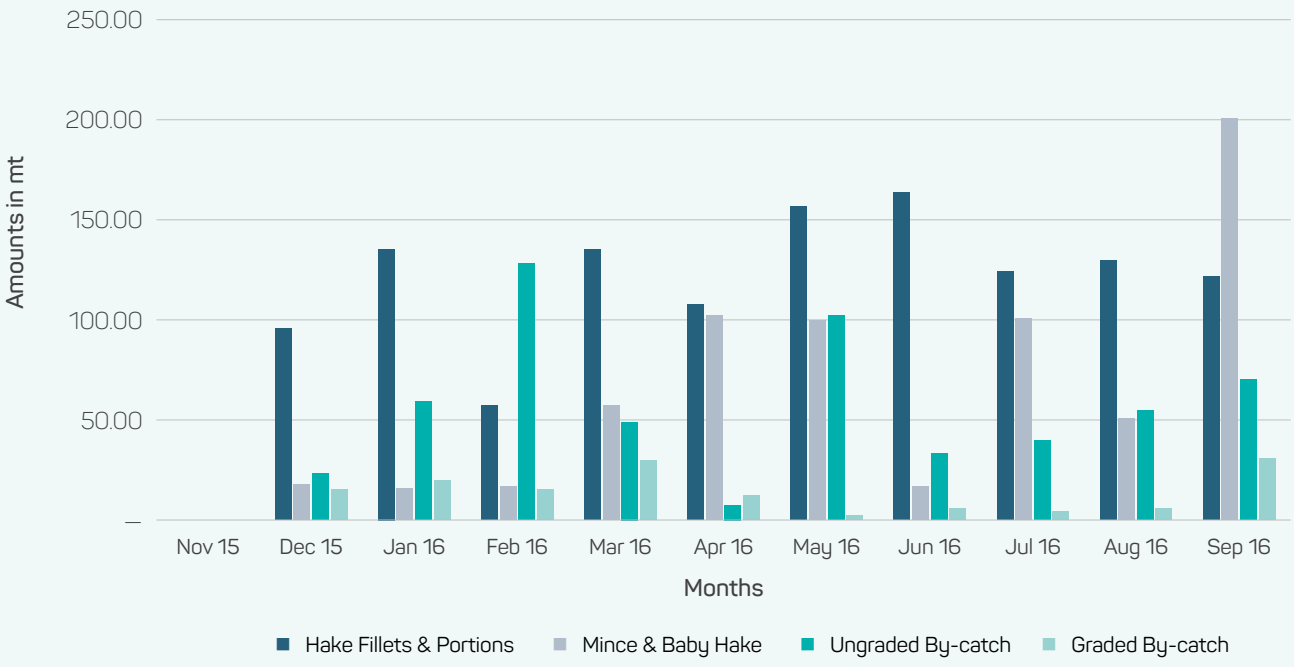
SKIN ON FILLETS, BELLY FLAPS, FORMED CENTRES, FORMED LOINS AND PORTIONS CONSTITUTED 52.36% OF FINAL PRODUCTS

In terms of production, baby hake, off-cut mince and ungraded low-value by-catches made up 47.63% of the final products produced, while our production schedule target was 17%. This was an unfavourable outcome, as the contribution these product types make to revenue is the lowest per metric ton produced. Skin on fillets, belly flaps, formed centres, formed loins and portions constituted 52.36% of final products, while the production schedule target was 83% of final products, resulting in an under production of 30.64% of these product types.

During the reporting period, more attention was given to the selection of fishing grounds. In addition, all vessels were equipped with the appropriate fishing gear to catch the right fish size and to improve the grade of the raw material delivered to the factory. Significant investments were made in factory machinery, including the purchase of Baader and Trios machines, which cut small size fish and thus contribute to high-value products such as formed centres and formed loins.

Figure 2: Final products produced

FINAL PRODUCTION



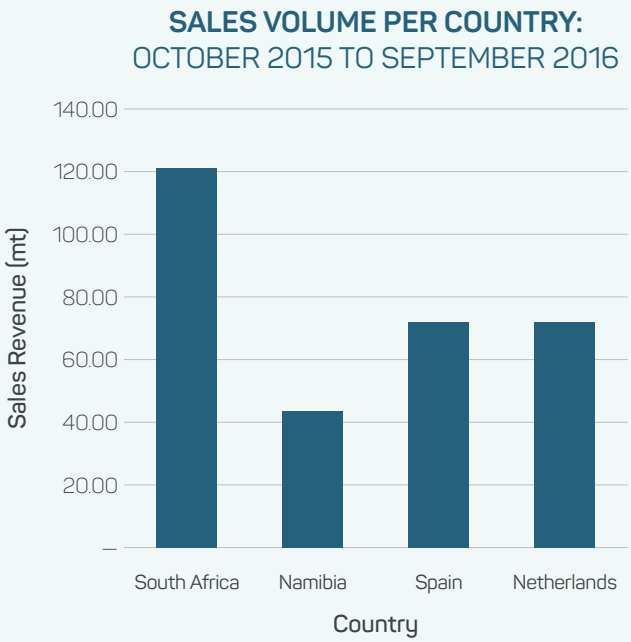
Source: SWC 2016

Marketing in Perspective

Europe remains our main export market for our products. However, the past year saw significant growth in the South African market due to increased demand. For the period under review, SWC generated total sales of 6,942mt, which resulted in revenue of N$114 million, while sales volume for its subsidiary Seacope was approximately 3,074mt, generating revenue of N$86 million. Therefore, the consolidated hake sales volume for the reporting period was approximately 12,224mt resulting in revenue of N$200 million.

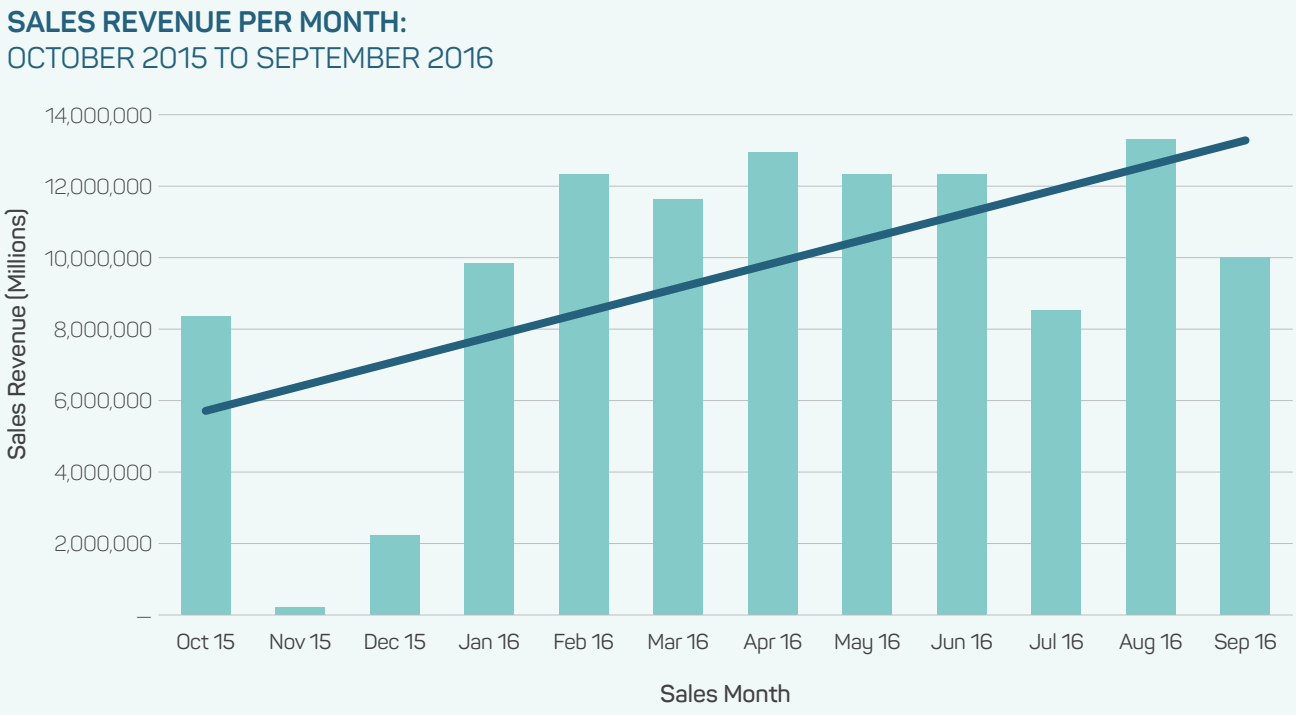
Figure 3 shows the sales revenue per month for SWC, while Figure 4 shows the sales volumes per market.

Figure 4: Sales volumes per country



Source: SWC 2016

Figure 3: Sales revenue per month



Source: SWC 2016

A WORD FROM **OUR CHIEF EXECUTIVE OFFICER** (continued)

South Africa received the highest volumes at 40%, followed by Spain at 25%, Namibia at 24% and the Netherlands at 11%. However, in terms of value, Spain accounted for more than 41%, followed by South Africa at 32%, the Netherlands at 17% and Namibia at 10%. This is attributed to the fact that Spain receives our high value products (hake loins, kingklip, monk and hake centres).

Finance and Administration in Perspective

For the period under review, total sales revenue for SWC was N$114 million and income from other sources was approximately N$97 million, bringing the total income for the company to approximately N$211 million.

A large part of the income from other resources was generated from outsourcing the horse mackerel and hake freezer quotas, generating N$80 million and N$17 million, respectively. Total sales for Seacope amounted to N$86 million, while other income amounted to approximately N$15 million, resulting in a total income of N$102 million for the company. The consolidated income was approximately N$299 million (2015: N$346 million), generating a profit after tax of N$37.9 million. This represents a decrease of 14%, but when normalised to 12 months, there was a growth of 23% in total revenue for the SWC Group. The consolidated sales revenue for the SWC Group of N$200 million (2015: N$240 million) represents a 17% decrease on the financial statements. However, when normalised to a 12-month period (noting that the 2015 financial year was 17 months long), then there was an 18% growth in sales revenue. The Group's assets grew by 32% from N$358 million in 2015 to N$472 million in 2016 as a result of the investment of around N$80 million in the MFV Farillon and MVF Monte San Roque. The asset base is expected to grow by another 20% in the 2017 financial year as a result of acquiring the MFV Pemba Bay into the Group through Seacope. We continue to address the accumulated legacy debt issue of quota levies and hope to conclude the engagement with the Ministry of Finance in the 2017 financial year.

In terms of human resources, the company was able to fill key positions such as Company Secretary, Industrial Engineer, Health and Safety Officer, HACCP Coordinators and an Industrial Relations Officer.

At the start of the hake fishing season (November/December), the fishing industry, mainly the hake fishery, was negatively affected by the illegal strike of fishermen, which resulted in fishing operations coming to a halt for two months. Around 93 fishermen from our Group took part in the illegal strike, of which 54 worked on the wet hake trawlers, and the remaining 39 worked on the freezer hake trawler. The strike cost the Group around N$40 million due to the two-month break in fishing operations and subsequent lack of sales. The court pronounced the strike illegal and all participating employees underwent a disciplinary hearing process, where they were found guilty and subsequently dismissed. The Group had to replace the dismissed fishermen with new fishermen, which posed an additional challenge to operations as the new employees had to learn about and gain experience in fishing on-board a vessel.

Consolidated Income

N$299 million

The consolidated income was approximately N$299 million (2015: N$346 million), generating a profit after tax of N$37.9 million. This represents a decrease of 14%, but when normalised to 12 months, there was a growth of 23% in total revenue for the SWC Group.

Attracting skilled people to Lüderitz remains a challenge due to the town's geographical location and distance from other major towns. However, we are confident that with strong recruiting and retention efforts we will continue to overcome these challenges and remain steadfast in delivering quality products to our clientele.

A WORD FROM **OUR CHIEF EXECUTIVE OFFICER** (continued)

Lobster Operation in Perspective

The rock lobster harvesting season runs from November to April every year. The Total Allowable Catch (TAC) for the 2015/2016 season was 250mt, a decrease of 16.67% compared to the TAC of the previous season. For this season, SLC received a total quota of 47.28mt, which is a 16% decrease from the 56mt allocated in the previous season.

During the period under review, our six (6) lobster vessels chartered by local skippers landed the entire allocated quota of 47.28mt and management sourced an additional 68.21mt from other operators to supplement the quota volume. Therefore, a total of 115.49mt was utilised by SLC, representing a 46.20% of the TAC.

In terms of total processed volumes for the season, only 180mt were processed in our factory, approximately 28% less than the 251mt processed in the previous season. The decrease in processed volumes resulted from the opening and operation of the factory of Pomona Fishing (Pty) Ltd, which migrated some right holders and their quotas away from our factory.

Total Processed Volumes

180mt

The total processed volumes for the lobster season were 180mt generating a total revenue of around N$8,646,921.

In terms of financial performance, total revenue from operating activities was around N$8,646,921 consisting of quota usage. The processing fees and income from other sources was N$2,047,083, resulting in a total income of N$10,694,004 for the period under review, compared to a total income of N$11,643,701 in the previous financial year. This decline is due to smaller quotas being processed at SLC.

Deep-water rock lobster fishing experiment

During the reporting period, the Minister of Fisheries and Marine Resources approved the deep-water rock lobster fishing experiment for a period of 5 years ending in 2021. This experiment is to be conducted during the off-season between May and October each year.

In the course of the experiment, the skippers chartering our vessels experienced some difficulties in conducting fishing activities in the allocated blocks. This was due to the depth and distance of the blocks, which were found to be impractical. The Lobster Association thus recommended that the fishing blocks be reviewed and to continue with the deep-water rock lobster fishing experiment in the following season.

Relationships with our clients

Building a solid client base depends on a strong, vibrant network and good trading relationships. To maintain the good trading relationships we currently enjoy with our clients in Japan, NAMROCK undertook a visit to the market during the reporting period, as is done every year in October. The purpose of these annual visits is to keep our clients informed about lobster operations in Namibia. We anticipate that our clients will remain loyal and supportive of the NAMROCK brand, leading to positive results in the future for all right holders processing at SLC. All our clients indicated that market prospects look promising due to the recovery of the Japanese economy, as well as the favourable exchange rate and fuel prices. However, the challenge to meet the growing demand for bigger sized lobster of 200 g to 250 g, as opposed to the traditional demand for smaller sized lobster of 200 g and less, remains.

Prospects for 2017

In order to drive the Group's efficiency and profitability, it is critical to continuously analyse and understand our business operations and management. We have identified the need to invest in an additional wet hake trawler to supply the factory. Having a total of four wet trawlers will ensure that we can weather any unexpected challenges, such as vessel breakdowns or unfavorable fishing conditions. We are also investing in an ice plant with a daily capacity of 120mt in order to improve our vessels' turnaround in port after discharge. Other items to be prioritised in the 2017 financial year are the acquisition of a racking system and the revamping of all processing machinery in the white fish factory, as well as the horse mackerel project which involves the construction of an on-shore processing factory in Walvis Bay, as indicated in the Chairman's report.

FOR THE FIRST TIME IN THE HISTORY OF THE GROUP, WE WILL LAUNCH A 5-YEAR STRATEGIC PLAN, WHICH WILL BE OUR ROAD MAP IN DRIVING OUR BUSINESS TO SUSTAINED PROFITABILITY UNTIL 2021 AND BEYOND. AS WE IMPLEMENT THIS STRATEGIC PLAN, THE MAIN FOCUS AREAS WILL BE COST MANAGEMENT AND EFFICIENCY ASPECTS.

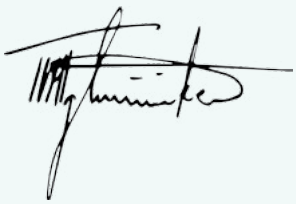
For the first time in the history of the Group, we will launch a 5-year strategic plan, which will be our road map in driving our business to sustained profitability until 2021 and beyond. As we implement this strategic plan, the main focus areas will be cost management and efficiency aspects. This will be done by ensuring that our vessels are out fishing at all times and that the right production and sales mix is achieved on a constant basis, in order to attain the targeted production and sales volumes. A strategy management office will be set up to monitor and evaluate the implementation and attainment of the set objectives. This office will also make recommendations regarding the most suitable interventions to successfully achieve the implementation of our strategic plan and the attainment of the objectives.

Since capacity building is critical to the success of our Group, we plan to host a number of training programmes for our employees in the quality, finance and production departments during the 2017 financial year. The focus of training in the production department will be to up the skills of production staff and improve output.

Conclusion

Traditionally, fishing industry risks such as harvesting risk, safety risk to seagoing workers, market price risk, and fishery regulations risk are inherent in managing a hake and lobster processing business.

In these demanding times, it is the hard work and commitment of our employees that forms the foundation of the company's strength, endurance and long-term success. For this, I would like to thank my management and every employee for their unwavering dedication and contribution. I extend my deepest gratitude to our stakeholders and convey my sincere appreciation to our Chairman and the Board for their guidance and support in the past year.



Mike Nghipunya
Chief Executive Officer

MAERSK
MAERSK

23

LEADERSHIP AND CORPORATE GOVERNANCE

BOARD **OF DIRECTORS**

Board composition

The Board of Directors consists of six directors. The Permanent Secretary of Fisheries and Marine Resources is an (ex-officio) member of the Board, as per the National Fishing Corporation of Namibia Act, 1991 (Act No. 28 of 1991). The term of the current Board of Directors is three (3) years effective from 1 May 2014.

The members of the Board are appointed by the Minister of Fisheries and Marine Resources in concurrence with Cabinet, in terms of Article 41 of the Namibian Constitution.

Board responsibilities

The Board of Directors is responsible for managing, controlling, supervising, evaluating and reviewing the affairs of FISHCOR. This includes overseeing internal financial controls that are designed to provide reasonable, but not absolute, assurance against material mismanagement and loss.

Board committees

The Board has an HR Committee and an Audit Committee. The HR Committee consists of Ms. Ndaendomwenyo Sheya, Governor Laura McLeod and Dr. Moses Maurihungirire.

The members of the Audit Committee are Mr. James Hatuikulipi, Dr. Bennett Kangumu and Governor Usko Nghaamwa.

Board meeting attendance

By attending and participating in Board and committee meetings, Board and committee members contribute their judgment and expertise to the affairs of the company. The Board meets on a quarterly basis, totaling four (4) meetings per year. During the period under review, the Board members attended all Board meetings, as well as all meetings of the committees on which they serve.

Board Members

Left to right

Mr. James Hatuikulipi (*Chairperson*), Honourable Usko Nghaamwa, Honourable Laura McLeod, Dr. Bennett Kangumu, Ms. Ndaendomwenyo Sheya, Dr. Moses Maurihungirire

MANAGEMENT **TEAM**

Executive Management

Left to right
Mr. Mike Nghipunya *(Group Chief Executive Officer)*
Mr. Inocencio Verde *(Group General Manager, Operations)*
Mr. Paulus Ngalangi, CA *(NAM) (Group General Manager, Finance)*

Ms. Josefina Nekongo
Company Secretary

Mr. Morne Lambert
Manager: Electrical, Electronics, IT & Refrigeration

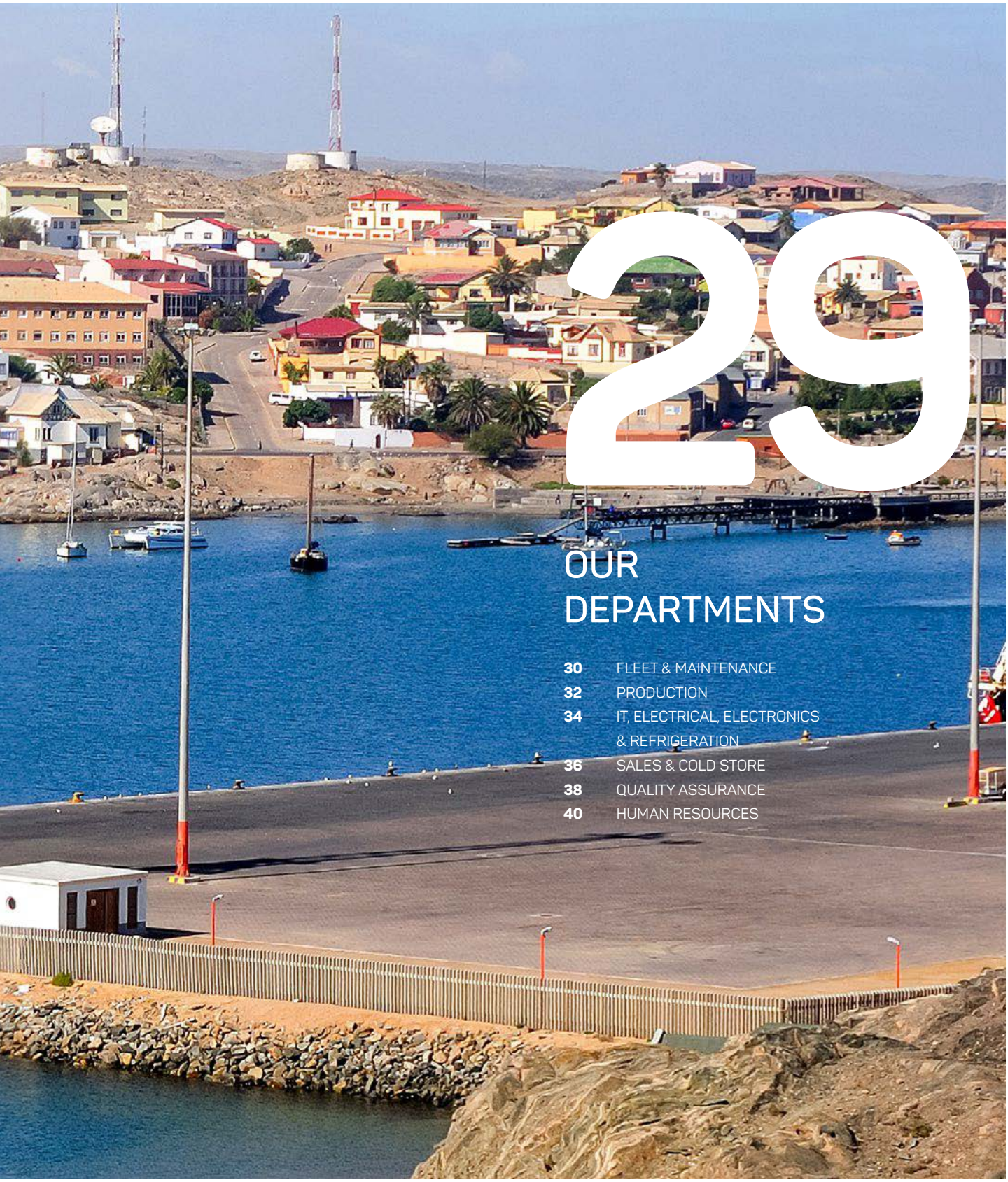
Mrs. Mansweta Joseph
Manager: Human Resources

Mrs. Carol Brendell
Manager: Sales & Cold Store

Mrs. Megan Agene
Manager: Quality Assurance

Mrs. Fredricka Davids
Manager: Production

Mr. Eduardo Ferreira
Manager: Fleet & Maintenance



29

OUR DEPARTMENTS

30 FLEET & MAINTENANCE
32 PRODUCTION
34 IT, ELECTRICAL, ELECTRONICS & REFRIGERATION
36 SALES & COLD STORE
38 QUALITY ASSURANCE
40 HUMAN RESOURCES

OUR **DEPARTMENTS**

FLEET AND **MAINTENANCE**

MAKING SURE WE STAY AFLOAT

A well-managed and well-maintained fleet is the backbone of our business. The Fleet and Maintenance Department is responsible for keeping our vessels in a fishing worthy condition. The department also draws up maintenance and dry-docking plans for each vessel in order to ensure that vessels remain efficient at all times. In addition, the general maintenance of machinery in the factory as well as our vehicle fleet falls under the mandate of this department.

Our fleet

Our fleet consists of one freezer trawler, three wet fish trawlers and six lobster vessels. All of our vessels, having been built between 1963 and 2006, are young and, with a robust maintenance plan in place, will experience few breakdowns.

The pride of our fleet is the freezer vessel MFV Pemba Bay, which is based in Walvis Bay. The vessel, built in 2001 and powered by a 1,100 Kw Wartsila engine, is equipped with a factory, enabling it to catch, process, freeze and package fish on board.

Spending an average of 21 to 28 days at sea, it returns to port carrying up to 250mt of frozen fish ready for distribution.

Our three wet fish vessels are equally valuable members of our fleet. The MFV Monte San Roque and MFV Farillon, built in 2005 and 2006 respectively, are powered by Anglo Belgian Corporation (ABC) 441 Kw direct drive engines. Our oldest wet fish vessel, the MFV Rex built in 1986, is kept running smoothly by its Nohab 12 cylinder, 2,000 hp diesel engine. On average, our wet fish vessels spend 5 to 7 days at sea, depending on how quickly targets are reached. The catches of all three vessels are processed at the land-based factory in Lüderitz.

The six lobster vessels complete our fleet. The S.W. Albatross, S.W. Penguin, and Moira D. were built in the 1960s, while our newer vessels, the Goldfish, Oceana Marlin, and Blue Fish, were built in the 1980s. Two of the vessels have a cargo capacity of 19.82mt each, and the remaining four have a capacity of 47.08mt each. The entire lobster fleet is powered by diesel reciprocating engines. The number of days that the lobster vessels spend at sea varies depending on the operator that has chartered the vessel and on how quickly set targets are met. All lobster catches are processed and packaged in our factory in Lüderitz.

Our vessels

One freezer vessel:

- Pemba Bay: Built 2001; Freezer Fish Hold Capacity: 660 m^3

Three wet fish vessels:

- Farillon: Built 2006; Fish Hold Capacity: 250 m^3
- Monte San Roque: Built 2005; Fish Hold Capacity: 250 m^3
- Rex: Built 1986; Fish Hold Capacity: 300 m^3

Six lobster vessels:

- S.W. Albatross: Built 1963; Fish Hold Capacity: 7.0 m^3
- S.W. Penguin: Built 1963; Fish Hold Capacity: 7.0 m^3
- Moira D: Built 1964; Fish Hold Capacity: 7.0 m^3
- Goldfish: Built 1983; Fish Hold Capacity: 7.0 m^3
- Oceana Marlin: Built 1984; Fish Hold Capacity: 7.0 m^3
- Blue Fish: Built 1986; Fish Hold Capacity: 7.0 m^3

OUR **DEPARTMENTS** (continued)

Our Production Department oversees Seaflower's white fish and lobster processing factories and ensures that we deliver high quality products.

Our value chain starts at sea and consists of catching, processing, storage and marketing to the customer. The Benguella current system along Namibia's coastline, which is one of the most nutrient rich systems in the world, enables Seaflower to consistently produce hake and lobster products of the highest quality.

Catching and processing hake

Our hake fishing operations are carried out by means of bottom trawling. The fish is initially processed in the factory on-board the vessel into headed and gutted (H&G) products. The H&G products are then stored at -4 °C and delivered to the on-shore factory for final processing.

At the factory, hake is then processed into different products such as loins, centres, belly flaps, fillets, baby hake and mince. The by-catches to hake are kingklip, monkfish, red fish, pota, snoek, buttersnoek, horse mackerel and angelfish. These are also processed into different products before being sold to the end customer.

Catching and processing lobster

Lobster is caught using lobster traps that are usually filled with bait of horse mackerel, sardines and snoek heads. It is important to ensure that the lobsters are alive when they arrive at the on-shore factory in order to maintain high quality at all times. Therefore, once a trap is full, lobsters are removed and placed back into sea cages. This method ensures that the mortality rate per trip remains as low as 4% of the total catch.

Upon delivery at the factory, the lobsters are kept in holding tanks with seawater before being processed into different product forms, such as whole raw frozen, whole cooked, tails and live lobster.

OUR **DEPARTMENTS** (continued)

IT, ELECTRICAL, ELECTRONICS & **REFRIGERATION**

FULL STEAM AHEAD WITH MODERN SYSTEMS

The IT, Electrical, Electronics and Refrigeration Department is responsible for maintaining and upgrading all systems related to IT, electronics and refrigeration. Modern IT systems are essential for keeping all aspects of Seaflower's operations running smoothly. Our software systems include a mailing system, accounting system, pay-roll system and time keeping system.

Machinery and refrigeration

Production in our factories relies heavily on machinery, all of which is fully computer controlled in order to optimise time and production output, and minimise human error.

Systems along each step of the production process ensure optimum output, and include the following:

- The Marel input system separates the hake from the by-catches and grades the hake according to weight.
- The distribution system delivers fish from a storage tank to a designated line, and records the amount of product being processed and the yield of every production line.
- The Baader filleting machine fillets the fish.
- The Marel scaling system classifies the final fish products into different weight categories, from where they can be packaged accordingly.
- The dispatch system logs the amount and type of fish stored in the cold rooms and records fish that has been removed for shipping, enabling us to control our stock.
- The output system books stock onto trucks for delivery to our clients.

Refrigeration is another essential element in our operations. Ammonia compressors give our factory its freezing capabilities and ensure that we can deliver safe and quality products to our clients.

OUR **DEPARTMENTS** (continued)

SALES AND **COLD STORE**

SETTING SAIL INTO THE WORLD

Our Sales and Cold Store Department plays a pivotal role in the success of Seaflower. It is responsible for managing stock in cold storage, selling to existing customers, and marketing to potential clients. In addition, this department maintains good relationships between the Group and our customers in order to ensure continuity and long-term profitability.

Markets and customer relations

For the reporting period, our sales performance was very positive in terms of prices and demand. The economic recovery in Europe and Japan played a pivotal role in the positive demand and good prices for both hake and lobster products.

Customer engagement is critical to the success and longevity of customer relationships. Therefore, we engage customers through our annual visits during which we discuss the operations for the current and following fishing season. The team also examines challenges and how to address them in order to ensure maximum customer satisfaction.

OUR **DEPARTMENTS** (continued)

QUALITY **ASSURANCE**

SAILING THE HIGH SEAS OF QUALITY

Seaflower's motto, "The wave of quality" epitomises our passion for and commitment to producing hake and lobster products of the highest quality. Our Quality Assurance Department is responsible for enforcing compliance with the Relevant National Compulsory Standards Specifications, as well as European Union (EU) and Food and Drug Administration (FDA) regulations. By conducting process control inspections and online monitoring, the department ensures that Seaflower's products are always of the highest quality, safe for human consumption, and desirable to consumers.

Monitoring quality at every step of the way

In order to ensure food safety and product quality, quality controllers monitor every aspect of our value chain, starting from the vessel through to the factory and sales. Raw materials are examined upon arrival at the factory to make sure they meet our specifications. In the factory, line supervisors carefully inspect the entire production process. In addition, quality controllers do random inspections of every product, focusing not only on the quality and safety of products, but also on their appearance, labeling, and packaging, among others. Finally, finished products are inspected prior to shipment to our customers.

Hygiene and manufacturing standards

Seaflower enforces Good Manufacturing Practices (GMP) and Good Hygiene Practices (GHP), which are prerequisite practices for HACCP. These include pest control programmes, personnel sanitation, and cleaning programmes, among others. As part of our excellent GMP and GHP, all persons entering food processing areas must be properly attired in the company's protective clothing, including sterilised boots and gloves. In addition, no perfume or jewelry may be worn in the processing plant, and eating, drinking and spitting are strictly prohibited. These measures are put in place to prevent contamination of products and equipment.

Meeting national and international standards

Seaflower meets the Relevant National Compulsory Standards Specifications as set by the Namibian Standards Institution (NSI). In addition, the Group addresses food safety in accordance with the European Commission Regulation 852/2004 and 853/2004, and various EU directives as well as FDA regulation 21CFR123. Seaflower is HACCP certified in line with EU standards regulations, which enables us to export our products to European markets. The NSI conducts regular inspections of our products, factories and vessels in order to ensure that we remain compliant at all times.

OUR **DEPARTMENTS** (continued)

HUMAN **RESOURCES**

OUR PEOPLE IN GOOD HANDS

The Human Resources Department is responsible for overseeing all matters pertaining to employees such as recruitment, management of benefits and disciplinary matters. The department is also responsible for developing long-term strategies for the growth and development of our employees.

Our employees

The Group employs a total of 674 workers, both on- and off-shore. General factory workers and fishermen make up 85% of the workforce, with the remaining staff complement consisting of administrative and management personnel.

Our management objective is to ensure that our employees are productive. This is achieved by utilising various strategies and continuous employee engagement. We offer competitive remuneration packages that include retirement and funeral benefits.

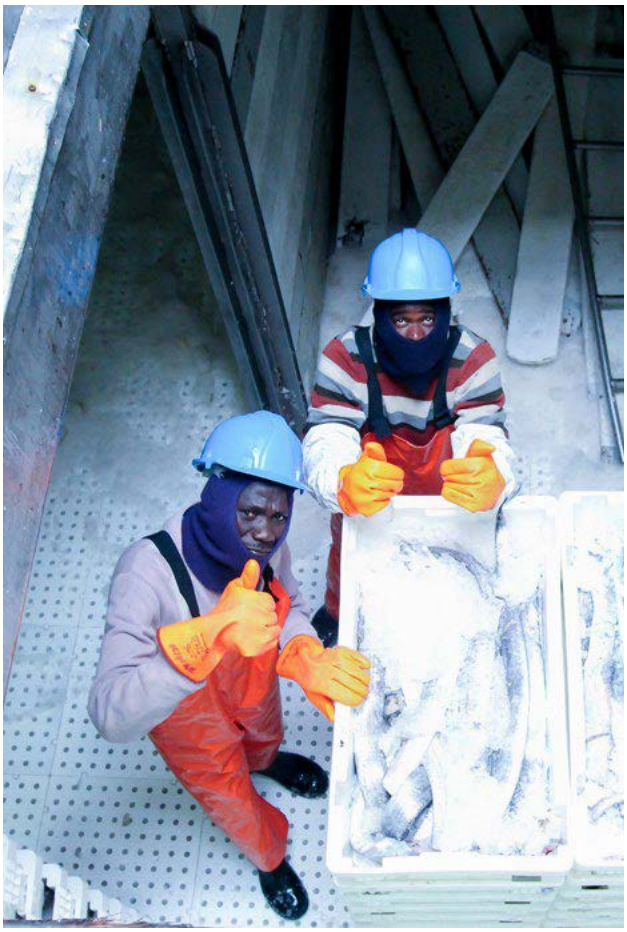
All of our employees are registered with a trade union of their choice. The majority are members of the Namibia Seamen and Allied Workers Union (NASAWU), while the rest are members of the Namibia Food and Allied Workers Union (NAFAU).

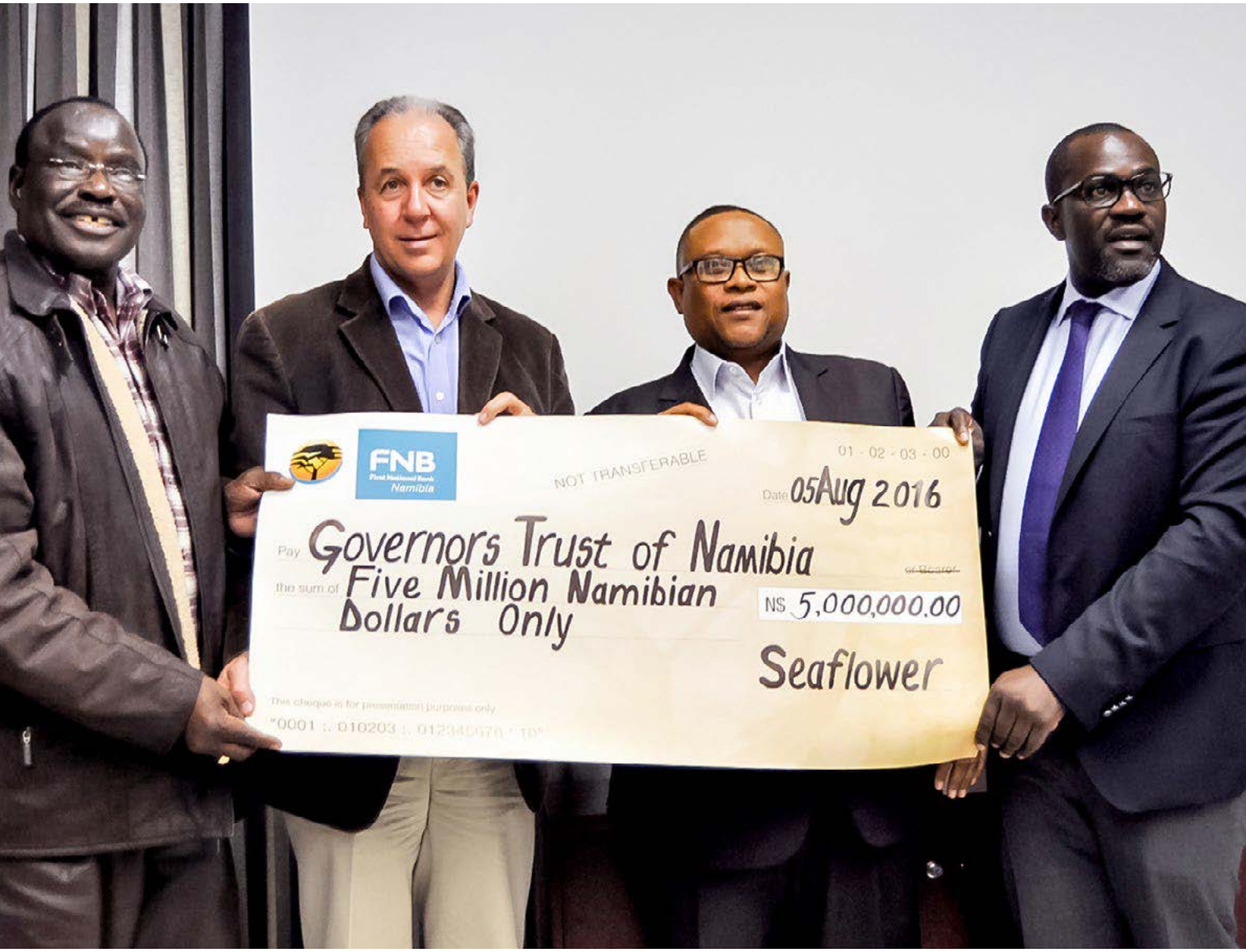
Employee training and development

The fishing industry demands that we continuously invest in training and development. Our training and development policy guides us in this regard. During the reporting period, a bursary scheme was introduced to invest in the development of critical skills and to ensure that the Group can attract and retain staff.

Employee health and safety

Our health and safety policy outlines the best practices for enforcing and maintaining a hygienic, healthy and safe working environment. Furthermore, our HIV/AIDS policy guides us in dealing with employees living with HIV/AIDS. In February 2016 our onsite clinic opened its doors. The fully operational clinic ensures that employees do not have to travel long distances to hospitals for medical treatment, which has significantly reduced the rate of absenteeism in the Production Department.





From left: Governor Clemens Kashuupulwa, representative of the Governor's Trust, Honourable Leon Jooste, the Minister of Public Enterprises, our line Minister, Honourable Bernhardt Esau and the Board Chairperson, Mr. James Hatuikulipi.

Our employees come from different corners of the country. At FISHCOR, we believe that the whole of Namibia should share in the country's marine wealth and the proceeds generated through it.

43

CORPORATE SOCIAL INITIATIVES

CORPORATE
SOCIAL INITIATIVES

At Seaflower, we believe in giving back to the community. Our corporate social initiatives are based on the philosophy of investing in people to build strong communities. To enable us to meet this commitment, we created a Corporate Social Responsibility Fund with an annual budget of N$1 million. However, in responding to the Harambee Prosperity Plan, we exceeded this budget during the reporting period: We spent N$1.9 million on sponsorships and donations to help meet government objectives.

The Corporate Social Responsibility Fund enables Seaflower to make a meaningful contribution to the Lüderitz community, and subsequently to have a lasting impact on Namibia as a whole by improving the welfare of her people.

Our main aims are:

- to feed the less fortunate through fish donations
- to promote community art development and education
- to advance community development and empowerment projects
- to promote capacity building through awarding study bursaries

Fish donations

In the 2015/2016 financial year, we made fish donations of different types amounting to 15.4mt, valued at N$432,501. Donations were made to old age homes, school feeding programmes, Governors' offices, the Lüderitz Mayoral Fund and different soup kitchens in and around Lüderitz.

Community development, education and empowerment

In the period under review, we sponsored community development initiatives in areas such as arts development and education, sports, and community empowerment amounting to N$1.2 million.

Bursaries

During the reporting period, we awarded five bursaries to a total value of N$250,000. Full bursaries were given to students of the University of Namibia (UNAM), the Namibian Institute of Mining and Technology (NIMT) and Rhodes University (South Africa) for the following fields of study:

- PHD in Fisheries Science
- Fitting and Turning
- Diesel Mechanics
- Air-conditioning and Refrigeration Repairs
- Marine Science

47

ANNUAL FINANCIAL STATEMENTS

48 ADMINISTRATION
49 STATEMENT BY THE DIRECTORS
50 REPORT OF THE INDEPENDENT AUDITORS
51 REPORT OF THE DIRECTORS
55 CONSOLIDATED STATEMENT OF ANNUAL FINANCIAL POSITION
56 CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
57 CONSOLIDATED CHANGE OF EQUITY STATEMENT
59 CONSOLIDATED STATEMENT OF CASH FLOWS
60 COMPANY STATEMENT OF ANNUAL FINANCIAL POSITION
61 COMPANY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
62 COMPANY STATEMENT OF CASH FLOWS
63 NOTES TO THE ANNUAL FINANCIAL STATEMENTS

ADMINISTRATION

Company registration number:	92/227
Directors:	Mr J Hatuikulipi (Chairperson) Dr B Kangumu Hon L McLeod Ms N Sheya Mr U Nghaamwa Mr M Maurihungirire Mr V Groenewald (Resigned: 04-11-2015) Ms U Hiveluah
Company Secretaries:	ESI Secretarial Services (Pty) Ltd Orban Street 24 P O Box 3300 Windhoek
Registered Office:	Orban Street 24 P O Box 3300 Windhoek
Auditors:	Stier Vente Associates P O Box 90001 Olof Palme Street Klein Windhoek

STATEMENT BY **THE DIRECTORS**

TO THE SHAREHOLDER OF NATIONAL FISHING CORPORATION OF NAMIBIA LIMITED

Your group and company's directors are required by the Companies Act to maintain adequate accounting records and to prepare annual financial statements which fairly present the state of affairs at the end of the financial year and the results and the cash flows for the year. In preparing the accompanying annual financial statements, International Financial Reporting Standards have been followed, suitable accounting policies have been used, and reasonable estimates have been made. Any changes to accounting policies are approved by the Board and the effects thereof are fully explained in the annual financial statements. The annual financial statements incorporate full and responsible disclosure in line with the philosophy on corporate governance.

The directors have reviewed the group and the company's budgets and cash flow forecasts for the year to 30 September 2017. On the basis of this review, and in the light of the current financial position and existing borrowing facilities, the directors have no reason to believe that the National Fishing Corporation of Namibia Limited and its subsidiaries will not be a going concern in the next financial year and have thus continued to adopt the going concern basis in preparing the annual financial statements. The group's external auditors, Stier Vente Associates, have audited the financial statements and their report appears on page 50.

The directors are responsible for the group and company's system of internal controls, which includes internal financial controls that are designed to provide reasonable, not absolute, assurance against material misstatement and loss. The group and company maintain internal financial controls to provide assurance regarding:

- the safeguarding of assets against unauthorised use or disposition; and
- the maintenance of proper accounting records and the reliability of the financial information used within the business or for publication.

The controls contain self-monitoring mechanisms, and actions are taken to correct deficiencies as they are identified. Even an effective system of internal control, no matter how well designed, has inherent limitations, including the possibility of circumvention or the overriding of controls. An effective system of internal control, therefore, aims to provide reasonable assurance with respect to the reliability of financial information and, in particular, financial statements presentation. Further, because of changes in conditions, the effectiveness of internal financial controls may vary over time.

The group and company's annual financial statements for the year ended 30 September 2016 set out on pages 51 to 92 have been approved by the Board of Directors and are signed on their behalf by:

DIRECTOR
WINDHOEK
10 March 2017

REPORT OF THE **INDEPENDENT AUDITORS**

TO THE SHAREHOLDER OF NATIONAL FISHING CORPORATION OF NAMIBIA LIMITED

We have audited the group and company's annual financial statements of National Fishing Corporation of Namibia Limited which comprise the directors' report, the consolidated statement of annual financial position as at 30 September 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes set out on pages 51 to 92.

Directors' responsibility for the financial statements

The group and company's directors are responsible for the preparation and fair presentation of these annual financial statements in accordance with International Financial Reporting Standards and in the manner required by the Namibian Companies Act. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of annual financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

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

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

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

Opinion

In our opinion, the group and company's annual financial statements fairly present, in all material respects, the financial position of the group and company at 30 September 2016 and its annual financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Stier Vente Associates

STIER VENTE ASSOCIATES
REGISTERED ACCOUNTANTS AND AUDITORS, CHARTERED ACCOUNTANTS (NAMIBIA)
Per: B Vente
Partner
WINDHOEK, 10 March 2017

REPORT OF **THE DIRECTORS**

for the year ended 30 September 2016

The directors present their report which forms part of the audited annual financial statements of the group and the company for the year ended 30 September 2016.

Principal activities of the company

The company is the holding company of a number of companies involved in exploiting, processing, buying, selling and marketing of fish and marine resources.

Directors

Details of directors and officers of the company are set out under Administration on page 48.

Dividend

No dividend was declared or paid during the year under review (2015: N$ Nil).

Operating results

The Fishcor group recorded a net income of N$ 40 685 219 after taxation (2015: income of N$ 38 404 084). The main reasons for this income are the good performance of Seaflower Whitefish Corporation Limited. It should be noted that a portion of the net income is a result of revenue generated from the usage fees of hake and horse mackerel quota being granted to the group.

The Fishcor group's annualised revenue increased by 19%. The increase in revenue was due to good prices achieved for Seaflower Whitefish Corporation (Pty) Ltd hake sales in Europe and South Africa and Seacope Freezer Fishing (Pty) Ltd hake and orange roughy sales to Europe.

As a company Fishcor recorded an income of N$ 3 048 363 (2015: loss of N$ 2 037 110) which is mainly due to the usage fees of hake and horse mackerel quota that was granted to the group.

	Year ended 30/09/2016 N$	Period ended 30/09/2015 N$
Seacope Freezer Fishing (Pty) Ltd - income after tax	7 298 177	8 172 673
Seaflower Whitefish Corporation Ltd - income after tax	37 908 152	30 252 148
Seaflower Lobster Corporation Ltd - (loss)/income after tax	(132 020)	432 744
Seaflower Monk Fishing and Processing (Pty) Ltd - income after tax	–	7 479
Seaflower Large Pelagic Processing (Pty) Ltd - income after tax	–	1 608 813

REPORT OF **THE DIRECTORS** (continued)

for the year ended 30 September 2016

REVIEW OF OPERATIONS (continued)

There was no change in the principal activities of the group.

Seaflower Whitefish Corporation Limited ("SWC")

Revenue from fish and fish product sales increased from N$ 94 million in 2015 to N$ 114 million at the end of September 2016. This was mainly caused by the increase in quota landed from 5 249 metric ton in 2015 to 5 524 metric ton for this period as a direct result of vessels being available either own or chartered, for the majority of the period. The average exchange rate to the Euro increased from 15.1382 in 2015 to 16.3188 in 2016, and the overall Euro market prices were relatively stable while the local price per kg increased due to more value adding.

The company received 6 942 metric ton (2015: 11 183 metric ton) of wetfish quota and 5 282 metric ton of freezer quota. 3 074 metric ton freezer quota was utilised by the subsidiary Seacope Freezer Fishing (Pty) Ltd, in which the company owns 51%. Improved results were caused by the increase in quota landed from 5 249 metric ton in 2015 to 5 524 metric ton for this year as a direct result of vessels being available either own or chartered, for a majority of the year.

	Year ended 30/09/2016 N$	Period ended 30/09/2015 N$
OPERATING RESULTS		
Net income after taxation	37 908 152	41 736 629
Depreciation on revaluation	2 914 723	2 914 723
Net operating income	40 822 875	44 651 352

Seaflower Lobster Corporation Limited

The company recorded a net loss after taxation of N$ 132 020. In the previous period the company recorded a net income after taxation of N$ 432 744.

The company outsourced their catching operations again in this year to "local shippers", but processed all rock lobster themselves, although sales are not accounted for by the company, favourable sales proceeds were achieved. Less lobster was processed in comparison to the prior period (180 metric ton vs 251 metric ton in the prior period) with an improvement in the prices; better results were achieved by the industry.

REPORT OF **THE DIRECTORS** (continued)

for the year ended 30 September 2016

REVIEW OF OPERATIONS (continued)

	Year ended 30/09/2016 N$	Period ended 30/09/2015 N$
OPERATING RESULTS		
Net (loss)/income after taxation	(132 020)	432 744
Depreciation on revaluation	561 804	1 182 764
Net operating income	429 784	1 615 508

Seacope Freezer Fishing (Pty) Ltd

Revenue from the sale of fish and fish products, decreased from N$ 94 million to N$ 86 million. This was mainly caused by the fact that the prior period had a 17 month fishing season. A Stronger Euro in 2016 compared to 2015, also added to the increased revenue. The average exchange rate to the Euro and price of fish products was favourable throughout the current year.

Net operating profit decreased from N$ 8,17 million in 2015 to N$ 7,3 million in 2016. This is mainly caused by increased costs in fuel and lubricants, as well as a significantly higher charter fees paid in 2016 compared to 2015.

Share capital

There was no change in the issued and authorized share capital of the company during the year.

Going concern

The going concern principle is continuously addressed by the directors of the holding and subsidiary companies through further implementation of cost reduction measures and increase in productivity and profitability of operations.

Unfortunate events beyond the control of the Board, market prices, poor environmental condition for the fishing industry, and most importantly the increasing pressure on the group's cash flows, are monitored closely by the Board.

REPORT OF **THE DIRECTORS** (continued)

for the year ended 30 September 2016

REVIEW OF OPERATIONS (continued)

Subsidiaries and associated companies

Below is a list of all subsidiaries and associated companies:

	2016 % Shares	2015 % Shares
Subsidiaries		
Seaflower Whitefish Corporation Limited (Consolidated)	78%	78%
Seaflower Lobster Corporation Limited (Consolidated)	100%	100%
Seaflower Large Pelagic Processing (Proprietary) Limited (Consolidated)	–	100%
Seaflower Monk Fishing and Processing (Proprietary) Limited (Consolidated)	–	100%
Seaflower Tuna Fishing and Processing (Proprietary) Limited (Consolidated)	–	100%
Seaflower Lobster Processing (Proprietary) Limited (Not consolidated)	100%	100%
Namibia Rock Lobster Packers (Proprietary) Limited (Not consolidated)	66.67%	66.67%
Subsidiary / Prior year associated company		
Seacope Freezer Fishing (Proprietary) Limited (Consolidated in the current period.)	51%	51%

Subsequent events

There are no significant events or circumstances, which materially effect the financial position of the company and group, which have arisen between the balance sheet date and the date of this report.

CONSOLIDATED STATEMENT OF ANNUAL FINANCIAL POSITION

at 30 September 2016

	Note	2016 N$	2015 N$
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	2	204 181 774	114 662 619
Interest in subsidiary and joint venture companies	3	1 200	1 200
Deferred taxation	5	3 699 867	23 994 821
		207 882 841	**138 658 640**
CURRENT ASSETS			
Taxation pre-paid		2 715 029	2 908 752
Money market and listed investments	6	121 642	26 531 049
Inventory	7	30 754 564	13 873 404
Trade and other receivables	8	171 727 795	168 906 216
Bank and cash balances		56 807 392	5 001 261
Related companies' accounts	4	1 626 073	1 876 685
		263 752 495	**219 097 367**
TOTAL ASSETS		**471 635 336**	**357 756 007**
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Issued share capital	9	42 260 928	42 260 928
Non-distributable reserve		20 952 339	12 689 550
Accumulated loss		(10 314 554)	(44 689 428)
		52 898 713	**10 261 050**
Non-controlling shareholders' interest		**52 481 270**	**43 877 584**
NON CURRENT LIABILITIES			
Deferred taxation	5	4 208 856	3 796 999
Interest bearing liabilities	10	40 893 938	40 853 854
Non-interest bearing liabilities	10	2 955 832	7 955 832
Issued redeemable cumulative preference shares	12	70	80
Redeemable cumulative preference shares premium	12	17 919 930	20 479 920
		65 978 626	**73 086 685**
CURRENT LIABILITIES			
Provision for taxation		3 739 929	3 716 576
Current portion of preference shares and premium	12	7 680 000	5 120 000
Trade and other payables	11	69 413 210	74 284 803
Bank overdraft		4 433 597	17 105 517
Current portion of interest bearing liabilities	10	7 852 702	8 395 588
Related companies' accounts	4	207 157 289	121 908 204
		300 276 727	**230 530 688**
TOTAL EQUITY AND LIABILITIES		**471 635 336**	**357 756 007**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 September 2016

	Note	12 months ended 30/09/2016 N$	17 months ended 30/09/2015 N$
REVENUE	1	209 589 841	249 721 416
Dividend income	13	774 428	907 463
Foreign exchange gain		–	3 410 055
Gain on bargain purchase	21	–	8 411 803
Interest income	13	1 066 023	602 821
Management fees received		11 743	41 631
Previously accrued interest and penalties waived		4 125 083	–
Rent received		810 213	1 565 744
Other income		95 415 471	92 298 496
Profit on sale of property, plant and equipment		1 355 523	–
TOTAL INCOME		**313 148 325**	**356 959 429**
EXPENDITURE			
Auditors remuneration			
- audit services		499 662	462 026
- other services		100 084	127 953
Depreciation		10 644 502	13 430 999
Directors' remuneration			
- for services as director		145 135	193 465
Finance charges	13	7 506 721	6 111 733
Impairment of fishing vessel		–	1 754 354
Loss on sale of property, plant and equipment		–	222 751
Operating rentals		110 605	389 636
Penalties and interest - Receiver of Revenue		3 684 670	4 125 083
Salaries, wages and employee costs		62 005 735	71 602 240
Other costs		167 842 261	200 887 356
		252 539 375	**299 307 596**
INCOME BEFORE TAXATION		60 608 950	57 651 833
TAXATION	14	(19 923 731)	(19 247 749)
INCOME AFTER TAXATION		40 685 219	38 404 084
SHARE OF INCOME FROM ASSOCIATE		–	–
NET INCOME FOR THE YEAR/PERIOD		40 685 219	38 404 084
OTHER COMPREHENSIVE INCOME		–	–
TOTAL COMPREHENSIVE INCOME		**40 685 219**	**38 404 084**
ATTRIBUTED TO:			
• Equity holders of parent		29 556 063	27 949 027
• Non-controlling interest		11 129 156	10 455 057
		40 685 219	**38 404 084**

CONSOLIDATED CHANGE OF EQUITY STATEMENT

for the year ended 30 September 2016

EQUITY ATTRIBUTABLE TO EQUITY HOLDERS

	Share capital N$	Revaluation reserve N$	Accumulated loss N$	Total N$	Non-controlling interest N$	Total equity N$
Balance at 1 October 2015	42 260 928	12 689 550	(44 689 428)	10 261 050	43 877 584	54 138 634
Net income for the year	–	–	29 556 063	29 556 063	11 129 156	40 685 219
Depreciation on revaluation transferred to equity	–	(561 804)	561 804	–	–	–
Deferred tax on depreciation on revaluation transferred to equity	–	1 529 911	–	1 529 911	244 579	1 774 490
Non-controlling interest portion of dividends paid	–	–	–	–	(4 900 000)	(4 900 000)
Gain on re-measurement of property, plant and equipment	–	11 551 689	–	11 551 689	2 129 951	13 681 640
Realisation on disposal of assets	–	(4 257 007)	4 257 007	–	–	–
Balance at 30 September 2016	**42 260 928**	**20 952 339**	**(10 314 554)**	**52 898 713**	**52 481 270**	**105 379 983**

CONSOLIDATED CHANGE OF EQUITY STATEMENT (continued)

for the year ended 30 September 2016

EQUITY ATTRIBUTABLE TO EQUITY HOLDERS (continued)

	Share capital N$	Revaluation reserve N$	Accumulated loss N$	Total N$	Non-controlling interest N$	Total equity N$
Balance at 1 May 2014	42 260 928	16 212 462	(77 304 932)	(18 831 542)	(4 973 479)	(23 805 021)
Net income/(loss) for the period	–	–	27 949 027	27 949 027	10 455 057	38 404 084
Depreciation on revaluation transferred to equity	–	(4 666 477)	4 666 477	–	–	–
Non-controlling interest of subsidiary acquired	–	–	–	–	43 084 397	43 084 397
Non-controlling interest portion of dividends paid	–	–	–	–	(4 900 000)	(4 900 000)
Deferred tax on depreciation on revaluation transferred to equity	–	1 143 565	–	1 140 562	211 609	1 355 174
Balance at 30 September 2015	**42 260 928**	**12 689 550**	**(44 689 428)**	**10 261 050**	**43 877 584**	**54 138 634**

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 September 2016

	Note	Year ended 30/09/2016 N$	Period ended 30/09/2015 N$
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from customers		344 998 659	108 483 225
Cash payments to suppliers and employees		(208 509 095)	(47 683 322)
Cash generated from operations	15	136 489 564	60 799 903
Dividends paid		(4 900 000)	(4 900 000)
Taxation paid		(10 678 294)	(3 954 313)
Interest and dividends received		1 840 451	1 510 284
Interest paid		(7 506 721)	(6 111 733)
Net cash inflow from operating activities		**115 245 000**	**47 344 141**
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of subsidiary net of cost acquired		–	6 874 118
Proceeds on sale of property, plant and equipment		26 050 009	799 200
Money Market Investments disposed		26 409 407	(26 407 233)
Property, plant and equipment acquired		(97 723 563)	(22 855 404)
Net cash outflow from investing activities		**(45 264 147)**	**(41 589 319)**
CASH FLOW FROM FINANCING ACTIVITIES			
Long term loans movement		(5 502 802)	(5 862 491)
Net cash outflow from financing activities		(5 502 802)	(5 862 491)
NET GENERATION/(UTILISATION) OF CASH AND CASH EQUIVALENTS		64 478 051	(107 669)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR/PERIOD		**(12 104 256)**	**(11 996 587)**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR/PERIOD		**52 373 795**	**(12 104 256)**

COMPANY STATEMENT OF ANNUAL FINANCIAL POSITION

at 30 September 2016

	Note	2016 N$	2015 N$
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	2	50 000	100 001
Interest in subsidiaries	3	48 891 629	48 891 829
Deferred taxation	5	752 728	273 475
		49 694 357	**49 265 305**
CURRENT ASSETS			
Money market investments	6	–	26 414 678
Trade and other receivables	8	4 869 553	320 833
Taxation paid		515 018	–
Cash and cash equivalents		220 425	3 644 766
		5 604 996	**30 380 277**
TOTAL ASSETS		**55 299 353**	**79 645 582**
EQUITY AND LIABILITIES			
CAPITAL RESERVES			
Issued share capital	9	42 260 928	42 260 928
Accumulated loss		(17 862 175)	(20 910 538)
Shareholder's interest		24 398 753	21 350 390
NON-CURRENT LIABILITY			
Long term loans	10	2 955 832	7 955 832
CURRENT LIABILITIES			
Subsidiary accounts	3	21 527 775	43 633 252
Trade and other payables	11	6 416 993	6 706 108
		27 944 768	**50 339 360**
TOTAL EQUITY AND LIABILITIES		**55 299 353**	**79 645 582**

COMPANY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 September 2016

	Note	12 months ended 30/09/2016 N$	17 months ended 30/09/2015 N$
REVENUE	1		
Quota utilisation fee earned		103 956	57 511
Previously accrued interest and penalties waived		4 125 083	–
Dividend and interest income		767 596	900 204
Net impairment loss reversal		–	1 731 036
Foreign exchange gains		–	203 539
Profit on sale of fixed asset		30 000	–
TOTAL INCOME		**5 026 635**	**2 892 290**
EXPENDITURE			
Auditors remuneration			
- for audit		69 000	64 000
- for other services		45 560	126 348
Depreciation		50 000	50 000
Directors' remuneration			
- for services as directors		43 875	56 429
Employment costs		462 746	307 127
Interest paid		6 313	8 455
Legal fees		90 364	–
Net impairment of related party debtor		–	1 169
Other operating expenses		920 542	446 055
Penalties and interest - Receiver of Revenue		769 125	4 125 083
		2 457 525	5 184 666
NET INCOME/(LOSS) BEFORE TAX		2 569 110	(2 292 376)
TAXATION	14	479 253	255 266
NET INCOME/(LOSS) AFTER TAX		3 048 363	(2 037 110)
OTHER COMPREHENSIVE INCOME		–	–
TOTAL COMPREHENSIVE INCOME/(LOSS)		3 048 363	(2 037 110)
ACCUMULATED LOSS AT THE BEGINNING OF THE YEAR/PERIOD		(20 910 538)	(18 873 428)
ACCUMULATED LOSS AT THE END OF THE YEAR/PERIOD		**(17 862 175)**	**(20 910 538)**

COMPANY STATEMENT OF CASH FLOWS

for the year ended 30 September 2016

	Note	Year ended 30/09/2016 N$	Period ended 30/09/2015 N$
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from customers		139 050	4 811 269
Financing received from suppliers/cash payments to suppliers and employees		(3 119 057)	(4 678 956)
Cash (utilised)/generated by operations	15	(2 980 007)	132 313
Unit Trust income		767 596	900 204
Taxation paid		(515 017)	–
Interest paid		(6 313)	(8 455)
Net cash (outflow)/inflow from operating activities		**(2 733 741)**	**1 024 062**
CASH FLOW FROM INVESTING ACTIVITIES			
Movement in investments		26 414 678	(26 400 204)
Movement on subsidiaries' accounts		(22 105 278)	29 039 946
Net cash inflow from investing activities		**4 309 400**	**2 639 742**
CASH FLOW FROM FINANCING ACTIVITIES			
Decrease in long term loans		(5 000 000)	(35 100)
Net cash outflow from financing activities		(5 000 000)	(35 100)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(3 424 341)	3 628 704
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR/PERIOD		**3 644 766**	**16 062**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR/PERIOD		**220 425**	**3 644 766**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 September 2016

1. ACCOUNTING POLICIES

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), using the historical cost convention as modified by the revaluation of financial assets and liabilities at fair value through the profit and loss and conform to IFRS.

The preparation of the annual financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period based on management's best knowledge of current events and actions. Actual results may ultimately differ from these estimates.

Statement of compliance

The financial statements are prepared in compliance with International Financial Reporting Standards (IFRS) and Interpretations of those standards, as adopted by the International Accounting Standards Board (IASB) and the requirements of the Companies Act of Namibia.

At the date of authorisation of these financial statements, the following Standard and Interpretations were issued but not yet effective:

Revised International Accounting Standards		Effective date
IFRS 9	Financial Instruments	Annual periods beginning on or after 01/01/2018
IFRS 14	Regulatory Deferral Accounts	Annual periods beginning on or after 01/01/2016
IFRS 15	Revenue from contracts with customers	Annual periods beginning on or after 01/01/2018
Amended IFRS 11	Accounting for acquisitions of interests in Joint Operations	Annual periods beginning on or after 01/01/2016
Amended IAS 1	Disclosure Initiative	Annual periods beginning on or after 01/01/2016
Amended IAS 16 & 38	Clarification of acceptable methods of depreciation and amortisation	Annual periods beginning on or after 01/01/2016
Amended IAS 27	Equity Method in separate financial statements	Annual periods beginning on or after 01/01/2016
Amended IFRS 10 & IAS 28	Sale of Contribution of Assets between an investor and its Associate or Joint Venture	Annual periods beginning on or after 01/01/2016
Amended IFRS 10 & 12 and IAS 28	Investment entities: Applying the consolidation exception	Annual periods beginning on or after 01/01/2016

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2016

1. ACCOUNTING POLICIES (continued)

The International Financial Reporting Standards applied are those issued by the International Accounting Standards Boards as at 30 September 2016, including the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as applicable to the company.

The following are the principal accounting policies of the company which are consistent with those applied in prior years:

Property, plant and equipment

The company and group carries property plant and equipment at revalued cost less depreciation and impairment, except land which is carried at revalued cost less impairment.

Any revaluation increase arising on revaluation is credited to equity to the non-distributable reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit and loss, in which case the increase is credited to profit and loss to the extent of the decrease previously charged.

A decrease in the carrying amount arising on revaluation is charged to profit and loss to the extent that it exceeds the balance, if any, held in the non-distributable reserve relating to a previous revaluation of that asset.

Properties in the course of construction for production, rental or administrative purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Property plant and equipment are depreciated on a straight line basis at rates calculated to reduce the book value of the assets to estimated residual values over their expected useful lives.

The depreciation rates used are shown in note 2.

The assets depreciation rates and residual values are reviewed and adjusted if appropriate at each balance sheet date. Repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is calculated on an average direct cost production basis. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. Where necessary, provision is made for obsolete, slow-moving and defective inventory.

Financial instruments

Financial instruments recognised on the balance sheet include cash and cash equivalents, investments, trade receivables, trade payables and borrowings.

Trade receivables

Trade receivables are carried at original invoice amount less provision made for impairment of these receivables. Such provision for impairment of trade receivables is established if there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2016

Cash and cash equivalents

For the purposes of the cash flow statement cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the balance sheet, bank overdrafts are separately disclosed in current liabilities.

Investments

Investments are recognised initially at cost plus transaction costs and subsequent payments.

Investments are classified as either: held-to-maturity or available-for-sale. The classification is dependent on the purpose for which the investments were acquired.

Investments with fixed maturity that management has the intent and ability to hold to maturity are classified as held-to-maturity, and are included in non-current assets, except for those maturing within 12 months of the balance sheet date when they are classified as current assets. The company held for maturity investments at amortised cost using the effective interest method less any impairment.

Available-for-sale investments are intended to be held for an indefinite period of time but which may be sold in response to changes in liquidity or market conditions. The company recognises gains or losses arising from changes in the fair value of available-for-sale investments in equity. When the investment is disposed of any accumulated fair value adjustments in equity are transferred to the income statement. The company recognises interest income in the income statement.

Investments in associates

An associate is an entity over which the company has significant influence that is neither a subsidiary nor an interest in a joint venture. 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.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting except where the investment is held for sale in which case it is accounted for in accordance with IFRS5. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the company's share of the net assets of the associate, less any impairment in the value of individual investments.

Trade payables

Trade payables are carried at the fair value of the consideration to be paid in future for goods or services that have been received or supplied and invoiced or formally agreed with the supplier.

Finance leases (lessee)

The company and group classify leases as finance leases where it assumes substantially all the benefits and risks of ownership.

Finance leases are capitalised as assets at the fair value of the leased assets at inception of the lease, or if lower, at the estimated present value of underlying lease payments. The company allocates each lease payment between the liability and finance charges to achieve a constant rate on the finance balance outstanding. The interest component of the finance charge is charged to the income statement over the lease period.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2016

1. ACCOUNTING POLICIES (continued)

Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds it recoverable amount, which is the higher of an asset's net selling price and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and enterprises controlled by the company (its subsidiaries) up to 30 April each year. Control is achieved where the company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

On acquisition, the assets and liabilities of the relevant subsidiaries are measured at their fair values at the date of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair value of the assets and liabilities recognised.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intercompany transactions and balances between group enterprises are eliminated on consolidation.

Goodwill

Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of acquisition over the company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2016

Goodwill (continued)

For the purpose of impairment testing, goodwill is allocated to each of the company's cash-generating units expected to benefit from the synergies of the combination. Cash-generated units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Internally generated goodwill is not recognised by the group.

Provisions

Provisions are recognised when:

- the company has a present legal or constructive obligation as a result of past events and
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and
- a reliable estimate of the amount of the obligation can be made.

Related parties

All related party transactions are incurred in the ordinary course of business and at terms not more favourable than transactions with third parties.

Revenue recognition

Revenue comprises the proceeds from the sale of fish products mainly in the form of processed fish and rock lobsters exported net of discounts and Value Added Tax.

Revenue is recognised to the extent that it is probable that the economic benefits will flow and the amount of revenue can be reliably measured.

Interest income is recognised on a time proportion basis, taking into account the principal outstanding and the effective rate over the period to maturity.

The company recognises other income when the company's right to receive payment is established.

Leases (lessor)

Assets leased out under operating leases are included in investment property in the balance sheet. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

Interest expense

The company and group recognise interest and expenses in the income statement for all instruments measured at amortised cost using the effective interest method.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2016

1. ACCOUNTING POLICIES (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which these are incurred.

Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in the income statement.

Operating leases (lessee)

The company and group classify leases of assets where the lessor effectively retains the risks and benefits of ownership as operating leases. It charges operating lease payments to the income statement on a straight line basis over the period of the lease.

Employee benefits

The group recognises in full employees' right to annual leave entitlement in respect of past service.
Staff bonuses are accounted for in the period to which they relate.

The group operates a defined contribution plan. The group pays contributions to a privately administered pension insurance plan and has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due.

Taxation

The tax expense represents the sum of the income tax currently payable and deferred tax. The charge for current tax is based on the results for the year as adjusted for items which are non taxable or disallowed.

Deferred income tax assets and liabilities are determined, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used in the determination of deferred income tax.

Deferred income tax assets are recognised to the extent that it is likely that future taxable profits will be available in the near future, against which the temporary differences can be utilised.

Dividends payable

Dividends payable are recorded in the financial statements in the period in which they are approved by the shareholders.

Comparative figures

Where necessary comparative figures have been adjusted to conform with changes in the presentation in the current year.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2016

2. PROPERTY, PLANT AND EQUIPMENT

	Land & buildings N$	Fishing vessels N$	Plant & machinery N$	Motor vehicles N$	Computer equipment N$	Office furniture N$	Office machines N$	Total N$
Group								
Year ended 30/09/2016								
Opening carrying amount	62 316 883	25 585 028	23 304 935	1 954 935	1 226 930	273 473	435	114 662 619
Additions	693 840	75 845 262	18 119 606	1 881 275	492 016	444 239	247 325	97 723 563
Disposals	(4 094 215)	(12 226 307)	(724 318)	(265 186)	(232)	–	–	(17 310 258)
Revaluation	6 668 048	8 326 679	4 755 625	–	–	–	–	19 750 352
Depreciation	(2 176 902)	(2 084 284)	(5 167 608)	(614 377)	(543 564)	(49 003)	(8 764)	(10 644 502)
Closing carrying amount	**63 407 654**	**95 446 378**	**40 288 240**	**2 956 647**	**1 175 150**	**668 709**	**238 996**	**204 181 774**
As at 30/09/2016								
At revalued cost	72 505 378	100 120 392	66 576 192	4 778 439	4 262 154	1 343 616	639 657	250 225 828
Accumulated depreciation and impairment loss	(9 097 724)	(4 674 014)	(26 287 952)	(1 821 792)	(3 087 004)	(674 907)	(400 661)	(46 044 054)
Carrying amount	**63 407 654**	**95 446 378**	**40 288 240**	**2 956 647**	**1 175 150**	**668 709**	**238 996**	**204 181 774**
Depreciation rate	4%	16,7%/4%	20%	25%	33,3%	20%	20%	

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2016

2. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land & buildings N$	Fishing vessels N$	Plant & machinery N$	Motor vehicles N$	Computer equipment N$	Office furniture N$	Office machines N$	Residential furniture N$	Total N$
Group									
Period ended 30/09/2015									
Opening carrying amount	64 905 293	11 714 685	30 200 270	1 061 630	61 704	10 108	64 951	–	108 018 641
Additions	1 495 875	16 658 466	1 111 249	1 655 257	1 644 880	289 677	–	–	22 855 404
Disposals	(660 676)	(150 000)	(158 824)	(56 572)	–	–	–	–	(1 026 072)
Impairment loss	–	(934 167)	(820 188)	–	–	–	–	–	(1 754 355)
Depreciation	(3 423 609)	(1 703 956)	(7 027 572)	(705 380)	(479 654)	(26 312)	(64 516)	–	(13 430 999)
Closing carrying amount	**62 316 883**	**25 585 028**	**23 304 935**	**1 954 935**	**1 226 930**	**273 473**	**435**	**–**	**114 662 619**
As at 30/09/2015									
At revalued cost	79 133 232	41 768 056	61 292 691	2 655 043	3 755 538	899 377	429 333	411 309	190 344 579
Accumulated depreciation and impairment loss	(16 816 349)	(16 183 028)	(37 987 756)	(700 108)	(2 528 608)	(625 904)	(428 898)	(411 309)	(75 681 960)
Carrying amount	**62 316 883**	**25 585 028**	**23 304 935**	**1 954 935**	**1 226 930**	**273 473**	**435**	**–**	**114 662 619**
Depreciation rate	4%	16,7%/4%	20%	25%	33,3%	20%	20%	20%	

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2016

2. PROPERTY, PLANT AND EQUIPMENT (continued)

The following property, plant and equipment has been hypothecated in favour of First National Bank of Namibia Limited in the form of continuing covering mortgage bonds as security for the bank overdraft and loan facilities of the group:

- First Marine Bond over vessel "MFV Rex" and vessel equipment of N$ 15 million with a book value of N$ 19 049 040.
- First Continuing Covering Mortgage Bond for N$ 22 000 000 over remainder of Portion J of Lüderitz Town and Townlands No 11 with a book value of N$ 48 289 702.
- First Continuing Covering Mortgage Bond for N$ 3 million over erf 245, 246, 247 and 875 Lüderitz with a book value of N$ 1 889 210.
- First Continuing Covering Mortgage Bond for N$ 21,7 million over various properties of Seaflower Lobster Corporation Limited with a book value of N$ 12 million.
- Second Marine Bond over vessel "MFV Rex" of N$ 10 million in favour of Seacope Freezer Fishing (Pty) Ltd.

A register containing details of land and buildings is available for inspection at the company's registered office. Land and buildings, fishing vessels and plant and equipment of Seaflower Lobster Corporation Limited and Seaflower Whitefish Corporation Limited were revalued during the current financial year.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2016

2. PROPERTY, PLANT AND EQUIPMENT (continued)

	Fishing vessel N$	Motor vehicle N$	Computer equipment N$	Office machines N$	Furniture & fittings N$	Total N$
Company						
For the year ended 30 September 2016						
Opening carrying amount	100 000	1	–	–	–	100 001
Disposal	–	(1)	–	–	–	(1)
Depreciation for the year	(50 000)	–	–	–	–	(50 000)
Carrying amount	50 000	–	–	–	–	50 000
As at 30 September 2016						
At cost	1 000 000	–	6 629	11 395	106 312	1 124 336
Accumulated depreciation	(950 000)	–	(6 629)	(11 395)	(106 312)	(1 074 336)
Net carrying amount	50 000	–	–	–	–	50 000
For the period ended 30 September 2015						
Opening carrying amount	150 000	1	–	–	–	150 001
Depreciation for the year	(50 000)	–	–	–	–	(50 000)
Carrying amount	100 000	1	–	–	–	100 001
As at 30 September 2015						
At cost	1 000 000	115 386	6 629	11 395	106 312	1 239 722
Accumulated depreciation	(900 000)	(115 385)	(6 629)	(11 395)	(106 312)	(1 139 721)
Net carrying amount	100 000	1	–	–	–	100 001

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2016

3. INTEREST IN SUBSIDIARIES AND JOINT VENTURE COMPANIES

Group

Subsidiaries not consolidated	% holding %	2016 N$	2015 N$
Namibia Rock Lobster Packers (Pty) Ltd - shares at cost	66,67	1 200	1 200
Seaflower Lobster Processing (Pty) Ltd - shares at cost	100	–	–

The directors estimate that the investments are stated at fair value.

Due to the disproportional distribution of income, in the opinion of the directors, Namibia Rock Lobster Packers (Proprietary) Limited, a subsidiary of a wholly owned subsidiary is not consolidated. The company acts as a rock lobster export agent, who distributes all income to its shareholders and the other rock lobster quota holders in proportion to the production marketed for them.

	2016 N$	2015 N$
Company		
Shares at cost less impairment:		
Seaflower Large Pelagic Processing (Pty) Ltd	–	100
Seaflower Monk Fishing and Processing (Pty) Ltd	–	100
Seaflower Whitefish Corporation Limited	80 815 346	80 815 346
Seaflower Lobster Corporation Limited	8 899 829	8 899 829
	89 715 175	**89 715 375**
Less: Provision for diminution in value	40 823 546	40 823 546
	48 891 629	**48 891 829**
Loans (from)/to subsidiaries:		
Seaflower Large Pelagic Processing (Pty) Ltd	–	(100)
Seaflower Monk Fishing and Processing (Pty) Ltd	–	(100)
Seaflower Lobster Corporation Limited	(914 127)	(916 684)
Seaflower Whitefish Corporation Limited	(20 613 648)	(42 716 368)
	(21 527 775)	(43 633 252)
Loans from subsidiaries	(21 527 775)	(43 633 252)
Loans to subsidiaries	–	–
	(21 527 775)	**(43 633 252)**

The company holds 39 000 000 (2015: 39 000 000) shares out of 50 000 000 issued shares in Seaflower Whitefish Corporation Limited, representing 78% (2015: 78%) interest and the entire 60 000 shares issued in Seaflower Lobster Corporation Limited, representing 100% interest.

The advances from Seaflower Whitefish Corporation Limited and Seaflower Lobster Corporation Limited are unsecured, currently interest-free with no fixed terms of repayment.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2016

4. AMOUNTS OWING BY/(TO) RELATED COMPANIES

	Year ended 30/09/2016 N$	Period ended 30/09/2015 N$
Group		
Owing by related companies:		
- Namibia Rock Lobster Packers (Pty) Ltd	1 626 073	1 876 685
Owing to related companies:		
- Copemar SA	(207 157 289)	(121 908 204)

All accounts are interest free and of short term nature.

5. DEFERRED TAXATION

	2016 N$	2015 N$
Group		
The deferred taxation balance arises from:		
Accelerated tax allowance in respect of:		
- property, plant and equipment	34 359 962	22 149 596
Consumables	–	51 637
Assessable taxation loss	(33 850 973)	(42 399 055)
	508 989	**(20 197 822)**
Deferred tax reconciliation:		
- opening balance	(20 197 822)	(34 373 224)
- net originating timing difference	20 706 811	14 175 402
	508 989	**(20 197 822)**
The deferred tax balance is split between assets and liabilities, as there is no legal right of set-off deferred tax assets and liabilities across subsidiaries. The split is accordingly:		
Deferred tax asset	(3 699 867)	(23 994 821)
Deferred tax liability	4 208 856	3 796 999
	508 989	**(20 197 822)**
Company		
The deferred taxation balance comprises:		
Accelerated tax allowances in respect of:		
Property, plant and equipment	16 000	33 000
Assessable losses	(768 728)	(306 475)
	(752 728)	**(273 475)**
Deferred tax reconciliation:		
Opening balance	(273 475	(18 209)
(Reversing)/originating timing difference	(479 253)	(255 266)
	(752 728)	**(273 475)**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2016

	2016 N$	2015 N$
6. INVESTMENTS		
Group		
Money market investments:		
Bank Windhoek Corporate Funds	102 731	26 510 577
Listed shares:		
Old Mutual shares at market value	18 911	20 472
Total short term investments	121 642	26 531 049
Company		
Money market investment:		
Bank Windhoek Corporate Fund	–	26 414 678
7. INVENTORY		
Group		
Processed fish, lobster and marine products	18 341 913	7 409 391
Packing material	5 019 651	2 580 790
Spares and consumables	7 393 000	3 883 223
	30 754 564	**13 873 404**
8. TRADE AND OTHER RECEIVABLES		
Group		
Trade debtors	159 297 686	169 021 205
Allowance for doubtful debts	(1 902 782)	(2 179 082)
Prepayments and claims	1 140 653	593 309
VAT recoverable	13 127 517	1 388 284
Staff debtors	64 721	82 500
	171 727 795	**168 906 216**

The foreign related party debtor, Copemar SA, amounts to Euro 8 850 605 converted to Namibian Doller at year end amounting to N$ 153 281 437. This debtor is intended to be settled by setting off the related companies account being disclosed in Note 4 once permission to set off is obtained from the Bank of Namibia and a reduction in share capital of the subsidiary Seacope Freezer Fishing (Pty) Ltd.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2016

	2016 N$	2015 N$
8. TRADE AND OTHER RECEIVABLES (continued)		
An allowance has been made for estimated irrecoverable amounts of:	1 902 782	2 179 082
This allowance has been determined by reference to past default experience.		
At year-end, the following trade debtors have balances exceeding 5% of the total trade receivables:		
Customer A	701 855	95 335
Customer B	156 199	192 205
Customer C	797 864	–
Customer D	–	2 249
Customer E	56 350	114 169
Customer F	2 355 027	2 498 867
Customer G	805 231	770 697
Customer H	153 281 437	160 715 921
Company		
VAT receivable	4 762 535	89 718
Trade debtors	107 018	231 115
	4 869 553	**320 833**

The directors consider that the carrying amount of the group and company's other financial assets approximate their fair value.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2016

	2016 N$	2015 N$
9. SHARE CAPITAL		
Group and Company		
Authorised:		
51 000 000 ordinary class A shares at N$ 1 each	51 000 000	51 000 000
200 000 000 ordinary class B shares at N$ 1 each	200 000 000	200 000 000
19 600 000 ordinary class C shares at N$ 1 each	19 600 000	19 600 000
14 700 000 ordinary class D shares at N$ 1 each	14 700 000	14 700 000
14 700 000 ordinary class E shares at N$ 1 each	14 700 000	14 700 000
	300 000 000	**300 000 000**
Issued:		
42 260 928 ordinary class A shares at N$ 1 each	42 260 928	42 260 928
The unissued shares are under the control of the shareholder.		
10. INTEREST BEARING LONG TERM LIABILITIES		
Group		
a) NDF loan at historical value	8 379 326	8 379 326
Interest capitalised	2 969 072	2 717 692
A soft loan has been granted to the Government of the Republic of Namibia by the Nordic Development Fund to on-lend to a subsidiary company. Capital is repayable after 10 years from June 2005 in 60 bi-annual instalments of N$ 83 793 for 10 years and N$ 167 586 for 20 years. Interest is payable bi-annually at 3%.		
Less: Repayable within 12 months transferred to current liabilities	(5 482 862)	(4 896 310)
	5 865 536	**6 200 708**
Net present value of NDF loan amortised at prime interest rate less 3%.	8 787 788	8 366 417

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2016

	2016 N$	2015 N$
10. INTEREST BEARING LONG TERM LIABILITIES (continued)		
Superpackers loan	3 780 000	3 780 000
Interest capitalised	2 669 871	–
	6 449 871	**3 780 000**

The acquisition of fish processing machinery was financed directly with the supplier. The loan is considered to be of a long term nature. The loan bears interest at prime related rates less 1%. Interest capitalised in current year is for the period 8 March 2011 to 30 September 2016. Previously management represented that the loan did not incur interest.

Group

First National Bank of Namibia Ltd term loan:	–	1 110 681
This loan carried interest at prime interest rate, was repayable in monthly instalments of N$ 226 910 and was secured by the property and fishing vessels as stated in note 2, a cession of debtors as well as surety granted by the parent, fellow subsidiaries and related companies.		
Less: Repayable within 12 months	–	(1 110 681)
	–	–
Development Bank of Namibia long-term loan: This loan bears interest at prime rate less 2,75% per annum. The loan is secured by an unlimited suretyship granted by the holding company, National Fishing Corporation of Namibia Limited, backed by a N$ 38 500 000 suretyship by the Government of the Republic of Namibia. Monthly instalments amounts to N$ 432 468.	30 948 371	33 261 743
Less: Repayable within 12 months	(2 369 840)	(2 388 597)
	28 578 531	30 873 146

Group and Company

Interest-free long term loans	2 955 832	7 955 832

The Governors Trust has agreed to convert a usage fee creditor balance, owed to them by the company, to a long term loan. This loan carries no interest and is not secured. Loan repayments, as agreed upon by all parties involved, will only be made when the group cash flow allows it.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2016

	2016 N$	2015 N$
10. INTEREST BEARING LONG TERM LIABILITIES (continued)		
Company		
Total long term liabilities - company	2 955 832	7 955 832
Total short term portion - company	–	–
Group		
Total long term liabilities - group	40 893 938	40 853 854
Total short term portion - group	7 852 702	8 395 588
11. TRADE AND OTHER PAYABLES		
Accounts payable comprise amounts outstanding for trade payables and ongoing costs and its historical values estimate the fair value:		
Group		
Accrued penalties and interest - Receiver of Revenue	–	4 125 083
Trade creditors	6 897 196	11 195 533
Salary accruals	5 884 306	3 991 314
Other accruals	7 351 004	3 009 270
VAT payable	–	1 174 156
Accrued fund, quota and bycatch levies	49 280 704	50 789 447
	69 413 210	**74 284 803**
Company		
Third party accruals	3 778 693	–
Accrued penalties and interest - Receiver of Revenue	–	4 125 083
Accrued fund, quota and bycatch levies	1 762 412	1 846 842
Other accruals	875 888	734 183
	6 416 993	**6 706 108**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2016

	2016 N$	2015 N$
12. REDEEMABLE CUMULATIVE PREFERENCE SHARES		
Authorised:		
200 shares at N$ 1.00 each	200	200
Issued:		
100 shares at N$ 1.00 each	100	100
Share premium	25 599 900	25 599 900
Long term portion	17 920 000	20 480 000
Repayable within one year	7 680 000	5 120 000
	25 600 000	**25 600 000**

During the 2010 financial year Seaflower Whitefish Corporation Limited issued 100 redeemable cumulative preference shares with a par value of N$ 1.00 and a premium of N$ 255 999 per share totalling N$ 25 600 000.

These preference shares accumulate dividends calculated on the prime interest rate less the prevailing company tax rate (at 35% after 3 years) on the unredeemed preference share balance plus premium. Accumulated dividends must be paid from the third anniversary of issue of the shares. Although dividends can only be recognised once declared, a contingent dividend is calculated as below in line with the preference share agreement. No accrual has been raised.

Dividend payments remain outstanding as follows:
- for the year ended 30 April 2013: N$ 455 188
- for the year ended 30 April 2014: N$ 2 109 740
- for the period ended 30 September 2015: N$ 1 851 287
- for the year ended 30 September 2016: N$ 152 392

The redemption of the preference shares is determined according to a set schedule with a predetermined number of shares having to be redeemed according to the schedule each year, including share premium. The first redemption should have occurred on 30 November 2012 with 3 shares being redeemed.

A put option is in place for Development Bank of Namibia, whereby National Fishing Corporation of Namibia Limited buy the preference shares in the event of certain conditions occurring, as set out in the preference share agreement.

The preference shares are secured in terms of a government guarantee. The shares form part of non-current liabilities for purposes of consolidation.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2016

	2016 N$	2015 N$
13. FINANCE CHARGES AND INCOME		
Group		
Charges		
Interest on bank overdrafts and loans	7 506 721	6 111 733
Income		
- dividends	774 428	907 463
- interest income	1 066 023	602 821
	1 840 451	**1 510 284**
14. TAXATION		
Group		
Deferred taxation charge	16 183 802	15 531 173
Namibian normal tax	3 739 929	3 716 576
	19 923 731	**19 247 749**
Reconciliation of tax rate:		
Notional tax on net income at 32% (2015: 33%)	19 391 297	19 025 105
Tax effect of:		
- non-deductible expenditure	1 573 087	1 434 785
- depreciation on revaluation	55 037	1 355 174
- non-taxable gain on bargain purchase	–	(2 775 895)
- capital profit on disposal of property	(133 543)	(198 152)
- non-taxable income	(1 682 904)	(300 281)
- change in tax rate	720 757	–
	19 923 731	**19 247 749**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2016

	2016 N$	2015 N$
14. TAXATION (continued)		
Company		
Deferred taxation	(479 253)	(255 266)
Reconciliation of tax rate		
Notional tax on net income/(loss) at 32% (2015: 33%)	822 115	(756 484)
Tax effect of:		
- non-taxable income	(1 565 657)	(868 309)
- non tax deductible expenditure	256 002	1 369 527
- change in tax rate	8 287	–
	(479 253)	(255 266)

No normal tax liability arises as the company has no taxable income. Assessable losses estimated at N$ 2 402 276 (2015: N$ 928 713) are available to be set off against future taxable income.

15. RECONCILIATION OF INCOME BEFORE TAXATION TO CASH GENERATED BY OPERATIONS		
Group		
Net income before taxation	60 608 950	57 651 833
Adjusted for:		
- impairment of fishing vessel	–	1 754 354
- interest and dividend received	(1 840 451)	(1 510 284)
- interest paid	7 506 721	6 111 733
- depreciation	10 644 502	13 430 999
- profit on disposal of property, plant and equipment	(1 355 523)	–
- loss on disposal of property, plant and equipment	–	222 751
Operating cash flow before working capital changes	75 564 199	77 661 386
Increase in accounts receivable	(2 821 579)	(76 158 922)
Increase in inventory	(16 881 160)	(6 867 517)
(Decrease)/increase in accounts payable	(4 871 593)	12 287 095
Related party accounts movement	85 499 697	53 877 861
Cash generated by operations	136 489 564	60 799 903

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2016

	2016 N$	2015 N$
15. RECONCILIATION OF INCOME BEFORE TAXATION TO CASH GENERATED BY OPERATIONS (continued)		
Company		
Net operating income/(loss) before taxation	2 569 110	(2 292 376)
Adjusted for:		
- Unit Trust income	(767 596)	(900 204)
- depreciation and impairment	50 000	50 000
- interest paid	6 313	8 455
Operating income before working capital changes	1 857 827	(3 134 125)
Increase in accounts receivable	(4 548 720)	107 940
Increase in accounts payable	(289 114)	3 158 498
Cash (utilised)/generated by operations	(2 980 007)	132 313

16. RETIREMENT BENEFIT INFORMATION

The group continues to contribute to the Seaflower Namibia Retirement Fund, a defined contribution plan. This fund is registered under and governed by the Pension Fund Act, 1956 as amended. All employees who are eligible are members of the fund.

Full actuarial valuations are performed every three years. The actuarial review as at 31 March 2016 showed that the fund is in a sound financial position.

The group's contributions to the defined contribution plan are charged to the income statement in the year to which they relate.

	Year ended 30/09/2016 N$	Period ended 30/09/2015 N$
Group contributions to the Seaflower Namibia Retirement Fund	1 909 269	2 561 482

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2016

	2016 N$
17. CAPITAL COMMITMENTS	
Group	
Factory production area refurbishment	322 457
Factory quality department upgrade	1 000 000
Factory LEO lighting upgrade	960 000
Factory metal detector installation	307 155
CCTV system installation	388 253
Filleting machine	1 400 000
Trawl doors	700 000
Bins	700 000
Cold store refurbishment and ice plant acquisition	25 570 000

Marine fishing vessel - purchase price is under negotiations.

	Year ended 30/09/2016 N$	Period ended 30/09/2015 N$
18. TRANSACTIONS WITH RELATED PARTIES		
Group		
• Namibia Rock Lobster Packers (Pty) Ltd		
- management fees received	12 000	17 000
• Copemar SA		
- administration fees	775 803	483 112
- revenue	48 988 645	142 040 679
- vessel crewed charter fee paid	29 527 251	37 932 570

During the year the company, in the ordinary course of business, entered into various transactions with related companies stated above. These transactions occurred under terms not less favourable than those arranged with third parties.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2016

19. FINANCIAL RISK MANAGEMENT

19.1 Overview

In the normal course of its operations, the group is exposed to market risk (including price risk and cash flow interest rate risk), liquidity and credit risk. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance. The group manages these risks as follows:

a) Market risk

i) Foreign exchange risk

The group is exposed to foreign exchange risks, as a significant portion of its sales are concluded in the foreign markets. The group has a policy to take out cover on foreign currency transactions only for sale of lobster products to Japan as agreed from time to time by the board of the marketing group. All other foreign currency transactions are immediately recorded on spot rate.

ii) Price risk

Consistent with price movements in the commodity markets, the group experiences daily fluctuations in product prices. The group is thus exposed to major price risks. To mitigate the negative effects of such fluctuations, the group is party to a joint venture group which has been established to obtain the most favourable prices for its products in the overseas market.

The group only uses forward sales on lobster product proceeds to fix the final price of lobster export sales and in other circumstances, only when approved by the board.

Sensitivity analysis

The table below summarises the impact of increases/decreases of the average selling prices of products on the group and company's post-tax profit for the year. The analysis is based on the assumption that selling prices had increased/decreased by 10% with all other variables held constant.

	Effect on income period ended 30/09/2016		Effect on income year ended 30/09/2015	
	10% increase	10% decrease	10% increase	10% decrease
Income after tax - group	14 252 109	(14 252 109)	24 972 142	(24 972 142)
Income after tax - company	–	–	–	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2016

19. FINANCIAL RISK MANAGEMENT (continued)

19.1 Overview (continued)

b) Operational risk

i) Interest rate risk

The group has a call account with First National Bank of Namibia Ltd which earns variable interest rates. The overdrafts, which are held with First National Bank of Namibia Ltd, attract interest at prime-related rates. The related party balances and shareholder's loans currently bear no interest. The interest bearing liabilities from various sources bear interest at prime related rates, except for the NDF loan which bears interest at a fixed rate of 3% per annum.

	More than 12 months N$	Less than 12 months N$	Total interest N$
Group			
As at 30 September 2016			
Non-interest bearing liabilities	2 955 832	–	2 955 832
Interest bearing liabilities	38 244 067	10 522 573	48 746 640
Bank overdrafts	–	4 433 597	4 433 597
Cash and cash equivalents	–	56 807 392	56 807 392
Cumulative redeemable preference shares	1 792 000	7 680 000	25 600 000
Money Market investment	–	(121 642)	(121 642)
Company			
As at 30 September 2016			
Cash and cash equivalents	–	(220 425)	(220 425)
Group			
As at 30 September 2015			
Non-interest bearing liabilities	7 955 832	–	7 955 832
Interest bearing liabilities	41 189 026	8 060 416	49 249 442
Bank overdrafts	–	17 105 517	17 105 517
Cash and cash equivalents	–	(5 001 261)	(5 001 261)
Cumulative redeemable preference shares	21 759 915	3 839 985	–
Money Market investment	–	(26 531 049)	(26 531 049)
Company			
As at 30 September 2015			
Cash and cash equivalents	–	(3 644 766)	(3 644 766)
Money Market investment	–	(26 414 678)	(26 414 678)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2016

19. FINANCIAL RISK MANAGEMENT (continued)

19.1 Overview (continued)

b) Operational risk (continued)

i) Interest rate risk (continued)

The group and the company's trade and other receivables, trade and other payables do not expose them to any significant interest rate risks due to their short term non-interest nature.

The following table below summarises the effective interest rate for monetary financial instruments:

	2016 %	2015 %
Cumulative redeemable preference shares	Prime related	Prime related
Money market investments	Variable	Variable
Interest bearing liabilities	Variable	Variable
Bank overdrafts	Prime related	Prime related
Cash and cash equivalents	Variable	Variable
Related company accounts	0,00	0,00

The details of interest rates applicable to the interest-bearing liabilities are shown in note 12.

ii) Cash flow sensitivity analysis for floating interest rate bearing instruments

A change of 100 basis points in interest rates at the reporting date would have increased or decreased accumulated funds and surplus by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2014.

	Effect on profit for the period ended 30/09/2016		Effect on profit for the year ended 30/09/2015	
	100 bp increase in market	100 bp decrease in market	100 bp increase in market	100 bp decrease in market
Interest bearing liabilities - group	(487 466)	487 466	(492 494)	492 494
Cash and cash equivalents - group	568 074	(568 074)	50 013	(50 013)
Cash and cash equivalents - company	220	(220)	36 448	(36 448)
Money Market investments - group	1 210	(1 216)	265 310	(265 310)
Money Market investments - company	–	–	264 147	(264 147)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2016

19. FINANCIAL RISK MANAGEMENT (continued)

19.1 Overview (continued)

c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the business, the group aims at maintaining flexibility in funding by keeping committed credit lines available.

The table below analysis the group and company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet at the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Group				
As at 30/09/2016				
Long-term liabilities	10 522 573	2 052 113	4 894 474	31 227 480
Trade and other payables	69 413 210	–	–	–
Bank overdrafts	4 433 597	–	–	–
Cumulative redeemable preference shares	7 680 000	1 280 000	7 680 000	8 960 000
Related company accounts	207 157 289	–	–	–
As at 30/09/2015				
Long-term liabilities	8 060 416	2 460 372	5 634 750	41 049 736
Trade and other payables	74 284 803	–	–	–
Bank overdrafts	17 105 517	–	–	–
Cumulative redeemable preference shares	3 840 000	1 280 000	7 680 000	12 800 000
Charter loss to Copemar	6 550 344			
Related company accounts	121 908 204	–	–	–
Company				
As at 30/09/2016				
Long-term liabilities	–	–	–	2 955 832
Trade and other payables	6 416 993	–	–	–
As at 30/09/2015				
Long-term liabilities	–	–	–	7 955 832
Trade and other payables	6 706 108	–	–	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2016

19. FINANCIAL RISK MANAGEMENT (continued)

19.1 Overview (continued)

d) Credit risk

The group has no significant concentrations of credit risk. The group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. The group has policies that limit the amount of credit risk exposure to any one financial institution, and cash transactions are limited to high credit quality financial institutions.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Carrying amount	
	2016 N$	2015 N$
Group		
Trade and other receivables	171 727 795	168 906 216
Cash and cash equivalents	56 807 392	5 001 261
	228 535 187	173 907 477
Company		
Trade and other receivables	4 869 553	320 833
Cash and cash equivalents	220 425	3 644 766
	5 089 978	3 965 599

The group and company's standard credit terms are 30 days after statement, except for fish exports to Seafrio in Spain which are 60 days after bill of lading.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2016

19. FINANCIAL RISK MANAGEMENT (continued)

19.1 Overview (continued)

d) Credit risk (continued)

The ageing of the components of trade receivables at year-end was:

	Gross 2016 N$	Impairment 2016 N$	Gross 2015 N$	Impairment 2015 N$
Group				
Trade debtors				
Not past due	156 221 153	–	166 479 891	–
Past due 0-90 days	467 011	–	–	–
Past due 120 days	2 627 431	(1 902 782)	2 541 314	(1 611 407)
Total	**159 315 595**	**(1 902 782)**	**169 021 205**	**(1 611 407)**

	2016 N$	2016 N$	2015 N$	2015 N$
Company				
Trade debtors				
Not past due	35 130	–	17 909	–
Past due 0-90 days	80	–	–	–
Past due 120 days	71 809	–	71 809	–
Total	**107 019**	**–**	**89 718**	**–**

The above include only bad debts provision relating to trade debtors and not other receivables.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2016

19. FINANCIAL RISK MANAGEMENT (continued)

19.1 Overview (continued)

d) Credit risk (continued)

The movement in the provision for impairment on accounts receivable during the year was as follows:

	2016 N$	2015 N$
Group		
Opening balance	2 179 082	1 699 027
Provisions (reversed)/raised	(276 300)	480 055
Closing balance	1 902 782	2 179 082
Company		
Opening balance	–	–
Provisions reversed	–	–
Closing balance	–	–

Based on past experience, the group believes that no allowance is required in respect of debtors that are past due and outstanding for less than 90 days.

The group has not renegotiated the term of receivables and does not hold any collateral or guarantees as security.

Financial assets

The group limits its exposure to credit risk by investing in high-quality credit worthy counterparties. Given these high credit ratings, the directors do not expect any counterparty to fail to meet its obligations.

Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2016

19. FINANCIAL RISK MANAGEMENT (continued)

19.2 Fair value estimation

In assessing the fair value of financial instruments, the group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices for the specific or similar instruments are used for long-term debt, where applicable.

The nominal value less impairment provision of trade receivables and payables are assumed to approximate their fair values. 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 company for similar financial instruments.

As stated in Note 10, the NDF soft loan is stated at historical value and has not been impaired to fair value.

19.3 Capital risk management

The group's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, repayment of shareholders loans, issue new shares or sell assets to reduce debt.

20. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

21. GAIN ON BARGAIN ACQUISITION OF SUBSIDIARY

Seaflower Whitefish Corporation Limited gained control over Seacope Freezer Fishing (Pty) Ltd by entering into a new shareholders agreement with Copemar SA. As a result negative goodwill arose on consolidation of Seacope Freezer Fishing (Pty) Ltd which has been credited to the income statement.