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Botswana Meat
Commission

09 *annual
report*



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Vision

To be one of the best producers of beef and related products in the world and to have a committed workforce that effectively utilises the Commission's resources by adopting efficient methods of slaughter, processing and marketing by December 2011.

Mission

To procure cattle, slaughter them and manufacture beef products for marketing nationally and internationally in order to maximise financial returns to Botswana cattle producers.

Primary Strategic Objective for 2009 to 2011

To undertake a comprehensive restructuring of the BMC operations that

1. delivers a significantly reduced cost base
2. improves throughput
3. improves processing efficiencies
4. achieves best prices for BMC products at least cost
5. ensures the long term sustainability of BMC

bmc board of commissioners | *2009* annual report



Front Row Sitting (L - R)

C. Gabanakemo
J.J. van der Merwe
M. Modise (Chairperson),
R.W. Munger
M.T.L. Maine

Back Row Standing (L - R)

D. Barnes
H. Kapeko
Dr N. H. Fidzani
L. Maika
Dr M.C. Chimbombi
N. Wright



1



2



3



4



5



6



7



8



9

- 1.) Dr M.V. Raborokgwe
Chief Executive Officer
- 2.) C. Marshall
General Manager (Livestock Procurement)
- 3.) T.F. Machacha
General Manager (Operations)
- 4.) S.K. Molapisi
General Manager (Marketing)
- 5.) Dr S. Ghanie
General Manager (Francistown)
- 6.) M. Dube
Acting General Manager (Finance)
- 7.) T. Ntobedzi
Human Resources Manager
- 8.) S. Madisa
Quality Manager
- 9.) U. Ngejea
Acting Corporate Manager/Company Secretary



1



2



3



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10

- 1.) B. Marobela
Livestock Procurement-Administration
- 2.) E. Kotokwe
Livestock Procurement-Extension
- 3.) M. Kgosiemang
Production
- 4.) W. Mupita
Engineering
- 5.) P. Dintwe
Deputy Tannery Manager
- 6.) T. Nthaga
Marketing
- 7.) L. Wright
Accounts
- 8.) N. Chandramouli
Accounts
- 9.) B. Mauco
Information Services
- 10.) D. Ndlovu
Internal Audit

Not in the picture

- J. Ranko
Cannery
- E. Selepile
Purchasing and Supplies



M Modise
Chairperson

Honourable C. De Graaff, MP
Minister of Agriculture
Gaborone

Honourable Minister

It is with great pleasure that I present the Annual Report and Financial Statements of the Botswana Meat Commission for the financial year ended 31st December 2009.

The year under review recorded a kill of 135 286 cattle which was a 19.4% increase compared to the 2008 throughput of 113,328 cattle. The Commission has started to enjoy the benefits of its strategic initiatives as evidenced by continuity of cattle supply and increased throughput through feed-lotting. Also, there has been great improvement in the quality of the animals through the increased supply of weaner animals. And going forward it is anticipated that the Commission will enjoy improved average selling prices per Kg .

Turnover for the Commission was P621million compared to P687 million in 2008; a 10% decrease. This was due to the economic crisis that resulted in price depression in the European and UK markets. The net effect of the economic downturn is an operating deficit before finance costs and taxation for the Group of P101million before appropriations, finance costs and taxation.

During the period under review, businesses around

the globe experienced a downward turn due to the economic crisis and this has significantly affected the Commission's overall performance following several years of healthy growth.

The Commission, however, continues to operate a high cost structure with plant utilisation falling below the projected optimal production capacity in accordance with the strategic plan for the year under review. Lobatse abattoir recorded plant utilisation of 61% whilst Francistown only managed 54% compared to the strategic plan target of 111 800 cattle and 60 200 cattle respectively.

I would like to convey my sincere appreciation to the members of the Board, as well as the Chief Executive Officer and his staff, for having remained focused to the challenges faced by the beef industry during the year under review.

Lastly, I want to thank you Honourable Minister for the continued support that the Ministry provides towards achieving the Commission's operations.

Ms Mmapula Modise
Chairperson
BMC Board



M.V. Raborokgwe DVM
Chief Executive Officer

Chief Executive Officer's Report

• Introduction

The Commission has recorded unfavourable results for the year under review. This has been greatly due to the economic crisis which has negatively affected the Commission's financial performance. In our efforts to improve the Commission performance, we continue to benchmark against other external competitors around the globe; and I am sure you will agree the Commission evolved and became a valuable market for all the stakeholders despite the financial turbulences that occurred.

Corporate Governance

Attendance and Meetings of Main Board, Special Board and Board Committees is as reflected in table I. The Board meets quarterly in accordance with the Act.

During the year under review, Members of the Board who attended were :

Table I: Attendance of the main board, special board and board committees

		Main Board	Special Board	Audit Committee	Livestock Procurement Committee	Board Tender Committee	Remuneration & Human Resources Committee	Restructuring Committee	Marketing, Sales & Distribution Committee
Ms Mmapula Modise	Chairperson	4/4	6/6	NM	NM	NM	NM	NM	NM
Mr.Claude Gabanakemo	Member	4/4	6/6	NM	3/3	NM	4/4	1/1	0
Mrs M.T.L Maine	Member			4/5	NM	4/4	NM	1/1	NM
Dr M.C. Chimbombi	Member			NM	NM	NM	NM	NM	NM
Mr L.B .Maika	Member			4/4	NM	NM	NM	NM	NM
Mr D. Barnes	Member	4/4	4/4	NM	2/3	NM	NM	NM	0
Dr N.H.Fidzani	Member	4/4	4/4	NM	3/3	3/4	NM	1/1	0
Mr R.W. Munger	Member	4/4	4/4	NM	NM	NM	4/4	NM	0
Mr H.Kapeko	Member	5/5	4/5	5/5	1/3	4/4	NM	NM	0

Key: (NM) = Not a member

N/N = Number of meetings attended in comparison to total meetings held during the year

Internal Control and Internal Audit

The Commissioners are responsible for ensuring that the group maintains adequate accounting records, internal controls and systems designed to provide reasonable assurance on the integrity and reliability of the financial statements and to adequately safeguard, verify and maintain accountability for its assets. The effectiveness of these controls and systems is monitored in a number of ways depending upon the particular circumstance, including the use of an internal audit function. The Internal Audit department independently reviews and appraises the adequacy and effectiveness of internal controls and the systems which support them.

The department is adequately staffed by both qualified accountants and junior staff trained in accounting and audit functions. Good Corporate Governance ensures that an enterprise is responsibly managed and supervised with an orientation towards value creation. In BMC Corporate Governance serves, on a lasting basis, the goal of strengthening and consolidating the trust placed in the enterprise by the Botswana Government as the investor, business partners, customers, employees, farmers and the general public.

Corporate Governance in the BMC group is an all-embracing issue affecting all areas of the enterprise. Transparent reporting and a policy of corporate governance aimed at the interests of all stakeholders are well established traditions within the Group. Co-operation between the Board of Commissioners and Executive Management in an atmosphere of commonly shared trust and responsibility has long been the basis of managing the affairs of the Commission. The underlying

corporate culture at BMC is founded upon the principles of transparency, trust, accountability and integrity.

Directorate

The Botswana Meat Commission has a unitary board structure comprising non executive members. The chairman of the board is a non- executive member. The board meets regularly to review operations and they monitor the performance of executive management. The Commissioners are experts from various fields of business and include investment managers, finance executives, commercial farmers, business executives and administrators. This ensures that debate on matters of strategy, policy, progress and performance is robust, informed and constructive.

The board endorses the principles contained in the Cadbury, King I and King 2 reports on Corporate Governance. The Board is committed to continued development on good governance matters.

Competence

Staff skills are maintained through a formal recruitment process and on and off the job training. Limited short- term and long- term training courses were undertaken during the year.

Going Concern

The group annual financial statements have been prepared on a going concern basis since, having made relevant enquiries, the Commissioners believe the group has adequate resources to continue in operational existence for the foreseeable future, based on forecasts and available cash resources.

Executive Management

Executive Management comprises of the Chief Executive Officer, General Managers: Livestock Procurement, Operations, Marketing, Francistown and Finance as well as the Human Resources Manager, Quality Manager and the Corporate Secretary who also acts as the Company Secretary. The Chief Executive Officer and Senior Management meet regularly to consider strategic and operational matters.

Audit Committee

The Commission has an Audit Committee governed by a well documented charter. The composition of the committee includes four Commissioners, one of whom is the Chairperson. Executive Management reports at meetings of the Committee which are also attended by Internal and External Auditors.

The Board Secretary is the secretary to the Committee. The Committee meets at least four times during the year to review important accounting and audit issues, including budgeting, forecasting, capital expenditure, annual financial statements and quarterly management accounts. The Committee also reviews the performance of both the External and Internal function on an annual basis.

Board Tender Committee

The Committee comprises of four Commissioners, one of whom is the Chairperson, and has responsibility for procurements in excess of P1 million. The Committee meets when relevant procurement decisions are required.

Remuneration and Human Resources Committee

The main function of the Committee is to review the remuneration strategies of BMC and formulate remuneration policy for Executive Management. It comprises of three Commissioners, one of whom is the Chairperson.

Livestock Procurement Committee

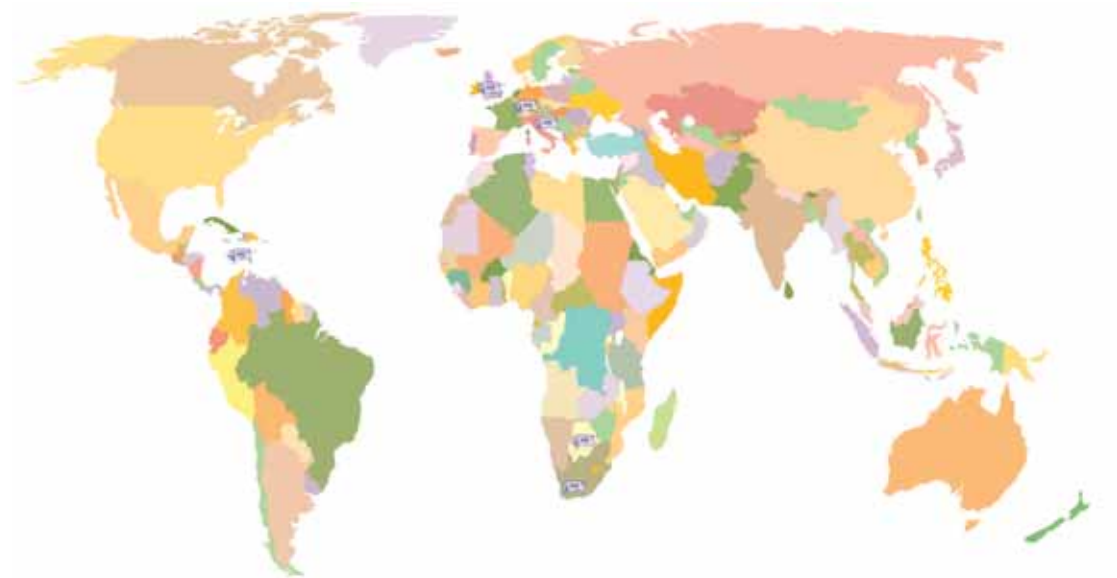
The mandate of the Livestock Procurement Committee is to come up with procurement strategies which are essential to increasing BMC throughput, and once approved by the Board, oversee and coordinate their implementation. It also coordinates the formulation and implementation of improvement initiatives in the area of livestock Producers' access to BMC, animal welfare and prices that BMC pays for livestock. It comprises of four Commissioners, one of whom is the Chairperson.

Financial Statements

The responsibility for the preparation of the annual group financial statements and all other information presented therein is that of the Commissioners. These have been prepared in accordance with generally accepted accounting practices based on International Financial Reporting Standards, which have been consistently applied and which are supported by reasonable judgments and estimates and in the manner required by the BMC Act. These statements are subjected to examination by external auditors in conformity with international standards on auditing. The External Auditors are appointed on a five year term, subject to annual performance reviews. The Auditors attend all meetings of the Audit Committee and have

unrestrictive access to the Commissioners.

Geographical spread



Botswana
Lobatse Abattoir, Cannery
and Head Office
Francistown Abattoir
Maun Abattoir
Mainline Carriers

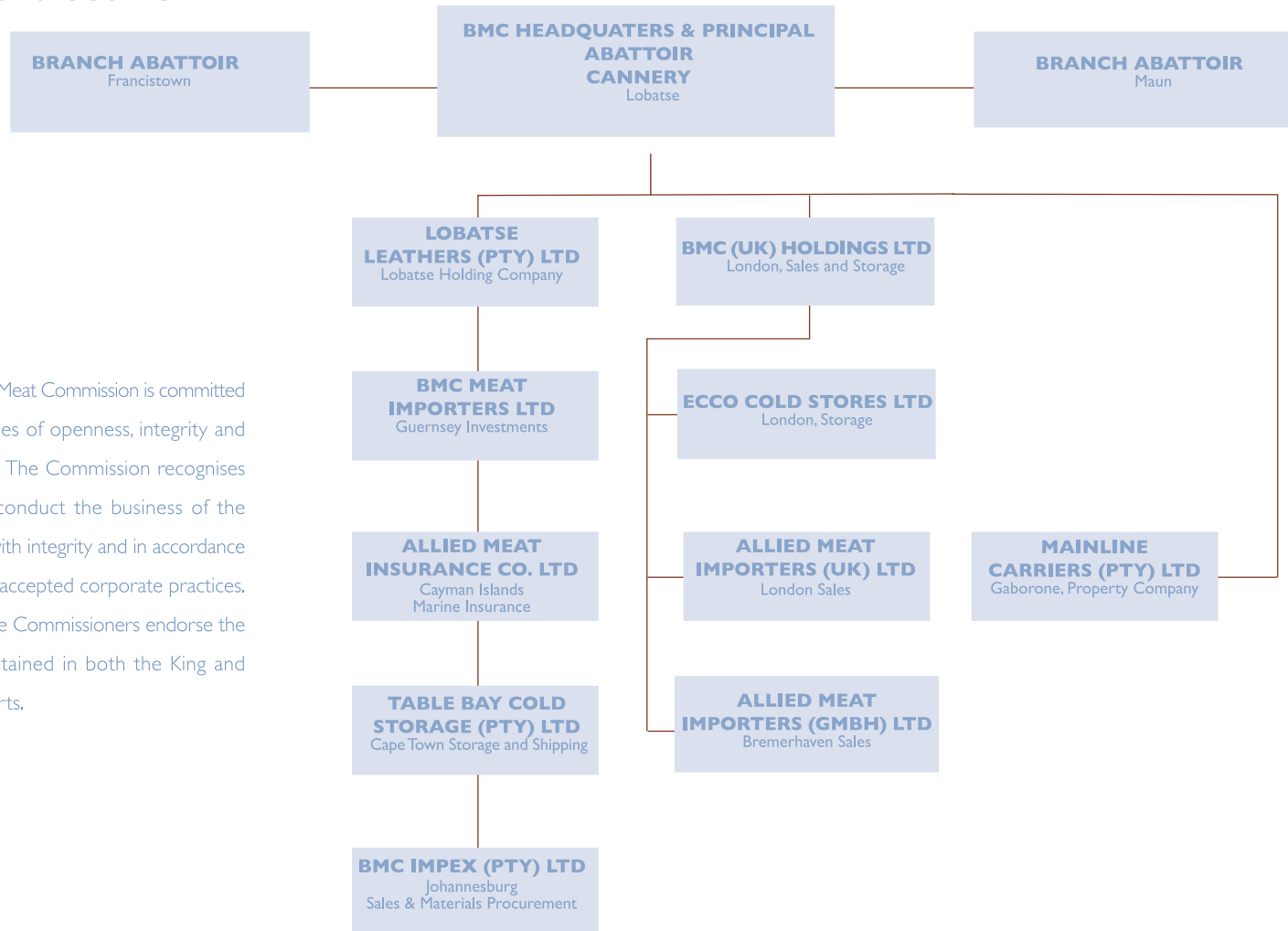
South Africa
Cape Town - Cold Storage
and Shipping Documentation
Johannesburg - Sales Office

United Kingdom
BMC(UK)
Allied Meat Importers (UK) Ltd

Germany
Allied Meat Importers (GMBH) Ltd

Cayman Islands
Allied Meat Insurance Co. Ltd

Group Structure



The Botswana Meat Commission is committed to the principles of openness, integrity and accountability. The Commission recognises the need to conduct the business of the Commission with integrity and in accordance with generally accepted corporate practices. Accordingly the Commissioners endorse the principles contained in both the King and Cadbury reports.

LIVESTOCK

LIVESTOCK THROUGHPUT

The total throughput for the year 2009 was 135,286 head of cattle, compared to 113,288 in 2008. This represents a year on year increase of 19%. The following graph shows the kill statistics for the year under review as compared to the previous two years and the budgeted kill as per graph 1.

GRAPH I: KILL STATISTICS 2006 TO 2009

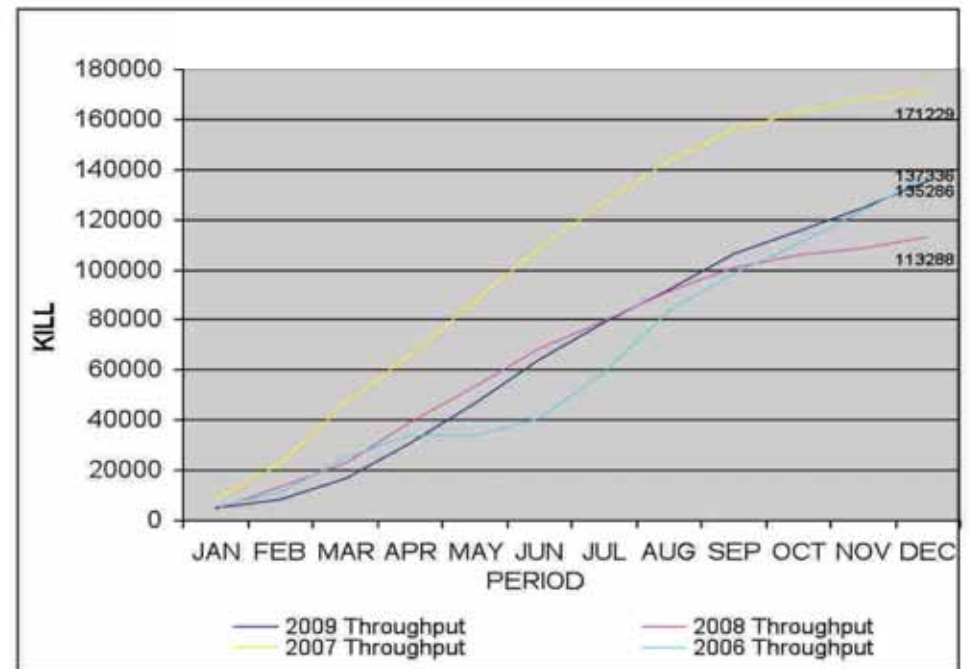


TABLE: 1 YEAR 2009 GRADE ANALYSIS OF CATTLE SLAUGHTERED

Grade	Year 2009				Year 2008		Year 2007		Year 2006	
	Lobatse	F/town	Total	%age	Total	%age	Total	%age	Total	%age
Prime	33,356	2,838	36,194	29	31,027	27	46,815	27	17,218	13
Super	7,556	2,594	10,150	7	8,012	7	10,799	6	15,525	11
S1	25,684	22,926	48,610	36	39,379	35	56,142	33	58,165	42
S2	12,464	9,415	21,879	16	18,929	17	33,190	19	28,125	20
S3	2,302	1,361	3,663	3	3,060	3	5,297	3	3,440	3
S4	340	289	629	0	588	1	1,113	1	670	0
SM	74	47	121	0	154	0	261	0	121	0
Detained	9,827	3,997	13,824	10	11,910	11	17,008	10	13,566	10
Condemned	159	99	258	0	269	0	606	0	508	0
TOTALS	91,762	43,566	135,328	100	113,328	100	171,231	100	137,338	100

GRAPH 2: YEAR 2009 GRADE ANALYSIS OF CATTLE SLAUGHTERED

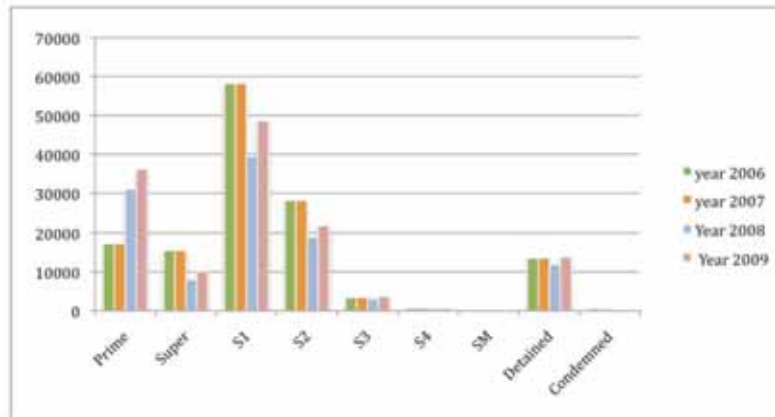
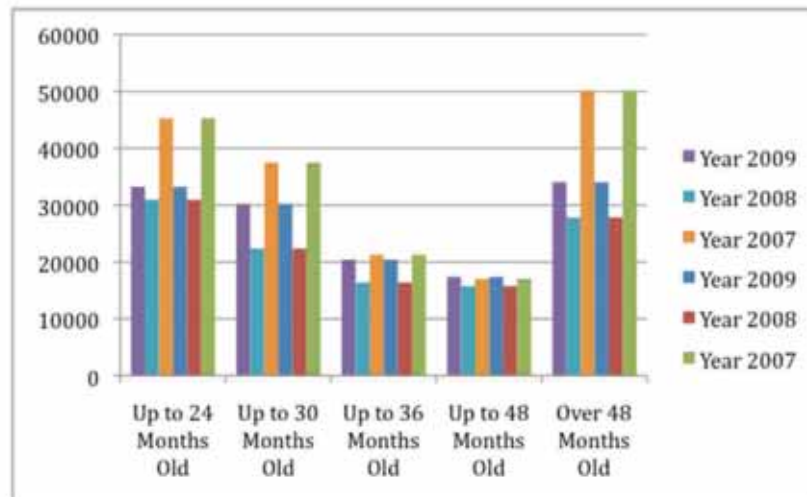


TABLE 2: AGE ANALYSIS OF CATTLE SLAUGHTERED

Dentition	Indicative cattle age	Year 2009				Year 2008		Year 2007	
		Lobatse	Francistown	Total	% age	Total	% age	Total	% age
0	Up to 24 Months Old	29,238	4,019	33,257	25	30,951	27	45,277	26
2	Up to 30 Months Old	22,946	7,275	30,221	22	22,364	20	37,484	22
4	Up to 36 Months Old	12,841	7,563	20,404	15	16,386	14	21,239	12
6	Up to 48 Months Old	9,370	8,026	17,396	13	15,780	14	17,043	10
8	Over 48 Months Old	17,368	16,682	34,050	25	27,849	25	50,186	29
Totals		91,763	43,565	135,328	100	113,330	100	171,229	100

GRAPH 3: AGE ANALYSIS OF CATTLE SLAUGHTERED



LIVESTOCK INITIATIVES

The year 2009 will be looked back on as the year the BMC took control of its supply chain. In the early part of 2009 the BMC Livestock Procurement Department embarked on initiatives laid down in the Strategic Plan 2009 to 2011. This bold move included the contracting of all available feedlot capacity in the Lobatse catchment area. A buying program was organized that covered the major zones of Botswana.

On the 5th April 2009 the LPD Francistown started a procurement strategy in the NON EU Boteti 4a zone. This was the first action of the program and was quickly followed by the introduction of purchasing cattle at the new Contract Feeding Facilities.

Major buying programs commenced on 1st June 2009 and by mid July the teams had purchased and delivered in excess of 6,500 head. The feedlot capacities quickly filled and additional feedlots were added.

By the end of 2009 DCP had purchased over 35,000 head of cattle and developed 17,500 standing capacities in both Lobatse and Francistown. These initiatives helped push last quarter kill to a

record of close to 29,000 and despite the slow start the BMC achieved a commendable throughput of 135,286 an increase of over 16% in 2008.

The focus on feedlotting and the Prime Grade has seen a significant change, especially in Lobatse where the Grade Analysis shows that 50.9% of the kill is now under 30 months of age. This is expected to increase as the benefit of the weaner /feedlot initiatives start to play a bigger role in the Lobatse throughput. However, in the Francistown catchment no significant change in grade analysis was seen in 2009, the new feedlot growth in Francistown catchment will certainly change the structure of the kill into a younger more uniform product in 2010 and 2011.

TABLE 3: CATTLE CLASS ANALYSIS

Class	YEAR 2009				Year 2008	
	Lobatse	F/town	Total	%age	Total	%age
Heifers	2,260	323	2,583	2	2,806	2
Cows	8,860	7,039	15,899	12	14,454	13
Steers	79,234	34,460	113,694	84	93,380	83
Bulls	1,407	1,743	3,150	2	2,688	2
TOTALS	91,761	43,565	135,326	100.0	113,328	100

BENEFITS OF LIVESTOCK INITIATIVES

The BMC now has a little over 40% of its throughput coming from BMC Schemes and Programs and it is thought that this percentage will further increase in 2010 as more DCP programs are rolled out in more areas of Botswana and feedlotting in Francstown increases toward Lobatse levels.

The actions of BMC in its attempts to control its supply chain has developed significant wealth creation opportunities for all Batswana involved in the Beef Sector:



Firstly, directly due to increased competition for young cattle produced, 58% increase in weaner prices has been achieved. This increase has a significant effect on breeding stock which we believe increased in value in the region of 25% over 2009. These increases can be estimated to have given the cattle producer of Botswana an estimated P1.5 billion windfall in increased herd value. At the same time as cattle values increase, so do land values which must have increased by tens of billions of Pula during the same period.

If one considers ancillary services such as cattle transport, veterinary medicines and vaccines, stock feeds and raw materials etc, the boost to the Sector has been truly significant.

These initiatives have further delivered increased quantities of top quality product of consistent volumes and with the increase in CDM from 205kg in 2008 to 209kg in 2009. We can see the start of a trend that will deliver the necessary production increases to build Botswana Beef and the Ecco brand to be a significant player in the EU and other desired beef importing areas, as shown by table 3 and graph 1 providing breakdown of cattle delivered by Botswana producers in 2009.

Producer Prices

The average producer price paid for 100kg of CDM was P1,849 compared to P1,213 in 2008. There have been no significant changes in the producer prices during the year as illustrated by table 2

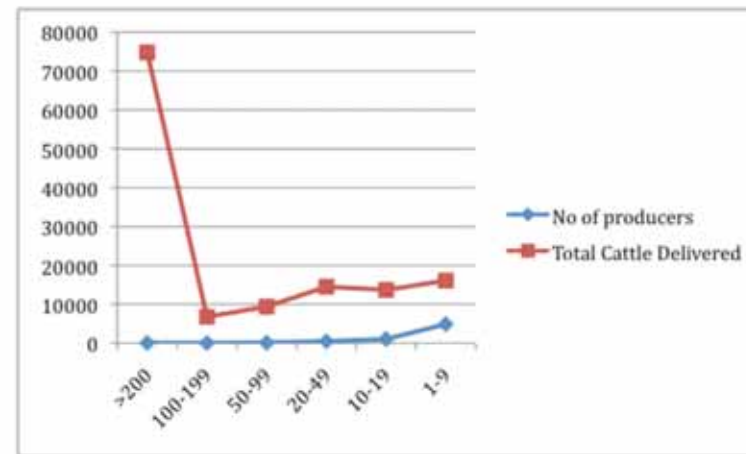
TABLE 4: PRODUCER PRICES IN 2009

	2009	2008	% change
Lobatse	1,951	1,438	36%
Francistown	1,610	1,263	27%
Average	1,849	1,213	52%

**TABLE :5
CATTLE DELIVERED BY BOTSWANA PRODUCERS-2009**

Number Of Cattle Delivered by the Producer	No. of producers	Total Cattle Delivered	Percent of cattle delivered in %
>200	64	74813	55
100-199	49	6775	5
50-99	140	9415	7
20-49	490	14517	11
10-19	1040	13703	10
1-9	4893	16103	12
Grand Total	6676	135326	100

GRAPH 4: CATTLE DELIVERED BY BOTSWANA PRODUCERS-2009



OPERATIONS

PRODUCTION

The total boneless beef produced by the two export abattoirs in 2009 was 21,281 tonnes which was higher than the total for 2008, which was 16,580 tonnes, and represents an increase of 28.3%. This percentage increase was higher than the increase in throughput between the two years which was about 16%. The reason for the double increase was that a higher tonnage of fresh meat was sold as bone-in quarters, amounting to 668.5 tonnes.

Cannery stewed steak production was similar between the years of 2008 and 2009, as most of the production was aimed at fulfilling the annual Government contract, which did not change in size.

The tonnage of green unfleshed hides increased in 2009 at Francistown, proportional to throughput, while it reduced in Lobatse from 2008 to 2009. This reduction was mainly due to the large throughput increase of smaller, feedlot cattle as compared to the largely communally sourced cattle processed at the Francistown abattoir (see table 6 and graph 6 detailing production quantities for 2009 as compared to 2008).

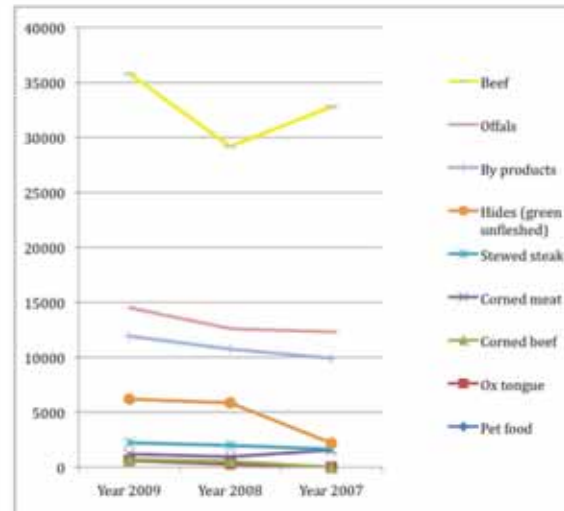
The Operations function was challenged with production of additional products during the year, which included sliced beef pre-packs. These products resulted in increased demands on available plant capacity, manpower size, and hygiene standards. However, the two export abattoirs were able to maintain their international food safety and quality accreditations, including a veterinary public health inspection by the European Commission.

TABLE 6

PRODUCTION QUANTITIES FOR THE FINANCIAL YEAR 2009 Vs 2008 (tons)

Product	Lobatse	Francistown	Year 2009 Total	Year 2008 Total	Year 2007 Total
Beef	15,312	5,969	21,281	16,580	20,479
Offals	2,006	577	2,583	1,859	2,405
By products	4,041	1,693	5,734	4,890	7,716
Hides (green unfleshed)	2,665	1,298	3,963	3,873	550
Stewed steak	1,025	-	1,025	1,027	76
Corned meat	490	-	490	420	1,566
Corned beef	83	-	83	208	-
Ox tongue	22	-	22	59	-
Pet food	606	-	606	264	-

GRAPH 5: PRODUCTION QUANTITIES FOR THE FINANCIAL YEAR 2009 Vs 2008 (tons)



Improvements to critical production processes included the automation of rendering cooker controls at both Lobatse and Francistown, the commissioning of a fat recovery plant at Francistown, and the upgrading of carcass maturation chillers by installing variable speed fans at Francistown. The automation of rendering cooker controls will improve consistency in the quality of product, while the fat recovery plant will result in reduced fats in the plant effluent discharged into the municipal sewerage. The upgrade of the carcass maturation chillers is expected to significantly reduce carcass shrinkage to well under 3%. All these interventions demonstrate our continuous improvement drive to optimize process efficiencies.

The two plants are working closely with the Department of Veterinary Services in preparation to adopt more self-regulatory controls. This shift is in line with the authorities' medium term plan of changing responsibility from a supervisory to an audit role at the abattoirs.

COMMISSIONING OF MAUN ABATTOIR

The Maun Abattoir was closed in 1996, following an outbreak of contagious bovine pleuro-pneumonia in Ngamiland. The BMC has continued to own the site and buildings, and although several attempts were made to sell the abattoir over the years, no suitable proposal was received and the site remained out of operation. With the outbreak of foot and mouth (FMD) disease in Ngamiland in 2007 and in the time since, the BMC Board and Management have been acutely aware of the hardships which the outbreak, and the consequent cattle movement restrictions, has caused to the beef farmers in Ngamiland. The BMC's throughput at Francistown was also curtailed by being unable to access the Ngamiland turnoff, which in past years had contributed approximately 20,000 head of non-EU cattle to the Francistown throughput.

After discussions with local farmers, the Ministry of Agriculture and other interested parties, a preliminary assessment of the condition of the Maun abattoir was undertaken by BMC. In February 2009, the BMC Board approved a project to rehabilitate the abattoir to its original specifications. This project was approved with a budget of P50 million.

Due to the international meat export requirements applying to regions where FMD is active, the veterinary authorities require that the beef from the Maun Abattoir be heat treated before being allowed to leave Ngamiland. Such heat treated beef is suitable for use in canned product, and the BMC have therefore planned to produce heat treated beef at Maun and use it in the Lobatse cannery.

The Government of Botswana has advanced P25 million to provide these heat treatment facilities. The Government has turned the P25 million into its equity contribution to the Botswana Meat Commission.

In the course of detailed dilapidation assessment and engineering planning, it was found that a number of areas in the Maun Abattoir and local supporting infrastructure required significant upgrading to meet changes in legislation and standards which have occurred since the abattoir was last operated. This included upgrades to meet environmental management laws, veterinary health requirements, labour laws and water supply. Some significant building deterioration, not evident in the initial preliminary assessments was also discovered, requiring some additional building works. As a result of including these additional works, the total project budget is now P75 million.

Minor site works commenced in the second quarter of 2009. Following the engineering, planning and calling, and letting of tenders, major site works commenced in November 2009, and subject to the delivery, installation and commissioning of critical equipment, is planned to commence operations in the second quarter of 2010. The initial throughput will be restricted as various plant areas are commissioned, and full production planned for July 2010.

MARKETING

MARKETING, SALES AND DISTRIBUTION

The year started with a lot of excitement and hype as prices in the market were very good following the absence of the Brazilian beef in the EU market from early 2008. Unfortunately throughput at BMC was low in the first quarter of the year hence our supply to the EU market was very restricted and minimal. Our throughput started to improve in April and fairly good quantities of our production arrived in Europe about a month and a half later. Those customers we had earlier targeted and promised supply had by that time made arrangements to be supplied from elsewhere. Unfortunately, the meat arrival coincided with the impact of the global recession where prices of commodity items, including beef, had started to fall. Tourism business in the UK, which is a major booster to the beef business, was reported to have fallen by over 25%. Beef was considered to be an expensive protein source and in a lot of instances replaced by other cheaper meats such as chicken, pork, fish, etc. The restaurants removed fillet from the menu for quite some time resulting in a flat demand for the item. Prices in the market continued to fall well into the third quarter of the



year and only started showing signs of recovery towards the last few months of the year. Even the Christmas festive season did not push prices back to their original levels.

Movement in the British Pound exchange rate from the BMC forecast/budget has resulted in 8% or P16.0 million reduction on the UK sales. The Euro and the South African Rand generally appreciated and reduced the overall exchange loss to P13.6 million.

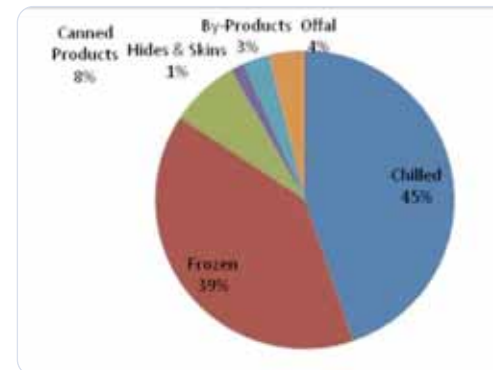
As regards contribution by product lines, the chilled vacuum packed boneless beef contributed the highest of P278.9 million from the sale of 5,712 tonnes achieving an average sales price of P48.82 per kg. This was 5% lower than that of the previous year. Total tonnage dropped by 10% while the value is 15% lower than that of the previous year.

The weaner production drive and promotion of feedlotting has started to bear fruits. There is now a consistent production of premier grade cuts whose acceptance in the international market has been very good. The premier grade is presented to the market in a unique blue and white carton and commands a premium price in both chilled and frozen form.

BRANDING AND PROMOTION OF THE BMC PRODUCTS IN EUROPE.

The frozen beef that was distributed mainly to Greece, South Africa and Botswana contributed P246.1 million from the sale of 10,749 tons. The average price per kg was therefore P22.89 and was 4% lower than that of the previous year. While the tonnage sold of 10,749 was equal to that of the previous year, the value and average price per kg were each 4% lower. The average sales price per kilogram was impacted upon by an increased inclusion of the bone-in meat such as bone-in brisket, stewing beef and forequarters for the local and regional markets. In spite of the average price per kilogram being lower, the net returns from such bone-in products is however relatively better.

The two product lines of chilled vacuum packed and frozen beef have therefore together accounted for 84% of the total revenue as illustrated by the pie chart below.



BRANDING TO THE CONSUMER:

The ECCO brand fresh/frozen meat is well known to wholesalers and butchers in Botswana and not so much by the consumer. This is because the target BMC customer has been the wholesaler and the butcher and not directly the consumer. BMC sold its products in bulk to the butcher who broke bulk and cut up the meat before presenting it to the consumer. By the time the product is put on display cabinets in the butcher or supermarket, the ECCO brand is totally lost without any way to identify that it came from BMC.

In our strategic planning, we identified an opportunity to brand ECCO for the consumer. We have as a result introduced sliced bones and sliced bone-in brisket in retail ready packs. The consumer reaction to this introduction has been very positive.

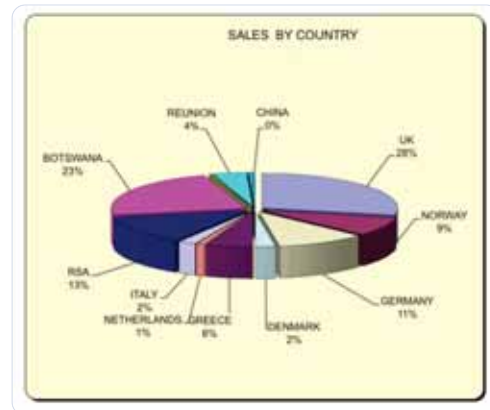
CANNED PRODUCTS

The canned products contributed P46.9 million which is 31% lower than that of the previous year. BMC continued to supply the Botswana Government with canned, stewed steak for supplementary feed to primary school children. The ECCO Corned Beef, Corned Meat, Ox-Tongue and Pet Food were mainly supplied into the local market where their returns are relatively better than those of the export market. Consideration is now being made on how to cost effectively produce these items to enable penetration of other markets outside Botswana.



HIDES

The global recession impacted BMC most on the sale of hides whose revenue in the period under review declined by 55% when compared to the previous year. It should be noted that the BMC tannery has not been operational since 2006 and that the hides have been sold in wet salted form. On the strategic objective of achieving the best prices for the BMC products at least cost, the attached graphs are illustrative of each market performance.



CORPORATE SOCIAL RESPONSIBILITY

The Commission continues to support the deserving organisations through donations. We provide financial support for two football teams being ECCO City Greens and BMC. The total amount of donations made to deserving organisations was at least P400,000. We have also made donations of our canned Products worth over P600,000 to Okavango flood victims. These donations were made to assist the families that were affected by torrential rains

during the 2009 floods of the Okavango river:

QUALITY QUALITY ASSURANCE

Botswana Meat Commission quality assurance and laboratory conducts inspection of incoming raw materials e.g. ingredients, cleaning chemicals and packaging materials, in-process and final inspection to establish compliance with national and international regulatory requirements and ensure production of safe meat and meat products of the highest quality. To validate its operations the BMC in-house laboratory participates in peer review programmes like the Botswana Bureau of Standards National Quality Control Sample Exchange system.

Botswana Meat Commission operates an integrated quality and food safety system that complies with ISO 900 : 2008; SANS 10330: 2007; British Retail Consortium Global Standard for Food Safety (Issue 5, 2008) and the newly introduced Pre-Requisite Guidelines PAS 220.

The abattoirs undergo periodic review by South African Bureau of Standards to assess compliance with ISO 9001 and SANS 10330 for quality management and Hazard Analysis Critical Control Point system (HACCP). SAI Global/EFSSIS evaluates compliance to the BRC Global standard on an annual basis.

The Botswana Meat Commission was audited for the first time against ISO 9001: 2008 and BRC Global Standard for Food Safety (Issue 5, 2008) and successfully complied with the requirements of the new standards during the year. The food safety management system was further subjected to a review against a new standard on pre-requisite programmes with success.





QUALITY AND FOOD SAFETY POLICY

We at Botswana Meat Commission are committed to maintaining the requirements of ISO 9001: 2008 Standard in order to manufacture products of consistent quality, which meet statutory, regulatory and customer requirements.

To ensure food safety, we have implemented and will continue to maintain a Hazard Analysis Critical Control Point (HACCP) system that conforms to the requirements of South African National Standard (SANS) 10330 : 2006 and British Retail Consortium (BRC) Global Food Standard (Issue 5, 2008). We have established measurable quality objectives that are consistent with our mission and strategic goals.

We are committed to continually review our quality and food safety management systems to improve our processes, products and resources.

We are committed to continuous awareness programme to communicate the importance of quality and food safety management systems to all employees.

QUALITY OBJECTIVES

- Customer satisfaction
- Continual improvement of the Quality and Food Safety Management Systems
- Compliance with Statutory, Regulatory and Customer requirements.
- Continual improvement of our human resources

Measures have been put in place at corporate and functional level's to ensure that objectives are achieved and to facilitate effective and efficient review by management.

The Commission entertained several regional and international customers who audited our systems against their individual protocols.

FINANCE

FINANCIAL PERFORMANCE

The Commission and the Group as a whole recorded a deficit before taxation of P87.5 million and P89.1million respectively, compared to a surplus of P84.1 million last year. This deficit is after adjusting for P22.2 million reimbursement of losses incurred at the Francistown abattoir. There are various reasons that have contributed to this negative performance amongst others being that we have experienced low sales prices per kg in the EU markets resulting from economic recession. Secondly as the Commission transacts mainly internationally this has subjected us to the effects of the fluctuations of foreign currencies as the Botswana Pula continues to strengthen against the Pound resulting in an exchange loss of P7.4 million compared to an exchange gain of P4.5million in the previous year.

Finally the Commission continues to pay high unit cost of production per head resulting in high payments to producers of P523 million compared to P318million of the previous year, an increase of P205million or 65%. Though the number of head slaughtered was up by 19% the average payment per kg of CDM was P18.66 compared to P13.83 of the previous year representing an increase of almost 34% due to increase in producer prices of P2.00/Kg and Premium Payment Scheme (PPS) of P2.00/Kg. The average CDM per head for the period this year is 207.5kg as compared to 201.52kg of last year. Turnover for the year was P621.8m as compared to P687m for the previous year. This represents a decrease of about 10%. This is mainly attributable to low realisation on sales during 2009 due to lower prices and strengthening of Pula against EU currencies.

HUMAN RESOURCES

HUMAN RESOURCES STRATEGY

The Botswana Meat Commission Human Resources strategy is centred around the concept of PEOPLE as the most valuable asset, development, ownership, recognition and retention. These concepts are in line with our turnaround strategy which started about two years ago and continues to fuel the Commission forward for the benefit, primarily, of our producers. Employees at BMC fully understand their role within the precinct of the BMC Act and are proud to be part of the cornerstone industry that they are part of.

To demonstrate the BMC commitment to our employees as an important resource, in 2009, we have undertaken an employee climate survey whereby the Commission stopped and asked employees what their perceptions are of the Commission, what could be done to make it a better place to work and also how they think we stack up against other companies in terms of benefits and remuneration. This became the single most important initiative during 2009 and was very successful, with our employees participating fully in the survey. The survey has moved on to produce an implementation plan which has been kicked into action and laid out for 2010. Commitment to providing feedback to our employees continues to be a cornerstone of everything we do around the employee survey and BMC continues to provide feedback to all our people.

Throughout 2009 the BMC continues to develop its people in all areas that are relevant to our processes and operations. Employees are encouraged and supported financially to complete their professional qualifications in those areas that are seen to add value to the operations and are also seen to develop them in leadership skills.

The Botswana Meat Commission also is a participant in the national internship programme where we have seen a number of Botswana

students from the University of Botswana, students who studied in South Africa, take part in our Marketing function and assisting in selling our sliced brisket and other products. This is the contribution that BMC employees are involved in to develop skills in young people who will tomorrow be contributing to the economy of Botswana wherever they will be employed.

Our apprenticeship programme has produced young people who are now lined up to take over roles previously held by expatriates in the technical areas of our operations. These apprentices are mentored by some of our most talented staff members who have been ably trained by the Botswana Meat Commission. The Botswana Meat Commission continues to pay close attention to levels of remuneration in relation to the relevant markets and as such have adopted a strategy to pay for performance and our employees have benefitted from the skills they possess. This continues to motivate our people who have realized that it pays to develop oneself.

In recognizing the worth of our people, the Botswana Meat Commission continues to recognize those of our employees who have dedicated their lives to the service of the Commission. Our annual Long Service Awards ceremony is a critical calendar note where we celebrate our employees and say 'Thank you' for what they continue to do for the Commission.

2009 Employee
Long Service
Awards by the
Permanent
Secretary Ministry
of Agriculture, Dr
Chimbombi



The occasion was graced by the Permanent Secretary of the Ministry of Agriculture who handed over the token of appreciation to those employees having served the Commission for continuous years from 10 to 30 years. The staff compliment as at 31 December 2009 was at 1198 a slight reduction/increase from last year's of 1058. The statistics of employees for both abattoirs was 55 as follows:

LONG SERVICES AWARDS LOBATSE 2009

Years of service	No. of employees at Lobatse	No. of employees Francis town	eesTotal
10yrs	3	1	4
15yrs	3	3	6
20yrs	7	2	9
25yrs	9	0	9
30yrs	20	3	23
35yrs	3	1	4
Total	45	10	55

The Botswana Meat is committed to assisting our people in combating the scourge of HIV/AIDS through our welfare programme. Our employees are assisted through counseling services from the Human Resources office which has a committed resource for counseling and social work in all areas. This has been fully taken advantage of by our employees who have responded very positively to the service.

MINISTERIAL DIRECTIVES

Directives issued by the Minister of Agriculture in 2009

Date	Reference	Directive
24 February 2009	A(S)4/2/2 XIX (16)	The following were approved (i) BMC refurbish the Maun abattoir at their own cost and operate it with a technical partner they will seek (ii) BMC be allowed to spend Twenty-five million pula (P25m) to establish a cooking /processing facility and deduct the amount from the money they owe government
9 July 2009	A33/5V11(20)	Letter to Chairperson appreciating progress on the achieved in the restructuring of the BMC
22 October 2009	A(S) 5/1/3 II(59)	Renewal of the CEO's employment contract in accordance with Para 9(I) of the Schedule BMC Cap.74: 04.
14 May 2010	A(S) 5/1/IX(77)	Authorisation to utilise Stabilisation, Development, and Capital Loan Redemption Reserves to offset the 2009 losses.

OUTLOOK

The Commission has recently completed a re-branding and communication exercise and the benefits, which the Commission expects to enjoy, include improved sales volume through brand awareness.

The world economic crisis is over and the markets have shown signs of recovery through the improvement in prices. There is also an improved demand of beef world wide. The world cup in South Africa has resulted in a major boost of our sales to the region and it is hoped that effects will remain even after the games are over. The consistent supply, not only of good quantity but also good quality cattle to BMC due to now entrenched initiatives has enabled BMC to negotiate from an advantageous position. As at end April 2010, the kill had exceeded forecast by 11,000 cattle with better cold dressed mass than forecast. The negotiated freight rates for 2010 have been favourable by about 10% when compared to those of the previous year.

The marketing and sales strategies for 2010 are anticipating an improvement in revenue coming from the adopted initiatives. Emphasis have been placed on getting as close as possible to the end user to maximise returns. The shifting of products from one market to the other, chasing after better value is yet another strategy that has been adopted. The United Kingdom market that previously dominated on the chilled vacuum packed beef has shown signs of weakening.

To counter the effect, other markets in mainland Europe are now targeted. There has also been product diversification, shifting away from the traditional line items to sub-primals that yield better net

returns. As the frozen boneless meat market prices in Europe weakened, effort has been made to develop the bone-in beef market in the Southern Africa region. Another strategy adopted is that of use of distributing agents in Botswana as they are specialised in the area of product distribution and would perform a lot better than BMC staff. The distribution agents have a wider coverage with established links with the retail trade throughout the country.

There is however concern that the exchange rate is working against us. The Pula has appreciated against the European currencies and depreciated against the South Africa Rand. The combined impact could reduce our initially forecast sales by 10%.

The Commission plans to drive forward it's corporate restructuring which aims at ensuring that BMC now becomes more sustainable and profitable by reducing the cost base as well as improved process efficiencies. We are currently processing closure of some of the dormant subsidiaries as a result .

Livestock initiatives were the major achievements of 2009. BMC lifeline is through the supply of good quality cattle and 2009 was the year the BMC cattle supply chain was perfected. This started with a permit conference in February 2009 where all stakeholders were brought together to agree what were and how the problems affecting cattle delivery to BMC could be resolved.

The outcome of the permit workshop was the clarification from the police that livestock could indeed travel at night; the 24 hour off-loading at the BMC, and the centralised permitting areas. These interventions have made it far easier for farmers to deliver cattle

to the BMC as well as addressed a number of livestock welfare issues.

The above were followed by the BMC with live-cattle buying which started in feedlots in March 2009. This was followed by buying in production areas from 1st June 2009. This buying in production areas of necessity started small but soon spread to all four corners of the country making BMC the premier live cattle buying company in the country.

The DCP combined with contract feedlotting led to a good fourth quarter kill in 2008. This meant that for the first time in a very long time, BMC had plenty of supply to sell in the first quarter of 2009. The year also started with more than 15000 cattle standing in feedlots guaranteeing a good kill through the traditionally low throughput first quarter months of 2009 was more than double for the same period last year.

The livestock initiatives have started well, and will assure BMC of good quality cattle for the year. We are confident that kill forecast will be achieved in 2010 and the marketing department is assured of a consistent supply of good quality meat to sell throughout the year. This is the advantage BMC has going into 2010. It is however worth noting that the initiatives have not yet been cemented to run as business as usual, and would take a year or two for this to be so. We had hoped that economies in our main markets of the EU will recover from the worldwide financial crisis of 2009. This has been slow in coming and has been made worse by the Greek crises which threatens to spread to other Euro zone countries. Austerity measures are being put in place throughout most of the European countries and consumers are careful with money and buying cheaper forms of protein. The strengthening of the Pula against the major currencies we sell in is also a cause for worry.

Regional beef prices which were boosted by the world cup effect in

the second quarter of 2010 are bound to tumble after the world cup comes to an end.

Restructuring of the BMC subsidiaries has been approved by the board and is to be implemented by GRM Consultants. The main thrust is to turn BMC UK and Germany into sales hubs and TBCS in Cape Town into a distribution hub. This should improve efficiencies within the marketing chain and improve on realised prices. This should be completed by year-end ahead with benefits starting to be felt by the beginning of the last quarter.

Maun abattoir refurbishment is complete and due to be operational for the last half of year. Prices paid for cattle these are going to be a challenge, as they have to be based on what the Maun beef, which cannot be exported fetches in the local market.

CONCLUSION

Due to price increase started in 2008 and continued in 2009, Botswana farmers have been paid the best prices on a per kg CDM basis compared to other beef producing countries. These high prices paid for cattle in 2009 in the face of falling beef prices have created an unprecedented stimulus and incentive for beef cattle producers in Botswana and have acted as a much needed catalyst for the growth and enrichment of the cattle production industry as a whole. However, with continuing price imbalance in our main markets, there is need to look at prices paid for cattle. Cattle prices will of necessity need to come down in line with world beef prices. Farmers will still be paid prices higher than regional markets but these will be reducing from the current levels going into the last half of the year. Our marketing sales and distribution chain is currently being looked into with a view to get the best prices for BMC product in all our markets at least cost.

The amendment of the BMC Act will probably be finalised this year. This will among others lead to the de-regulation of the export of beef and open competition to the BMC. This will in the end benefit the farmers as it will lead to improved efficiencies all round as well as give farmers a choice. The de-regulation will however, only be of benefit if there is enough cattle to go around to enable the efficient utilisation of available and any new plants. BMC has, by paying for the convention from oxen production to weaner production, gone a long way to ensure that this will be so. Nothing however seems to be progressing with a view to changing the BMC taxation. The fourth schedule of the Income Tax Act will have to be amended for this to happen and this seems to be logging behind. We can only urge Government to fast track this to be in tandem with the BMC Act amendments.

I would like to conclude by thanking all farmers who supplied BMC with cattle during the year. My thanks also go to the feedlots contracted to BMC for feeding BMC cattle and the entire supply chain of cattle transporters feed producers and veterinary requisites providers and other stakeholders who made it possible for BMC to sell in the end market a quality product to the most discerning consumers in the world. Our profound thanks also go to the entire Government structures which are always very supportive of BMC. The Permanent Secretary of the Ministry of Finance and his team have been particularly understanding this year of BMC losses and have bent backwards to offer us support. The entire team of the Ministry of Agriculture, starting with the two Ministers for always being ready to intercede with the rest of the Government and farmers on BMC's behalf.

In His Excellency The president, BMC and the Producer has a friend and he has always been ready to assist. Our sincere thanks go to him. Thanks are also due to the Department of Veterinary Services and Animal Production for their timeless efforts in improving the disease status and production of our national herd respectively. Our monitoring still has to

be done and we look up to them to lead the way.

Ove Nielsen, the man who single headedly made BMC what it is today finally retired from being a board member of BMC subsidiaries at the end of 2009. He has worked tirelessly since 1973 on behalf of the Botswana beef Producers and set up the infrastructure that farmers benefit from today. Special thanks are due to him and may he enjoy the well-earned retirement and good health for years to come.

Last but certainly not least, I would like to thank all the Senior Management of the Commission as well as of the Subsidiaries and their staff for their hard work, dedication and loyalty. I commend them for soldiering on even in the face of unwarranted criticism from all corners. Their perseverance in spite of what seemed to be insurmountable odds has delivered and continues to deliver to the farmer unprecedented returns.

I am certainly proud to have worked with them.

Best regards



M.V. Raborokgwe DVM
Chief Executive Officer

Annual Financial Statements

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2009
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THE ORGANISATION

BMC is a Parastatal and was established in 1965 to promote the development of the country's livestock industry as well as the country's beef and related products globally. Its headquarters is in Lobatse. The premises are an integrated complex housing an abattoir, cannery and by-products plant as well as a tannery. Besides owning three abattoirs in Botswana, BMC has cold storage facilities in South Africa with marketing subsidiaries in the United Kingdom, Germany, and South Africa.

COMMISSIONERS:

M Modise (Chairman)
Dr. M C Chimbombi
Dr. N H Fidzani
L Maika
R W Munger
J J Van der Merwe
D Barnes
M T L Maine
C Gabanakemo
H Kapeko
N Wright *Appointed on 1 October 2009*

EXECUTIVE MANAGEMENT:

Dr. M V Raborokgwe Chief Executive Officer
V K Molatedi - General Manager (Finance) (Resigned 30.09.2009)
M Dube - Acting General Manager (Finance)
C Marshall General Manager (Livestock)
S K Molapisi - General Manager (Marketing)
Dr S Ghannie - General Manager (Francistown)
T F Machacha - General Manager (Operations)
T Ntobedzi - Human Resources Manager
S Madisa - Quality Manager

REGISTERED OFFICE: Khama I Avenue
Lobatse

AUDITORS: Deloitte & Touche
P O Box 778
Gaborone

BANKERS: Barclays Bank of Botswana Limited
First National Bank of Botswana Limited
Standard Bank South Africa Limited
Stanbic Bank Botswana Limited
Standard Chartered Bank Botswana Limited
Standard Bank Plc London

**BOTSWANA MEAT COMMISSION
COMMISSIONERS' STATEMENT OF RESPONSIBILITY AND APPROVAL OF THE
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009**

Commissioners' responsibility statement

The commissioners are responsible for the preparation and fair presentation of the annual financial statements of Botswana Meat Commission "the Group and Commission", comprising the statements of financial position as at 31 December 2009, and the statements of comprehensive income, the statements of changes in reserves and statements of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes in accordance with International Financial Reporting Standards ("IFRS") and in the manner required by the Botswana Meat Commission Act (Chapter 74:04) (as amended).

The commissioners are required by the Botswana Meat Commission Act (Chapter 74:04) (as amended), to maintain adequate accounting records and are responsible for the content and integrity of and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the group and commission as at the end of the financial year and the results of its operations and cash flows for the year then ended, in conformity with IFRS. The external auditors are engaged to express an independent opinion on the annual financial statements.

The commissioners' responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The annual financial statements are prepared in accordance with IFRS and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The commissioners' responsibility also includes maintaining adequate accounting records and an effective system of risk management.

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

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

**BOTSWANA MEAT COMMISSION
COMMISSIONERS' STATEMENT OF RESPONSIBILITY AND APPROVAL OF THE
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009**

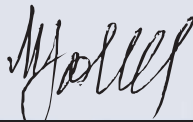
Commissioners' responsibility statement (continued)

Although the board are primarily responsible for the financial affairs of the group and commission, they are supported by the Group and Commission's external auditors. The auditors are responsible for reporting on whether the annual financial statements are fairly presented in accordance with the applicable financial reporting framework.

The Group and Commission is currently facing significant cashflow problems and has incurred a deficit of P115,127,000 and P107,393,000 respectively for the year. The going concern of the group and commission is dependent on continued government support and improvement in selling prices of meat on the global market. The commissioners believe government will continue to offer financial support to the Group and Commission.

The external auditors are responsible for independently reviewing and reporting on the Group and Commission's annual financial statements. The annual financial statements have been examined by the Group and Commission's external auditors and their report is presented on page 32 to 33.

Commissioners' approval of the annual **financial statements**
The annual financial statements set out on pages 34 to 79, which have been prepared on the going concern basis, were approved by the Board on 21 June 2010 and are signed on its behalf by:



Commissioner



Commissioner

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBER OF BOTSWANA MEAT COMMISSION IN TERMS OF SECTION 20(3) OF THE BOTSWANA MEAT COMMISSION Act (CHAPTER 74:04) (AS AMENDED)

Report on the Financial Statements

We have audited the group annual financial statements and annual financial statements of Botswana Meat Commission which comprise the consolidated and separate statements of financial positions as at 31 December 2009, and the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in reserves and consolidated and separate statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the directors' report, as set out on pages 34 to 79.

Commissioners' Responsibility for the Financial Statements
The commissioners are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Botswana Meat Commission Act (Chapter: 74:04) (as amended). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the

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

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

Opinion

In our opinion, these financial statements present fairly, in all material respects the consolidated and separate financial position of Botswana Meat Commission as of 31 December 2009, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and Section 20(3) of the Botswana Meat Commission Act (Chapter 74:04) (as amended).

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 26 to the financial statements which indicates that the Group and Commission incurred a total comprehensive loss of P115,127,000 (2008: income of P5,366,000) and P107,393,000 (2008: income of P10,780,000) respectively. These conditions, along with other matters set out in note 26, indicate the existence of a material uncertainty which may cast significant doubt about the Group's and Commission's ability to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT (continued)
TO THE MEMBER OF BOTSWANA MEAT COMMISSION IN TERMS OF SECTION 20(3)
OF THE BOTSWANA MEAT COMMISSION Act (CHAPTER 74:04) (AS AMENDED)

Report on Other Legal and Regulatory Requirements

In accordance with Section 20(3) of the Botswana Meat Commission Act (Cap 74:04) (as amended) we confirm the following:

- (a) We have received all the information and explanations which, to the best of our knowledge and belief were necessary for the performance of our duties as auditors;
- (b) The accounts and related records of the Commission have been properly kept; and
- (c) The Commission has not complied with all the provisions of Part 3 - Financial Provisions Relating to the Commission, of the act with which it is the duty of the Commission to comply. Instances of non compliance are detailed in Note 27 of the financial statements.

GABORONE
21 JULY 2010

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for the year ended 31 December 2009 *annual report*

BOTSWANA MEAT COMMISSION STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2009

		Group		Commission	
	NOTE	2009 P'000	2008 P'000	2009 P'000	2008 P'000
REVENUE	1	664,122	742,750	621,835	687,107
Levies		(90)	(219)	(90)	(219)
Freight, storage and other selling expenses		(59,333)	(57,741)	(84,660)	(76,528)
Net livestock and meat costs	2	<u>(440,822)</u>	<u>(357,481)</u>	<u>(425,449)</u>	<u>(335,594)</u>
NET SALES		163,877	327,309	111,636	274,766
Fair value loss on biological assets	12	(382)	-	(382)	-
Production and administration costs		(286,723)	(274,988)	(235,831)	(223,745)
Share of results of associates	10	(51)	398	-	-
Reimbursement of losses incurred at the Francistown Abattoir	14.2	<u>22,230</u>	<u>-</u>	<u>22,230</u>	<u>-</u>
Other (losses)/income	3	<u>(256)</u>	<u>11,909</u>	<u>6,948</u>	<u>18,041</u>
OPERATING (DEFICIT)/SURPLUS before finance costs and taxation	4	(101,305)	64,628	(95,399)	69,062
Finance costs	6	(21,558)	(23,107)	(22,910)	(23,514)
Finance income		13,860	18,253	10,916	16,424
Ammortisation of loan revaluation reserve	16.2.1	<u>19,856</u>	<u>22,174</u>	<u>19,856</u>	<u>22,174</u>
(DEFICIT)/SURPLUS before taxation		<u>(89,147)</u>	<u>81,948</u>	<u>(87,537)</u>	<u>84,146</u>

[Annual financial statements] 2009

for the year ended 31 December 2009 *annual report*

BOTSWANA MEAT COMMISSION STATEMENTS OF COMPREHENSIVE INCOME (continued) FOR THE YEAR ENDED 31 DECEMBER 2009

	NOTE	Group		Commission	
		2009 P'000	2008 P'000	2009 P'000	2008 P'000
Taxation	7	(3,378)	(28,386)	-	(27,762)
(DEFICIT)/SURPLUS for the year		(92,525)	53,562	(87,537)	56,384
Other comprehensive loss					
Unrealised gain on translation of net assets arising on consolidation of foreign entities		(2,746)	(2,408)	-	-
Ammortisation of loan revaluation reserve		(19,856)	(22,174)	(19,856)	(22,174)
Revaluation of investment in associate		-	(184)	-	-
Adjustment to loan revaluation reserve		-	(23,430)	-	(23,430)
Total other comprehensive loss		(22,602)	(48,196)	(19,856)	(45,604)
Total comprehensive (loss)/income		(115,127)	5,366	(107,393)	10,780

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BOTSWANA MEAT COMMISSION STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2009

	Note	Group		Commission	
		2009 P'000	2008 P'000	2009 P'000	2008 P'000
ASSETS					
Non-current assets					
Property, plant and equipment	8	121,470	103,083	108,992	87,994
Investment property	9	1,153	3,058	-	-
Investments	10	1,354	1,539	7,484	7,484
Deferred taxation	18	-	547	-	-
		<u>123,977</u>	<u>108,227</u>	<u>116,476</u>	<u>95,478</u>
Current assets					
Biological assets	12	49,203	-	49,203	-
Inventories	13	147,263	49,168	147,263	48,655
Taxation receivable	7	22,906	121	17,32	-
Trade and other receivables	14	140,505	107,624	123,47	81,339
Amounts due from group companies		-	-	20,770	53,990
Cash and cash equivalents	15	<u>98,839</u>	<u>348,547</u>	<u>41,834</u>	<u>260,613</u>
		458,716	505,460	399,869	444,597
Assets classified as held for sale	11	-	3,224	-	3,224
Total assets		<u>582,693</u>	<u>616,911</u>	<u>516,345</u>	<u>543,299</u>
RESERVES AND LIABILITIES					
RESERVES					
Capital reserves		101,915	79,806	58,666	33,666
Loan redemption reserve		72,134	93,725	72,134	93,725
Development reserve		1,080	1,080	1,080	1,080
Stabilisation reserve		390	41,019	390	41,019
Foreign exchange fluctuation reserve		4,076	2,256	-	-
Foreign exchange stabilisation reserve		12,669	13,936	-	-
Loans revaluation reserve		33,763	53,619	33,763	53,619
Accumulated surplus		<u>12,129</u>	<u>42,842</u>	-	<u>25,317</u>
Total reserves		<u>238,283</u>	<u>328,283</u>	<u>166,033</u>	<u>248,426</u>

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BOTSWANA MEAT COMMISSION STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2009 (continued)

	Note	Group		Commission	
		2009 P'000	2008 P'000	2009 P'000	2008 P'000
LIABILITIES					
Non-current liabilities					
Borrowings	16.1	110,656	139,714	110,656	139,714
Pension fund obligations	17	3,095	3,754	3,095	3,754
Deferred taxation	18	343	-	-	-
		<u>114,094</u>	<u>143,468</u>	<u>113,751</u>	<u>143,468</u>
Current liabilities					
Taxation payable	7	3,772	29,052	-	27,762
Trade and other payables	19	83,427	67,436	73,410	60,363
Amounts due to group companies		-	-	19,907	15,926
Borrowings	16.1	143,244	48,672	143,244	47,354
		<u>230,443</u>	<u>145,160</u>	<u>236,561</u>	<u>151,405</u>
Total liabilities		<u>344,537</u>	<u>288,628</u>	<u>350,312</u>	<u>294,873</u>
Total reserves and liabilities		<u>582,693</u>	<u>616,911</u>	<u>516,345</u>	<u>543,299</u>

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BOTSWANA MEAT COMMISSION
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	Group		Commision	
		2009 P'000	2008 P'000	2009 P'000	2008 P'000
CASHFLOWS FROM OPERATING ACTIVITIES					
Cash (used in)/generated from operations	22	(239,160)	147,821	(214,546)	153,884
Finance costs		(21,558)	(23,107)	(22,910)	(23,514)
Taxation (paid)/refunded		(50,141)	6,144	(45,083)	-
Net cash (used in)/generated from operating activities		<u>(310,859)</u>	<u>130,858</u>	<u>(282,539)</u>	<u>130,370</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment		(26,675)	(7,942)	(28,698)	(7,634)
Proceeds on disposal of property, plant and equipment	22.3	306	1,540	271	1,492
Proceeds on disposal of investment property	22.4	6,165	-	-	-
Finance income		13,860	18,253	10,916	16,424
Dividends received		-	-	8,500	1,152
Net cash (used in)/generated from investing activities		<u>(6,344)</u>	<u>11,851</u>	<u>(9,011)</u>	<u>11,434</u>
CASHFLOWS FROM FINANCING ACTIVITIES					
Capitla contribution		25,000	-	25,000	-
Net borrowings repaid		(48,134)	(1,607)	(48,134)	(1,607)
Effects of changes in foreign exchange rates	22.5	3,958	(4,386)	-	-
Net cash used in financing activities		<u>27,090</u>	<u>(5,993)</u>	<u>(23,134)</u>	<u>(1,607)</u>
Net (decrease)/increase in cash and cash equivalents		(344,295)	136,716	(314,684)	140,197
Effects of exchange rate changes on balance of cash held		795	2,781	795	2,781
Cash and cash equivalents at beginning of year		347,229	207,732	260,613	117,635
Cash and cash equivalents at end of year		<u>3,729</u>	<u>347,229</u>	<u>(53,276)</u>	<u>260,613</u>
Comprising:					
Cash and bank balances		98,839	348,547	41,834	260,613
Bank overdraft		(95,110)	(1,318)	(95,110)	-
		<u>3,729</u>	<u>347,229</u>	<u>(53,276)</u>	<u>260,613</u>

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BOTSWANA MEAT COMMISSION
STATEMENTS OF CHANGES IN RESERVES
FOR THE YEAR ENDED 31 DECEMBER 2009

Group	Total P'000	Capital reserves P'000	Loan redemption reserve P'000	Development reserve P'000	Stabilisation reserve P'000	Foreign exchange fluctuation reserve P'000	Foreign exchange stabilisation reserve P'000	Loans revaluation reserve P'000	Accumulated surplus/ (deficit) P'000
Balance at 1 January 2008	322,917	79,834	62,885	853	54,647	5,008	9,007	99,223	11,460
Transfer of share of associate result	-	398	-	-	-	-	-	-	(398)
Surplus for the year	53,562	-	-	-	-	-	-	-	53,562
Other comprehensive income	(48,196)	(426)	-	-	-	(2,752)	1,186	(45,604)	(600)
Total comprehensive income	<u>5,366</u>	<u>(426)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,752)</u>	<u>1,186</u>	<u>(45,604)</u>	<u>52,962</u>
Appropriations/movement	-	-	30,840	227	(13,628)	-	3,743	-	(21,182)
Balance at 31 December 2008	328,283	79,806	93,725	1,080	41,019	2,256	13,936	53,619	42,842
Transfer of share of associate result	-	(51)	-	-	-	-	-	-	51
Deficit for the year	(92,525)	-	-	-	-	-	-	-	(92,525)
Other comprehensive income	(22,602)	(2,891)	-	-	-	1,820	(1,267)	(19,856)	(408)
Total comprehensive income	<u>(115,127)</u>	<u>(2,891)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,820</u>	<u>(1,267)</u>	<u>(19,856)</u>	<u>(92,933)</u>
Loan redemption reserve realised	-	-	-	-	-	-	-	-	52,431
Capital contribution	25,000	-	-	-	-	-	-	-	-
Appropriations/movement	-	-	30,840	-	(40,629)	-	-	-	9,789
Balance at 31 December 2009	<u>238,156</u>	<u>101,915</u>	<u>72,134</u>	<u>1,080</u>	<u>390</u>	<u>4,076</u>	<u>12,669</u>	<u>33,763</u>	<u>12,129</u>

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BOTSWANA MEAT COMMISSION STATEMENTS OF CHANGES IN RESERVES FOR THE YEAR ENDED 31 DECEMBER 2009

Commission	Total P'000	Capital reserves P'000	Loan redemption reserve P'000	Development reserve P'000	Stabilisation reserve P'000	Loans revaluation reserve P'000	Accumulated surplus/ (deficit) P'000
Balance at 1 January 2008	237,646	33,666	62,885	853	54,647	99,223	(13,628)
Surplus for the year	56,384	-	-	-	-	-	56,384
Other comprehensive income	(45,604)	-	-	-	-	(45,604)	-
Total comprehensive income	<u>10,780</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(45,604)</u>	<u>56,384</u>
Appropriations/movement	-	-	30,840	227	(13,628)	-	(17,439)
Balance at 31 December 2008	248,426	33,666	93,725	1,080	41,019	53,619	25,317
Deficit for the year	(87,537)	-	-	-	-	-	(87,537)
Other comprehensive income	(19,856)	-	-	-	-	(19,856)	-
Total comprehensive income	<u>(107,393)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(19,856)</u>	<u>(87,537)</u>
Loan redemption reserve realised	-	-	(52,431)	-	-	-	52,431
Capital contribution	25,000	25,000	-	-	-	-	-
Appropriations/movement	-	-	30,840	-	(40,629)	-	9,789
Balance at 31 December 2009	<u>166,033</u>	<u>58,666</u>	<u>72,134</u>	<u>1,080</u>	<u>390</u>	<u>33,763</u>	<u>-</u>

BOTSWANA MEAT COMMISSION
STATEMENTS OF CHANGES IN RESERVES (continued)
FOR THE YEAR ENDED 31 DECEMBER 2009

Loan redemption reserve

Comprises amounts appropriated from income to provide for the repayment of loans as required in terms of the Botswana Meat Commission Act (Chapter 74:04) (as amended).

Development reserve

In terms of the Botswana Meat Commission Act (Chapter 74:04) (as amended) the Commission shall appropriate amounts to the development reserve to a maximum in any one year of P2 per head of cattle slaughtered.

Stabilisation reserve

In terms of the Botswana Meat Commission Act (Chapter 74 :04) (as amended) this reserve, which at present may not exceed a total of P70,000,000, may be utilised for stabilisation of livestock prices or for any other purpose which the Commission, with appropriate approval, may determine from time to time.

Foreign exchange fluctuation reserve

Represents unrealised gains and losses on the translation of assets and liabilities arising on the consolidation of foreign subsidiaries.

Foreign exchange stabilisation reserve

Represents amounts of GBP250 000 (2008: GBP250,000) and US\$1, 500, 000 (2008: US\$1, 500, 000), set aside by certain subsidiaries of the Commission, to be utilised for stabilisation of the impact of foreign exchange fluctuations or for any other purpose which the Commissioner, with appropriate approval, may determine from time to time.

Loan revaluation reserve

Represents the difference between loans received at rates below the ruling market rates and the amortised cost of the loans. Over the period of the loans this reserve will unwind through the finance income based on the effective interest rate yield curve.

**BOTSWANA MEAT COMMISSION
 GROUP ACCOUNTING POLICIES
 FOR THE YEAR ENDED 31 DECEMBER 2009**

ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

Standards and Interpretations affecting amounts reported in the current and prior year

The following revised standard has been adopted in the current period and has affected the amounts reported in these financial statements. Details of other Standards and Interpretations adopted in these financial statements but that have had no effect on the amounts reported are set out under the next heading, Standards and Interpretations Adopted with no effect on the Annual Financial Statements.

IAS 1 (as revised in 2007) Presentation of Financial Statements	-	IAS 1 (2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements. Prior year information has been reclassified to comply with these amendments.
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Standards and Interpretations adopted with no effect on the annual financial statements

IFRS 8 Operating Segments		The requirements of the IFRS are based on the information about the components of the entity that management uses to make decisions about operating matters. The IFRS requires identification of operating segments on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker in order to allocate resources to the segment and assess its performance.
Improving Disclosures about Financial Instruments (Amendments to IFRS 7 Financial Instruments: Disclosures)		The amendments to IFRS 7 expand the disclosures required in respect of fair value measurements and liquidity risk.
Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation		The revisions to IAS 32 amend the criteria for debt/equity classification by permitting certain puttable financial instruments and instruments (or components of instruments) that impose on an entity an obligation to deliver to another party a pro-rata share of the net assets of the entity only on liquidation, to be classified as equity, subject to specified criteria being met.
Amendments to IFRS 2 Share-based Payment - Vesting Conditions and Cancellations		The amendments clarify the definition of vesting conditions for the purposes of IFRS 2, introduce the concept of 'non-vesting' conditions, and clarify the accounting treatment for cancellations.
IAS 23 (as revised in 2007) Borrowing Costs		The principal change to the standard was to eliminate the option to expense all borrowing costs when incurred. This change has had no impact on these financial statements because the group and commission does not have qualifying assets.

**BOTSWANA MEAT COMMISSION
GROUP ACCOUNTING POLICIES (continued)
FOR THE YEAR ENDED 31 DECEMBER 2009**

ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Standards and interpretations adopted with no effect on the annual financial statements (continued)

Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items

The amendments provide clarification on two aspects of hedge accounting: identifying inflation as a hedged risk or portion, and hedging with options.

Embedded Derivatives (Amendments to IFRIC 9 and IAS 39)

The amendments clarify the accounting for embedded derivatives in the case of a reclassification of a financial asset out of the 'fair value through profit or loss' category as permitted by the October 2008 amendments to IAS 39 Financial Instruments: Recognition and Measurement (see above).

IFRIC 15 Agreements for the Construction of Real Estate

The Interpretation addresses how entities should determine whether an agreement for the construction of real estate is within the scope of IAS 11 Construction Contracts or IAS 18 Revenue and when revenue from the construction of real estate should be recognised. The requirements have not affected the accounting for the Group's activities.

IFRIC 16 Hedges of a Net Investment in a Foreign Operation

The Interpretation provides guidance on the detailed requirements for net investment hedging for certain hedge accounting designations.

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BOTSWANA MEAT COMMISSION GROUP ACCOUNTING POLICIES (continued) FOR THE YEAR ENDED 31 DECEMBER 2009

ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Standards and interpretations in issue but not yet effective	Effective Date
New/Revised International Financial Reporting Standards:	
IFRS 2 - Share-based Payment - Amendments resulting from April 2009 Annual Improvements to IFRSs	Annual periods beginning on or after 1 July 2009
IFRS 2 - Share-based Payment - Amendments relating to group cash-settled share-based payment transactions	Annual periods beginning on or after 1 January 2010
IFRS 3 - Business Combinations - Comprehensive revision on applying the acquisition method	Annual periods beginning on or after 1 July 2009
IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations - Amendments resulting from May 2008 Annual Improvements to IFRSs	Annual periods beginning on or after 1 July 2009
IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations - Amendments resulting from April 2009 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2010
IFRS 8 - Operating Segments - Amendments resulting from April 2009 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2010
IFRS 9 - Financial Instruments - Classification and Measurement	Annual periods beginning on or after 1 January 2013
IFRIC Interpretation	
IFRIC 14 - IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	November 2009 amendment with respect to voluntary prepaid contributions is effective for annual periods beginning on or after 1 January 2011
IFRIC 17 - Distributions of Non-cash Assets to Owners	Annual periods beginning on or after 1 July 2009
IFRIC 18 - Transfers of Assets from Customers	Transfers received on or after 1 July 2009
IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments	Annual periods beginning on or after 1 July 2010

**BOTSWANA MEAT COMMISSION
GROUP ACCOUNTING POLICIES (continued)
FOR THE YEAR ENDED 31 DECEMBER 2009**

ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Standards and interpretations in issue but not yet effective (continued)

Revised International Accounting Standards

Effective Date

IAS 1 - Presentation of Financial Statements - Amendments resulting from April 2009 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2010
IAS 7 - Statement of Cash Flows - Amendments resulting from April 2009 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2010
IAS 17 - Leases - Amendments resulting from April 2009 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2010
IAS 24 - Related Party Disclosures - Revised definition of related parties	Annual periods beginning on or after 1 January 2011
IAS 27 - Consolidated and Separate Financial Statements - Consequential amendments arising from amendments to IFRS 3	Annual periods beginning on or after 1 July 2009
IAS 28 - Investments in Associates - Consequential amendments arising from amendments to IFRS 3	Annual periods beginning on or after 1 July 2009
IAS 31 - Interests in Joint Ventures - Consequential amendments arising from amendments to IFRS 3	Annual periods beginning on or after 1 July 2009
IAS 32 - Financial Instruments: Presentation - Amendments relating to classification of rights issues	Annual periods beginning on or after 1 February 2010
IAS 36 - Impairment of Assets - Amendments resulting from April 2009 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2010
IAS 38 - Intangible Assets - Amendments resulting from April 2009 Annual Improvements to IFRSs	Annual periods beginning on or after 1 July 2009
IAS 39 - Financial Instruments: Recognition and Measurement - Amendments for eligible hedged items	Annual periods beginning on or after 1 July 2009
IAS 39 - Financial Instruments: Recognition and Measurement - Amendments for embedded derivatives when reclassifying financial instruments	Annual periods ending on or after 30 June 2009
IAS 39 - Financial Instruments: Recognition and Measurement - Amendments resulting from April 2009 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2010

**BOTSWANA MEAT COMMISSION
GROUP ACCOUNTING POLICIES (continued)
FOR THE YEAR ENDED 31 DECEMBER 2009**

STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Botswana Meat Commission Act (Chapter 74:04) (as amended).

BASIS OF PREPARATION

The consolidated financial statements are prepared under the historical cost convention with the exception of certain financial instruments which are shown at fair value.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Commission's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Commission's financial statement are disclosed in the "Critical accounting judgement and key sources of estimations uncertainty" section of the financial statements.

BASIS OF CONSOLIDATION

Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

The acquisition of subsidiaries is accounted for using the purchase method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the net assets of the subsidiary acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

All intra-group transactions, balances, income, expenses and unrealised gains on transactions are eliminated on consolidation. Unrealised losses are also eliminated but considered as an impairment indicator of the asset transferred. The accounting policies of the subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Associates

An associate is an entity in which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. Under the equity method, the Group's share of the post-acquisition profits or losses of associates is recognised in the income statement and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

**BOTSWANA MEAT COMMISSION
 GROUP ACCOUNTING POLICIES (continued)
 FOR THE YEAR ENDED 31 DECEMBER 2009**

BASIS OF CONSOLIDATION (continued)

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

FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Botswana Pula, which is the Commission's functional and presentation currency.

Transactions and Balances

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 at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Group companies

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

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each income statement are translated at average exchange rates and;

- All resulting exchange differences are recognised as a separate component of equity

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to equity. When a foreign entity is sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

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

INVENTORIES

Finished Goods

Inventories are stated at the lower of cost and net realisable value. Costs is determined on the following basis:

- Meat stocks are valued at actual cost on a first-in, first-out basis.
- Deboned and processed meat stocks are valued at meat stock costs plus production and processing overheads.
- By-products are valued at estimated net realisable value.

Net realisable value represents the estimated selling price applicable in the ordinary course of the business less applicable variable selling and distribution expenses.

Consumable Stores

Consumable stores items are valued at weighted average cost. Provision is made for obsolete and slow moving items.

**BOTSWANA MEAT COMMISSION
 GROUP ACCOUNTING POLICIES (continued)
 FOR THE YEAR ENDED 31 DECEMBER 2009**

PROPERTY, PLANT AND EQUIPMENT

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the costs of the item can be measured reliably. Repairs and maintenance are charged to the income statement during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is possible that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining useful life of the related asset.

The carrying value of all assets is reviewed where there is an indication that it may be impaired. Where the carrying value of an asset is found to exceed its recoverable amount, the asset is written down to its estimated recoverable amount.

Freehold land is not depreciated. Leasehold land is written off over the period of the lease. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over the estimated useful lives, as presented below:

-	Freehold land and buildings	25 - 40 years
-	Leasehold land and buildings	duration of the lease
-	Plant and machinery	5 - 15 years
-	Vehicles	3 - 10 years
-	Furniture, fittings and equipment	5 - 7 years
-	Computer equipment and software	3 - 5 years

Property, plant and equipment's residual values and useful lives are reviewed at each balance sheet date. If appropriate, adjustments are made and accounted for prospectively as a change in estimate.

Gains or losses on disposals are determined by comparing proceeds with the carrying amount. Such gains or losses are included in the income statement

INVESTMENT PROPERTY

Investment property, principally comprising a filling station, warehouse, workshop and ancillary offices owned by a subsidiary, is held for long-term rental yields and is not occupied by the Group. Investment property is treated as a long-term investment and is carried at cost less depreciation. Depreciation is charged at 2.5% per annum on a straight-line basis.

INTANGIBLE ASSETS

Goodwill represents the excess of the cost of acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of the acquisition. Goodwill on acquisition of subsidiaries is included in "intangible assets". Goodwill on acquisition of associates is included in "investment in associates". Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to the cash generating units for the purpose of impairment testing.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to

**BOTSWANA MEAT COMMISSION
GROUP ACCOUNTING POLICIES (continued)
FOR THE YEAR ENDED 31 DECEMBER 2009**

amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flows. Non financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

LEASES

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the lessee. All other leases are classified as operating leases.

The Group and Commission as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group and Commission as a lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense

on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and are net of any bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective yield method. Borrowing costs are recognised as an expense in the period in which they are incurred.

Borrowings obtained from the Government of the Republic of Botswana at rates below the ruling market rates are originally recorded at amortised cost, determined based on the effective yield method. Under this method, the fair value of the borrowing is measured as the present value of anticipated future cash flows discounted at an applicable interest rate. The difference between the borrowing received and the amortised cost is recognised as income when the borrowing is received and unwinds to interest expense over the period of the loan based on the effective interest rate yield curve.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

**BOTSWANA MEAT COMMISSION
GROUP ACCOUNTING POLICIES (continued)
FOR THE YEAR ENDED 31 DECEMBER 2009**

EMPLOYEE BENEFITS

The Commission operates a defined benefit pension fund for all eligible citizen employees. A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation. The assets of the fund are held separately from those of the Commission in an independently administered fund. The fund is actuarially valued at intervals not exceeding 3 years on the projected unit credit method.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for actuarial gains/losses and past service cost. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments, changes in actuarial assumptions and amendments to pension plans are charged or credited to income in the year of valuation.

Contributions to the pension fund are charged against income as incurred.

BIOLOGICAL ASSETS

Biological assets are measured on initial recognition and at the end of each reporting period at fair value less cost to sell. Changes in the measurement of fair value less cost to sell are included in profit or loss for the period in which it arises. All costs incurred in maintaining the assets are included in profit or loss for the period in which it arises.

Fair values of livestock held for slaughter are determined based on the cost of purchase of the animals, costs of feeding the animals, commission paid to buyers for the cattle and the transportation costs. The commissioners consider this to be a reliable estimate of the fair value of the animals at the reporting date.

PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

REVENUE RECOGNITION

Revenue comprises the invoiced value of the sale of goods and services, including property rentals and insurance premiums net of value-added tax, rebates and discounts, and after eliminating sales within the Group. Revenue is recognised as follows:

- Revenue from the sale of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer.
- Revenue from rendering of services is based on the stage of completion determined by reference to services performed to date as a percentage of total services to be performed.

Interest income is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Group.

**BOTSWANA MEAT COMMISSION
GROUP ACCOUNTING POLICIES (continued)
FOR THE YEAR ENDED 31 DECEMBER 2009**

Dividends are recognised when the right to receive payment is established being the earlier of the declaration of the dividend and the payment of the dividend.

Insurance premiums are recognised as earned on a pro-rata basis over the period of the cover.

Government grants are only recognised when there is reasonable assurance that the conditions attached to them have been or will be complied with and the grants will be received. They are recognised as income, using the income approach method, over the periods necessary to match them with the related costs, which they are intended to compensate. Government grants receivable as compensation for expenses or losses already incurred or for the purpose of giving the Commission immediate financial support with no future related costs are recognised as income in the period in which they become receivable. Government grants relating to assets are deducted in arriving at the carrying amount of the asset.

RELATED PARTIES

Related parties are defined as those parties:

- (a) directly, or indirectly through one or more intermediaries, the party:
 - (i) controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
 - (ii) has an interest in the entity that gives it significant influence over the entity; or
- (b) that are members of the key management personnel of the entity or its parent including close members of the family.

All dealings with related parties are transacted on an arm's length basis and accordingly included in profit or loss for the year.

TAXATION

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled

**BOTSWANA MEAT COMMISSION
GROUP ACCOUNTING POLICIES (continued)
FOR THE YEAR ENDED 31 DECEMBER 2009**

or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

FINANCIAL INSTRUMENTS

Financial assets

All financial assets are recognised and de-recognised on the trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and

purpose of the financial assets and is determined at the time of initial recognition. The Group's principal financial assets are 'loans and receivables'.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

**BOTSWANA MEAT COMMISSION
GROUP ACCOUNTING POLICIES (continued)
FOR THE YEAR ENDED 31 DECEMBER 2009**

FINANCIAL INSTRUMENTS(continued)

De-recognition of financial assets

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

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'. The Group's financial liabilities are principally 'other financial liabilities'.

Other financial liabilities

Other financial liabilities, including payables, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

IMPAIRMENT OF TANGIBLE ASSETS

At each balance sheet date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of an asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, its carrying amount is reduced to its recoverable amount. An impairment loss is recognised immediately in the profit or loss for the year.

**BOTSWANA MEAT COMMISSION
GROUP ACCOUNTING POLICIES (continued)
FOR THE YEAR ENDED 31 DECEMBER 2009**

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the profit or loss for the year.

**CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES
OF ESTIMATION UNCERTAINTY**

The Commission makes assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

(a) Useful lives and residual values for property, plant and equipment

The commission tests annually whether the useful life and residual value estimates are appropriate and in accordance with its accounting policy.

(b) Income taxes

The Commission's subsidiaries are subject to income taxes in numerous jurisdictions. Significant judgement is required in determining provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The subsidiaries of the Commission recognises liabilities for anticipated tax audit issues based on estimates of whether

additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

(c) Fair values of biological assets

The Commissioners have estimated that the fair value of the livestock held at year end comprises the following:

- Cost of purchase of the livestock;
- Cost of feeding the animals to the reporting date;
- Commission paid to livestock buyers; and
- Transport costs for moving the livestock to feeding pens.

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BOTSWANA MEAT COMMISSION NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

	Group		Commission	
	2009 P'000	2008 P'000	2009 P'000	2008 P'000
1 REVENUE				
Sale of meat and allied meat products	640,207	720,396	621,835	687,107
Other sales - services	23,915	22,354	-	-
	<u>664,122</u>	<u>742,750</u>	<u>621,835</u>	<u>687,107</u>
2 NET LIVESTOCK AND MEAT COSTS				
Opening Inventory (note 13)	39,010	49,994	38,497	49,713
Livestock and meat purchases	533,570	346,497	518,710	324,378
Cattle purchases	518,710	324,378	518,710	324,378
Meat purchases	14,860	22,119	-	-
Closing Inventory (note 13)	(131,758)	(39,010)	(131,758)	(38,497)
	<u>440,822</u>	<u>357,481</u>	<u>425,449</u>	<u>335,594</u>
3 OTHER INCOME				
Dividends from subsidiaries	-	-	8,500	1,152
Net exchange (loss) gains	(7,776)	4,578	(7,792)	4,510
Profit on disposal of property, plant and equipment	306	1,422	271	1,450
Profit on disposal of investment property	4,346	-	-	-
Rentals from investment property	646	921	-	-
Sundry income	2,222	4,988	1,431	3,192
Income from related parties	-	-	4,538	7,737
	<u>(256)</u>	<u>11,909</u>	<u>6,948</u>	<u>18,041</u>
4 OPERATING (DEFICIT)/SURPLUS BEFORE FINANCE COSTS AND TAXATION				
Operating (deficit)/surplus before finance costs and taxation is stated after taking the following into account:				
(Income)/expenses from subsidiary companies				
- Management fees - net	-	-	(240)	(240)
- Commission	-	-	10,933	11,273
- Interest paid	-	-	1,657	1,119
Depreciation of property, plant and equipment	12,446	13,665	10,924	11,468
Depreciation of investment property	86	86	-	-
Auditors' remuneration	4,515	2,690	1,821	1,474
Commissioners				
- Fees and emoluments	3,563	160	220	139
- Expenses	891	635	494	264
Staff costs (note 5)	<u>133,466</u>	<u>122,433</u>	<u>108,061</u>	<u>95,516</u>

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BOTSWANA MEAT COMMISSION
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)

	Group		Commission	
	2009 P'000	2008 P'000	2009 P'000	2008 P'000
5 STAFF COSTS				
Wages and salaries	120,153	110,158	98,849	87,647
Social security costs	13,313	12,275	9,212	7,869
	<u>133,466</u>	<u>122,433</u>	<u>108,061</u>	<u>95,516</u>
6 FINANCE COSTS				
Bank borrowings	1,620	348	1,315	755
Finance leases	-	10	-	10
Long term loans	19,938	22,749	19,938	21,630
Related parties	-	-	1,657	1,119
	<u>21,558</u>	<u>23,107</u>	<u>22,910</u>	<u>23,514</u>
7 TAXATION				
Botswana taxation:				
- current year	24,869	28,038	23,394	27,762
- less tax rebate (note b)	(23,394)	-	(23,394)	-
- prior year	(108)	-	-	-
	<u>1,367</u>	<u>28,038</u>	<u>-</u>	<u>27,762</u>
Foreign taxation:				
- current taxation	717	326	-	-
- prior year	(8)	(49)	-	-
- deferred taxation	1,302	71	-	-
	<u>2,011</u>	<u>348</u>	<u>-</u>	<u>-</u>
Total taxation	<u>3,378</u>	<u>28,386</u>	<u>-</u>	<u>27,762</u>

BOTSWANA MEAT COMMISSION
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)

TOTAL TAXATION (continued)

- a) The Commission is taxed in Botswana in terms of the Fourth Schedule of the Income Tax Act 1995 which is principally based on gross sales proceeds less marketing expenses
- b) The Minister of Finance and Development Planning has settled the taxation amount of P23,394,000 (2008: PNil). The Commission had however made self assessment tax payments during the year amounting to P17,321,000 which are now disclosed as tax receivable from the Botswana Unified Revenue Service on the statement of financial position. The movement of the taxation liability/receivable is disclosed as follows.

	Group		Commission	
	2009 P'000	2008 P'000	2009 P'000	2008 P'000
Balance (receivable) payable at beginning of year	28,931	(5,528)	27,762	-
Current tax charge	25,470	28,315	23,394	27,762
Rebates received	(23,394)	-	(23,394)	-
(Payments) refunds	(50,141)	6,144	(45,083)	-
Balance (receivable) payable at end of year	<u>(19,134)</u>	<u>28,931</u>	<u>(17,321)</u>	<u>27,762</u>

Disclosed on the statement of financial position as:

Taxation receivable	(22,906)	(121)	(17,321)	-
Taxation payable	<u>3,772</u>	<u>29,052</u>	<u>-</u>	<u>27,762</u>
	<u>(19,134)</u>	<u>28,931</u>	<u>(17,321)</u>	<u>27,762</u>

BOTSWANA MEAT COMMISSION
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)

8 PROPERTY, PLANT AND EQUIPMENT

	Freehold Land and Buildings P'000	Leasehold Land and Buildings P'000	Plant and Machinery P'000	Motor Vehicles P'000	Furniture and Equipment P'000	Computer Equipment P'000	Capital Work in Progress P'000	Total P'000
8.1 Group								
Year ended 31 December 2009								
Opening carrying amount	45,490	1,967	42,095	5,539	1,716	3,796	2,480	103,083
Exchange differences	835	(19)	140	(27)	(12)	17	-	934
Additions	902	-	13,402	1,257	1,019	3,177	6,918	26,675
Disposals	-	-	-	(604)	(430)	(151)	-	(1,185)
Depreciation charge	(2,139)	(263)	(6,207)	(2,432)	(435)	(970)	-	(12,446)
Depreciation on disposal	-	-	-	604	430	151	-	1,185
Transfer from assets classified as held for sale	1,566	-	1,578	43	7	30	-	3,224
Closing carrying amount	<u>46,654</u>	<u>1,685</u>	<u>51,008</u>	<u>4,380</u>	<u>2,295</u>	<u>6,050</u>	<u>9,398</u>	<u>121,470</u>
At 31 December 2009								
Cost	83,595	7,225	133,473	15,096	10,111	20,537	9,398	279,435
Accumulated depreciation	<u>(36,941)</u>	<u>(5,540)</u>	<u>(82,465)</u>	<u>(10,716)</u>	<u>(7,816)</u>	<u>(14,487)</u>	-	<u>(157,965)</u>
Closing carrying amount	<u>46,654</u>	<u>1,685</u>	<u>51,008</u>	<u>4,380</u>	<u>2,295</u>	<u>6,050</u>	<u>9,398</u>	<u>121,470</u>

Group and Commission

The details of the Commission's and the Group's freehold land and buildings are available at the Commission's head office in Lobatse.

The Commission is engaged in a project to update and obtain all title deeds over the properties owned by the Commission as a number of title deeds over the Commission's properties are not available or reflect historical ownership data.

BOTSWANA MEAT COMMISSION
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)

8 PROPERTY, PLANT AND EQUIPMENT (continued)

	Freehold Land and Buildings P'000	Leasehold Land and Buildings P'000	Plant and Machinery P'000	Motor Vehicles P'000	Furniture and Equipment P'000	Computer Equipment P'000	Capital Work in Progress P'000	Total P'000
8.1 Group (continued)								
Year ended 31 December 2008								
Opening carrying amount	49,773	2,473	43,797	6,992	1,942	3,951	3,011	111,939
Exchange differences	(2,327)	(241)	(118)	(269)	(40)	(20)	-	(3,015)
Additions	853	-	5,425	858	510	785	(489)	7,942
Disposals	-	(430)	-	(241)	(520)	(135)	(42)	(1,368)
Depreciation charge	(2,809)	(265)	(7,009)	(2,006)	(656)	(920)	-	(13,665)
Depreciation on disposal	-	430	-	205	480	135	-	1,250
Closing carrying amount	<u>45,490</u>	<u>1,967</u>	<u>42,095</u>	<u>5,539</u>	<u>1,716</u>	<u>3,796</u>	<u>2,480</u>	<u>103,083</u>
At 31 December 2008								
Cost	80,292	7,244	118,353	14,427	9,527	17,464	2,480	249,787
Accumulated depreciation	(34,802)	(5,277)	(76,258)	(8,888)	(7,811)	(13,668)	-	(146,704)
Net carrying amount	<u>45,490</u>	<u>1,967</u>	<u>42,095</u>	<u>5,539</u>	<u>1,716</u>	<u>3,796</u>	<u>2,480</u>	<u>103,083</u>

BOTSWANA MEAT COMMISSION
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)

8	PROPERTY PLANT AND EQUIPMENT (continued)								
	Freehold Land and Buildings P'000	Leasehold Land and Buildings P'000	Plant and Machinery P'000	Motor Vehicles P'000	Furniture and Equipment P'000	Computer Equipment P'000	Capital Work in Progress P'000	Total P'000	
8.2	Commission								
	Year ended 31 December 2009								
	Opening carrying amount	36,345	3	40,803	3,515	1,192	3,655	2,481	87,994
	Interclass transfers	-	-	-	(41)	41	-	-	-
	Additions	2,914	-	13,450	1,257	1,008	3,151	6,918	28,698
	Depreciation charge	(2,068)	-	(6,012)	(1,686)	(284)	(874)	-	(10,924)
	Transfer from assets classified as held for sale	-	-	-	-	-	-	-	-
		1,566	-	1,578	43	7	30	-	3,224
	Closing carrying amount	<u>38,757</u>	<u>3</u>	<u>49,819</u>	<u>3,088</u>	<u>1,964</u>	<u>5,962</u>	<u>9,399</u>	<u>108,9</u>
	At 31 December 2009								
	Cost	75,904	4,548	133,285	11,602	8,152	19,832	9,399	262,722
	Accumulated depreciation	<u>(37,147)</u>	<u>(4,545)</u>	<u>(83,466)</u>	<u>(8,473)</u>	<u>(6,229)</u>	<u>(13,870)</u>	-	<u>(153,730)</u>
	Net carrying amount	<u>38,757</u>	<u>3</u>	<u>49,819</u>	<u>3,129</u>	<u>1,923</u>	<u>5,962</u>	<u>9,399</u>	<u>108,992</u>
	Year ended 31 December 2008								
	Opening carrying amount	37,517	3	42,479	4,071	1,061	3,729	3,010	91,870
	Additions	853	-	5,391	692	424	761	(487)	7,634
	Disposals	-	-	(430)	-	-	-	(42)	(472)
	Depreciation charge	(2,025)	-	(7,067)	(1,248)	(293)	(835)	-	(11,468)
	Depreciation on disposal	-	-	430	-	-	-	-	430
	Closing carrying amount	<u>36,345</u>	<u>3</u>	<u>40,803</u>	<u>3,515</u>	<u>1,192</u>	<u>3,655</u>	<u>2,481</u>	<u>87,994</u>
	At 31 December 2008								
	Cost	71,424	4,548	118,257	10,302	7,137	16,651	2,481	230,800
	Accumulated depreciation	<u>(35,079)</u>	<u>(4,545)</u>	<u>(77,454)</u>	<u>(6,787)</u>	<u>(5,945)</u>	<u>(12,996)</u>	-	<u>(142,806)</u>
	Net carrying amount	<u>36,345</u>	<u>3</u>	<u>40,803</u>	<u>3,515</u>	<u>1,192</u>	<u>3,655</u>	<u>2,481</u>	<u>87,994</u>

The details of the Commission's and the Group's freehold land and buildings are available at the Commission's head office in Lobatse. The Commission is engaged in a project to update and obtain all title deeds over the properties owned by the Commission as a number of title deeds over the Commission's properties are not available or reflect

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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		Group	
		2009	2008
		P'000	P'000
9	INVESTMENT PROPERTY		
	Opening carrying amount	3,058	3,144
	Disposals at cost	(2,500)	-
	Depreciation charge	(86)	(86)
	Accumulated depreciation on disposals	681	-
	Closing carrying amount	<u>1,153</u>	<u>3,058</u>
	Cost	1,796	4,296
	Accumulated depreciation	(643)	(1,238)
	Net carrying amount	<u>1,153</u>	<u>3,058</u>

The Commissioners are of the opinion that the fair value of investment properties are in excess of the carrying amount reflected above. The details of the investment property are available at the Commission's head office.

		Group		Commission	
		2009	2008	2009	2008
		P'000	P'000	P'000	P'000
		% Equity held			
10	INVESTMENTS				
	Subsidiary companies:				
	Botswana Meat Commission (UK) Holdings Limited				
	Shares at cost	100	-	2,866	2,866
	Lobatse Leathers (Pty) Ltd				
	Shares at cost	100	-	300	300

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BOTSWANA MEAT COMMISSION NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)

10	INVESTMENTS (continued)	% Equity held	Group		Commission	
			2009 P'000	2008 P'000	2009 P'000	2008 P'000
	Botswana Road Services (Pty) Ltd Shares at cost ***	100	-	-	-	-
	Botzam Services (Pty) Ltd Shares at cost ***	100	-	-	-	-
	Mainline Carriers (Botswana) (Pty) Ltd Shares at cost	100	-	-	4,308	4,308
	Associated Companies:					
	AMI Investments Limited		1,344	1,529	-	-
	Shares at cost (USD162351@y/end rate)	50	1,081	1,215	-	-
	Share of opening accumulated profit		498	100	-	-
	Share of revaluation in investment		(184)	(184)	-	-
	Attributable share of (loss)/profit for the year		(51)	398	-	-
	Debentures in Clifton school at cost		10	10	10	10
			<u>1,354</u>	<u>1,539</u>	<u>7,484</u>	<u>7,484</u>
	*** The cost of these shares is less than P500 Investments in subsidiaries are classified as follows:					
	Held to maturity investments					
	Lobatse Leathers (Proprietary) Limited		-	-	300	300
	Botswana Meat Commission (UK) Holdings Limited		-	-	2,866	2,866
			-	-	<u>3,166</u>	<u>3,166</u>
	Held for sale investments					
	Botswana Road Services (Proprietary) Limited		-	-	-	-
	Botzam Services (Proprietary) Limited		-	-	-	-
	Mainline Carriers (Botswana) (Proprietary) Limited		-	-	4,308	4,308
			-	-	<u>4,308</u>	<u>4,308</u>
	Total investments in subsidiary companies		<u>1,354</u>	<u>1,539</u>	<u>7,474</u>	<u>7,474</u>

BOTSWANA MEAT COMMISSION
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10 INVESTMENTS (continued)

Botswana Meat Commission (UK) Holdings Limited, a company incorporated in UK and its subsidiary companies act as selling and storage agents.

Lobatse Leathers (Proprietary) Limited, a company incorporated in Botswana, is an intermediary holding company with its subsidiaries in South Africa, Guernsey and Cayman Islands.

Botswana Road Services (Proprietary) Limited and Botzam Services (Proprietary) Limited, companies incorporated in Botswana, are transport and property companies in Francistown.

Mainline Carriers (Botswana) (Proprietary) Limited, a company incorporated in Botswana, is an investment property company.

The Commission owns 50% of the issued share capital of AMI Investments Limited, an investment company incorporated in Guernsey, Channel Islands.

II	NON CURRENT ASSETS HELD FOR SALE	Group		Commission	
		2009 P'000	2008 P'000	2009 P'000	2008 P'000
	Opening carrying amount	3,224	3,224	3,224	3,224
	Transfer to property, plant and equipment	(3,224)	-	(3,224)	-
	Closing carrying amount	<u>-</u>	<u>3,224</u>	<u>-</u>	<u>3,224</u>

At 31 December

Cost	-	7,567	-	7,567
Accumulated depreciation	-	(4,343)	-	(4,343)
Net carrying amount	<u>-</u>	<u>3,224</u>	<u>-</u>	<u>3,224</u>

The Commission has not been able to attract any investors to buy the tannery assets and has subsequently decided to find a strategic partner to assist in turning the tannery business around.

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BOTSWANA MEAT COMMISSION NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)

	Group		Commission	
	2009 P'000	2008 P'000	2009 P'000	2008 P'000
12 BIOLOGICAL ASSETS				
Balance at beginning of year	-	-	-	-
Purchases	138,897	-	138,897	-
Slaughtered	(88,347)	-	(88,347)	-
Deaths	(965)	-	(965)	-
Fair value loss	(382)	-	(382)	-
Balance at end of year	<u>49,203</u>	<u>-</u>	<u>49,203</u>	<u>-</u>
Biological assets comprise livestock held for slaughter. This is a new project undertaken by the Commission during the year to acquire cattle directly from farmers.				
13 INVENTORIES				
Finished goods	131,758	39,010	131,758	38,497
Stores	15,505	10,158	15,505	10,158
	<u>147,263</u>	<u>49,168</u>	<u>147,263</u>	<u>48,655</u>
14 TRADE AND OTHER RECEIVABLES				
14.1 Trade receivables	80,671	85,704	70,808	60,896
Less: Provision for doubtful debts	(6,429)	(10,967)	(6,429)	(10,705)
Trade receivables - net	74,242	74,737	64,379	50,191
Prepayments	13,777	6,890	12,317	6,777
Other receivables	30,256	9,332	24,551	7,706
	<u>118,275</u>	<u>90,959</u>	<u>101,247</u>	<u>64,674</u>
14.2 Amount due from Government of Botswana				
Francistown reimbursement of losses	22,230	25,641	2,230	25,641
Provision for doubtful amounts due from government	-	(8,976)	-	(8,976)
Net amount due from Government of Botswana	<u>22,230</u>	<u>16,665</u>	<u>22,230</u>	<u>16,665</u>
	<u>140,505</u>	<u>107,624</u>	<u>123,478</u>	<u>81,339</u>

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BOTSWANA MEAT COMMISSION NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)

	Group		Commission	
	2009 P'000	2008 P'000	2009 P'000	2008 P'000
14 TRADE AND OTHER RECEIVABLES (continued)				
<u>Movement in the allowance for doubtful debts</u>				
Balance at beginning of year	19,943	34,929	19,681	34,929
Current year provision	1,880	16,393	1,880	16,131
Amounts recovered	(5)	-	(5)	-
Amounts written off	9,212	(31,379)	(9,212)	(31,379)
Amounts reversed	<u>(6,177)</u>	-	<u>(5,915)</u>	-
Balance at end of year	<u>6,429</u>	<u>19,943</u>	<u>6,429</u>	<u>19,681</u>

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk relating to trade receivables is limited due to the customer base being large and unrelated. Accordingly, the Commissioners believe that there is no further provision required in excess of the allowance for doubtful debts. There are no significant debtors past the due date that have not been provided for. The average credit period is 60 days (2008: 60 days)

15 CASH AND CASH EQUIVALENTS

Cash at bank and in hand	98,839	109,004	41,834	21,070
Short term bank deposits	-	239,543	-	239,543
	<u>98,839</u>	<u>348,547</u>	<u>41,834</u>	<u>260,613</u>

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	Group		Commission	
	2009 P'000	2008 P'000	2009 P'000	2008 P'000
16 BORROWINGS				
16.1 Current				
Bank overdraft	95,110	1,318	95,110	-
Current Portion of Government of the Republic of Botswana loan	48,134	47,354	48,134	47,354
	<u>143,244</u>	<u>48,672</u>	<u>143,244</u>	<u>47,354</u>
Bank overdraft comprises:				
Stanbic Bank of Botswana (Proprietary) Limited	68,490	-	68,490	-
Standard Chartered Bank of Botswana Limited	11,314	-	11,314	-
First National Bank Botswana Limited	15,306	-	15,306	-
Other	-	1,318	-	-
	<u>95,110</u>	<u>1,318</u>	<u>95,110</u>	<u>-</u>

16.1.1 Stanbic Bank of Botswana (Proprietary) Limited

The overdraft facility attracts interest at 3% above the Euro interbank offered rate (EURIBOR) and is secured by an irrevocable instruction by the Commission to BMC (UK) Holdings to pay all proceeds from the sale of exported beef financed by the bank net of expenses to a specified bank account in London.

16.1.2 Standard Chartered Bank of Botswana Limited

The overdraft facility is unsecured and attracts interest at Prime Lending Rate (currently 11%, 2008: 16.5%) less 3%. The overdraft is repayable on demand and the facility limit is P22,000,000.

16.1.3 First National Bank Botswana Limited

The overdraft facility is unsecured and attracts interest at Prime lending rate (currently 11%, 2008: 16.5%) less 3%. The overdraft is repayable on demand and the facility limit is P15,000,000.

BOTSWANA MEAT COMMISSION
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16 BORROWINGS (continued)

16.2 Non Current

16.2.1 Government of the Republic of Botswana

	Group		Commission	
	2009 P'000	2008 P'000	2009 P'000	2008 P'000
In terms of Section (23(3) (b)) of the Botswana Meat Commission Act (Chapter 74:04), the Commission is free of obligation to repay this loan; interest at a rate not exceeding 8% per annum is payable thereon.	150	150	150	150
On-lent from European Investment Bank. The loan bears interest at 4% per annum and is repayable annually at the rate of 5% of the distributable surplus in the preceding year or P 210,000, whichever is the lesser. The first repayment was made on 10 September, 1993. Any balance outstanding on 10 September, 2002 is repaid in 10 equal annual instalments of P 134,089 each.	268	402	268	402
Interest free loan repayable in five equal instalments which commenced on 16 February 2009, after a grace period of three years.	110,238	139,162	110,238	139,162
Capital	192,000	240,000	192,000	240,000
Fair value adjustment	(53,618)	(75,792)	(53,618)	(75,792)
Current portion of loan	(48,000)	(47,220)	(48,000)	(47,220)
Amortisation of loan revaluation reserve	19,856	22,174	19,856	22,174
Total Non current borrowings	110,656	139,714	110,656	139,714
Total Borrowings	253,900	188,386	253,900	187,068

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16	BORROWINGS (continued)	Group		Commission	
		2009 P'000	2008 P'000	2009 P'000	2008 P'000
	Maturity of borrowings				
	Up to 1 year	143,244	48,672	143,244	47,354
	Between 2 and 5 years	110,506	139,564	110,506	139,564
	Over 5 years	150	150	150	150
		<u>253,900</u>	<u>188,386</u>	<u>253,900</u>	<u>187,068</u>

17 PENSION FUND OBLIGATIONS

The Commission operates a defined benefit pension plan for its eligible employees.

In accordance with statutory requirements, independent actuaries value the Fund at intervals not exceeding three financial years. Such valuations are based on the projected unit credit funding method. Under this method, the present value of benefits, which have accrued as a result of service prior to the valuation date, are compared with the value of the plan's assets. Allowance is made in the valuation of the accrued benefit for estimates of future salary increases, withdrawals and deaths benefits payable.

The most recent actuarial valuation of the defined benefit plan were performed at 30 September 2009. The results of the valuations are as follows.

	Group and Commission	
	2009 P'000	2008 P'000
Present value of funded liabilities	(142,733)	(123,312)
Fair value of plan assets	<u>102,848</u>	<u>96,482</u>
Deficit	<u>(39,885)</u>	<u>(26,830)</u>

BOTSWANA MEAT COMMISSION
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17 PENSION FUND OBLIGATIONS (continued)	Group and Commission	
	2009	2008
	P'000	P'000
The amount included in the statement of financial position arising from the entity's obligation in respect of its defined benefit plans is as follows:		
Present value of funded defined benefit obligation	142,733	123,312
Fair value of plan assets	<u>(102,848)</u>	<u>(96,482)</u>
Deficit	39,885	26,830
Net actuarial gains not recognised	(36,690)	(23,076)
Unrecognised liability	(100)	-
Net liability arising from defined benefit obligation	<u>3,095</u>	<u>3,754</u>
Amounts recognised in profit or loss in respect of these defined benefit plans are as follows:		
Current service cost	7,233	4,584
Interest on obligation	12,331	11,458
Expected return on plan assets	(10,811)	(12,601)
Prior year adjustment	-	313
Unrecognised liability	(100)	-
Net actuarial loss recognised in the year	689	-
Recognised expense for the year	<u>9,342</u>	<u>3,754</u>
Movements in the present value of the defined benefit obligations in the current period were as follows:		
Opening defined benefit obligation	123,312	109,122
Interest cost	12,331	11,458
Current service cost	7,233	4,584
Benefits paid	(6,303)	(3,810)
Actuarial losses on obligation	6,160	1,958
Closing defined benefit obligation	<u>142,733</u>	<u>123,312</u>
Movement in the present value of the plan assets in the current period were as follows:		
Opening fair value of plan assets	96,482	16,414
Expected return on plan assets	10,811	12,601
Contributions	10,000	-
Benefits paid	(6,303)	(3,810)
Actuarial losses	(8,142)	(28,723)
Closing fair value of plan assets	<u>102,848</u>	<u>96,482</u>

BOTSWANA MEAT COMMISSION
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17 PENSION FUND OBLIGATIONS (continued)

The principal actuarial assumptions used were:

	Group and Commission	
- Expected rate of return	9.50%	11.40%
- Expected rate of remuneration growth	5.50%	7.50%
- Discount rate	7.50%	10.00%
- Expected pension increases	4.00%	1.50%

The major categories of plan assets, and the expected rate of return at the balance sheet date for each category, are as follows:

	Group and Commission		Fair value of plan assets	
	Expected return		2009	2008
	2009	2008	2009	2008
	%	%	P'000	P'000
Equity	10.00	12.50	84,002	70,795
Bonds	7.50	10.00	3,330	19,444
Property	8.00	10.50	2,360	3,024
Cash	7.50	10.00	8,039	3,219
Weighted average expected return	<u>9.50</u>	<u>11.40</u>	<u>97,731</u>	<u>96,482</u>

The overall expected rate of return is a weighted average of the expected returns of the various categories of plan assets held. The commissioners' assessment of the expected returns is based on historical return trends and analysts' predictions of the market for the asset in the next twelve months. The actual return on plan assets was a loss of P3 188 000 (2008: A loss of P16 122 000).

	Group		Commission	
	2009	2008	2009	2008
	P'000	P'000	P'000	P'000
18 DEFERRED TAXATION				
Balance at beginning of year	547	(4,135)	-	-
Exchange differences	412	4,753	-	-
Income statement charge	(1,302)	(71)	-	-
Balance at end of year	<u>(343)</u>	<u>547</u>	<u>-</u>	<u>-</u>
19 TRADE AND OTHER PAYABLES				
Trade payables	24,638	17,861	18,492	12,489
Other payables	58,789	49,575	54,918	47,874
	<u>83,427</u>	<u>67,436</u>	<u>73,410</u>	<u>60,363</u>

BOTSWANA MEAT COMMISSION
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19 TRADE AND OTHER PAYABLES (continued)

The average credit period for trade payables is 30 days (2008: 30 days). No interest is charged on the trade payables. The Group has financial risk management policies in place to ensure that all payables are paid within a reasonable time of the credit time frame.

20 FINANCIAL INSTRUMENTS

20.1 Capital risk management

The Commission and Group manages its capital to ensure that it continues as a going concern while maximising the return to the stakeholder through optimisation of the debt and equity balance.

The capital structure of the Group and the Commission consists of net debt, which includes the borrowings and bank balances and cash and the Commission's capital and reserves disclosed in the statement of changes in equity.

Gearing ratio

The group's management overall strategy is to maintain the gearing ratio at a minimum. On an annual basis, in line with Botswana Meat Commission Act (Cap 74: 04) (As amended) Sections 13 and 14, the Commission sets aside funds for the redemption of borrowings from accumulated surplus.

	Group		Commission	
	2009	2008	2009	2008
	P'000	P'000	P'000	P'000
Debt (i)	253,900	188,386	253,900	187,068
Bank balances and cash	(98,839)	(348,547)	(41,834)	(260,613)
Net debt	<u>155,061</u>	<u>(160,161)</u>	<u>212,066</u>	<u>(73,545)</u>
Equity (ii)	<u>238,156</u>	<u>328,283</u>	<u>166,033</u>	<u>248,426</u>
Net debt to equity ratio	<u>65%</u>	<u>(49%)</u>	<u>128%</u>	<u>(30%)</u>

(i) Debt is defined as borrowings, as disclosed in note 16.

(ii) Equity comprises reserves and accumulated surplus as disclosed in the statement of changes in equity.

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20 FINANCIAL INSTRUMENTS (continued)

20.2 Categories of financial instruments	Group		Commission	
	2009 P'000	2008 P'000	2009 P'000	2008 P'000
Financial assets				
Loans and receivables at amortised cost	<u>222,052</u>	<u>449,281</u>	<u>170,250</u>	<u>389,165</u>
Financial liabilities				
Other liabilities at amortised cost	<u>341,099</u>	<u>284,874</u>	<u>347,217</u>	<u>291,119</u>
Finance costs				
Financial liabilities at amortised cost	21,558	23,107	22,910	23,514
Finance income				
Loans and receivables	13,860	18,253	10,916	16,424

The Commissioners consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

20.3 Foreign currency risk management

The Commission undertakes certain transactions denominated in foreign currencies. Hence exchange rate exposures arise. Exchange rate exposures are managed through continuous dialogue with the bankers on the anticipated movement in the exchange rates. The carrying amounts of the Commission's foreign currency denominated assets and liabilities at the balance sheet date are as follows:

South African Rand creditors	4,519	1,430	4,519	1,430
Australian Dollars creditors	416	-	416	-
United States Dollar creditors	11,534	-	11,534	-
British Pound	7,208	-	7,208	-
	<u>23,677</u>	<u>1,430</u>	<u>23,677</u>	<u>1,430</u>

BOTSWANA MEAT COMMISSION
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20	FINANCIAL INSTRUMENTS (continued)	Group		Commission	
		2009 P'000	2008 P'000	2009 P'000	2008 P'000
20.3	Foreign currency risk management				
	South African Rand debtors	9,545	1,193	9,545	1,193
	British Pound debtors	23,936	8,645	29,435	22,751
	Euro debtors	27,557	13,669	41,981	53,450
	United States Dollar debtors	194	3,254	194	3,254
		<u>61,232</u>	<u>26,761</u>	<u>81,155</u>	<u>80,648</u>
	Net Assets of Table Bay Cold Storage South Africa	39,562	32,968	-	-
	Net Assets of Botswana Meat Commission Guernsey	17,175	17,262	-	-
	Net Assets Of Botswana Meat Commission United Kingdom	36,063	38,053	-	-
	Net Assets of Allied Meat Investments Cayman Islands	46,374	50,735	-	-
		<u>139,174</u>	<u>139,018</u>	<u>-</u>	<u>-</u>

Foreign currency sensitivity analysis

The following table details the group's sensitivity to a 5% increase or decrease in Botswana Pula rate against the major currencies. 5% is the most likely change in exchange rates as assessed by the Commission's management. A positive number below indicates an increase in profit where the pula strengthens against the foreign currency. For a 5% weakening of the Pula against the foreign currencies, there would be an equal and opposite impact on the profit and the balances below would be negative.

Profit or loss	1,878	1,267	2,874	3,961
Equity	<u>6,959</u>	<u>6,951</u>	<u>-</u>	<u>-</u>

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	Group		Commission	
	2009	2008	2009	2008
	P'000	P'000	P'000	P'000
20 FINANCIAL INSTRUMENTS (continued)				
20.4 Interest rate risk				
<p>The group is exposed to movements in interest rates because it has overdraft facilities and borrowings bearing interest rates which are linked to the prime lending rate. If interest rates were 1% lower and all other variables were held constant, the group's profit would move as shown below. For a 1% increase in interest rates there would be an equal and opposite impact on the profit and the balances would be negative.</p>				
Profit or Loss	(310)	3,036	(890)	2,372
Equity	<u>1,102</u>	<u>1,392</u>	<u>1,102</u>	<u>1,392</u>

20.5 Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group. The group has adopted a credit policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. Credit exposure is controlled by credit limits that are reviewed and approved by management. Ongoing credit evaluation is performed on the financial condition of accounts receivable and where appropriate credit guarantee from reputable financial institutions is obtained. There are no significant debtors that are past due that have not been included in the provision for doubtful debts.

20.6 Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Commissioners, which has built an appropriate liquidity risk management framework for the management of the group's short, medium and long term funding and liquidity management requirements. The group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cashflows and matching the maturity profiles of financial assets and liabilities. Included in note 16 are the details of the overdraft facility that the group has at its disposal to further reduce liquidity risk. The Government of Botswana provides funding to the Group and commission when the need arises.

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21	RELATED PARTY TRANSACTIONS	Commission	
		2009 P'000	2008 P'000
	The following related party transactions were entered into at fair value:		
	Sale of goods and services		
	Profit Commission - Allied Meat Insurance Company Limited, Cayman Islands	-	4,311
	Profit Commission - BMC Meat Importers Limited, Guernsey	3,235	3,426
	Freight Commission - BMC (UK) Holdings Limited	10,933	11,273
	Management Fees - Mainline Carriers Botswana (Proprietary) Limited	240	240
		<u>14,408</u>	<u>19,250</u>
	Purchase of goods and services		
	Purchases - Table Bay Cold Storage (Proprietary) Limited Group	4,167	3,875
	Commission - Table Bay Cold Storage (Proprietary) Limited Group	1,748	2,713
		<u>5,915</u>	<u>6,588</u>
	Interest paid to subsidiaries	<u>1,657</u>	<u>1,119</u>
	<i>Receivables from related parties</i>		
	BMC UK Holdings Limited	19,799	53,888
	Botswana Road Services (Proprietary) Limited	77	77
	Botzam Services (Proprietary) Limited	25	25
	Lobatse Leathers (Proprietary) Limited	5	-
	Mainline Carriers Botswana (Proprietary) Limited	686	-
	BMC Importers and Exporters (Proprietary) Limited	178	-
		<u>20,770</u>	<u>53,990</u>
	<i>Payables to related parties</i>		
	BMC Meat Importers Limited, Guernsey	7,208	5,236
	Allied Meat Insurance Company Limited, Cayman Islands	11,487	6,392
	Table Bay Cold Storage (Proprietary) Limited	-	1,384
	BMC Importers and Exporters (Proprietary) Limited	-	243
	Botzam Services (Proprietary) Limited	1,051	1,051
	Mainline Carriers Botswana (Proprietary) Limited	-	1,460
	Lobatse Leathers (Proprietary) Limited	161	160
		<u>19,907</u>	<u>15,926</u>

BOTSWANA MEAT COMMISSION
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)

21	RELATED PARTY TRANSACTIONS (continued)		2009 P'000	2008 P'000	
	<i>Related party balances included in receivables</i>				
	<i>Feedlotters advance to key management personnel</i>		-	106	
	<i>Government of the republic of botswana</i>		4,058	4,564	
			<u>4,058</u>	<u>4,670</u>	
	Refer to note 16 for Government of Botswana loans and guarantees				
	Amount due from government included in provision for bad debts		<u>118</u>	<u>788</u>	
	Sales to the Botswana Government		<u>28,105</u>	<u>33,509</u>	
	Transactions with Board of Commissioners				
	Procurement of cattle		<u>799</u>	<u>573</u>	
	The commissioners' fees and expenses are disclosed in Note 5.				
	Remuneration of key management personnel				
	Short term benefits		3,755	4,325	
	Post retirement benefits		74	63	
			<u>3,829</u>	<u>4,388</u>	
22	NOTES TO THE CASH FLOW STATEMENT	Group	Commission		
22.1	Cash (used in)/generated from operations	2009 P'000	2008 P'000	2009 P'000	2008 P'000
	Operating (deficit) surplus				
	before finance costs and taxation	(101,305)	64,628	(95,399)	69,062
	Adjustments for:				
	Depreciation of property, plant and equipment	12,446	13,665	10,924	11,468
	Depreciation of investment property (note 9)	86	86	-	-
	Profit on disposal of property, Plant and equipment	(306)	(1,422)	(271)	(1,450)
	Pension fund obligation expense	3,754	9,342	3,754	
	Profit on disposal of investment property	(4,346)	-	-	-
	Dividends from subsidiaries	-	-	(8,500)	(1,152)
	Amortisation of loan revaluation reserve	19,856	22,174	19,856	22,174

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BOTSWANA MEAT COMMISSION NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009 (CONTINUED)

22	NOTES TO THE CASH FLOW STATEMENT (continued)	Group		Commission	
		2009 P'000	2008 P'000	2009 P'000	2008 P'000
	Unrealised exchange gains	(795)	(2,781)	(795)	(2,781)
	Share of results of associates	51	(398)	-	-
		<u>(64,971)</u>	<u>99,706</u>	<u>(64,843)</u>	<u>101,075</u>
22.2	Movements in working capital				
	Net increase in biological assets	(49,203)	-	(49,203)	-
	(Increase)/decrease in inventories	(98,095)	11,486	(98,608)	11,718
	Decrease/(increase) in amounts due from group companies	-	-	33,220	(5,947)
	(Increase)/decrease in trade and other receivables	(10,651)	18,043	(19,908)	28,405
	Contribution to pension fund	(10,001)	-	(10,001)	-
	Increase in trade and other payables	15,991	18,586	13,047	17,400
	Increase in amounts due to other group companies	-	-	3,981	1,233
		<u>(174,189)</u>	<u>48,115</u>	<u>(127,472)</u>	<u>52,809</u>
	Cash (used in)/generated from operation operations	<u>(239,160)</u>	<u>147,821</u>	<u>(214,546)</u>	<u>153,884</u>
22.3	Proceeds on disposal of property, plant and equipment				
	Cost	1,185	1,368	-	472
	Accumulated depreciation	(1,185)	(1,250)	-	(430)
	Net carrying amount	-	118	-	42
	Profit on disposal of property, plant and equipment (Note 3)	306	1,422	271	1,450
	Proceeds on disposal	<u>306</u>	<u>1,540</u>	<u>271</u>	<u>1,492</u>
22.4	Proceeds on disposal of investment property				
	Cost	2,500	-	-	-
	Accumulated depreciation	(681)	-	-	-
	Net carrying amount	1,819	-	-	-
	Profit on disposal of investment property (Note 3)	4,346	-	-	-
	Proceeds on disposal	<u>6,165</u>	<u>-</u>	<u>-</u>	<u>-</u>

BOTSWANA MEAT COMMISSION
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)

	Group		Commission	
	2009 P'000	2008 P'000	2009 P'000	2008 P'000
22 NOTES TO THE CASH FLOW STATEMENT (continued)				
22.5 Effects of changes in foreign exchange rates				
Property, plant and equipment	(934)	3,015	-	-
Reserves	(2,746)	-	-	-
Deferred tax	(412)	(4,753)	-	-
Investments	134	(240)	-	-
	<u>(3,958)</u>	<u>(1,978)</u>	<u>-</u>	<u>-</u>
23 CONTINGENT LIABILITIES				
The group has contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business as follows:				
Bond of surety covering outstanding liabilities				
under the BMC Staff Motor Vehicle Advance scheme	2,091	2,550	2,091	2,550
Guarantees in respect of home loan advances	3,159	5,131	3,159	5,131
Guarantee facility from Standard Chartered Bank Botswana Limited	230	230	230	230
Guarantee by Barclays Bank Germany Limited for the Germany Subsidiary	-	23,631	-	23,631
Guarantee by Standard Bank of Botswana in favour of Standard Bank London	11,259	7,692	11,259	7,692
	<u>16,739</u>	<u>39,234</u>	<u>16,739</u>	<u>39,234</u>

The Commission has various other litigation cases ongoing with former employees of which the likely outcome cannot be determined at this stage.

BOTSWANA MEAT COMMISSION
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009 (CONTINUED)

	Group		Commission	
	2009 P'000	2008 P'000	2009 P'000	2008 P'000
24 FUTURE CAPITAL EXPENDITURE				
Authorised but not yet contracted for	<u>29,599</u>	<u>125,739</u>	<u>29,599</u>	<u>125,739</u>

The above future capital expenditure will be financed out of cash generated from operations.

25 SUBSEQUENT EVENTS

In a letter from the Ministry of Finance and Development Planning addressed to the Ministry of Agriculture, the Minister of Finance and Development Planning has confirmed that the Government of Botswana will reimburse the Commission with in respect to losses incurred at the Francistown abattoir for the year ended 31 December 2009. An amount of P22,230,000 equivalent to the loss at the Francistown abattoir, was recognised on the financial statements as an amount due from the Government of the Republic of Botswana as disclosed in note 14.2. Subsequent to year end this amount has been received in cash.

26 GOING CONCERN

The Group and Commission incurred a total comprehensive loss of P115,127,000 (2008: income of P5,366,000) and P107,393,000 (2008: income of P10,780,000) respectively and have been facing significant cashflow problems subsequent to year end. The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. The ability of the Commission to continue as a going concern is dependent on a number of factors. The most significant of these are that:

Government of the Republic of Botswana is committed to ensuring that the Commission continues as a going concern through subsidies, tax remission on behalf of the commission and interest free loans;

a). Government of the Republic of Botswana is committed to ensuring that the Commission continues as a going concern through reimbursements of losses at the Francistown abattoir; Government loans and recourse to commercial loans guaranteed by the Government of the Republic of Botswana;

b). Improvement of international meat prices as the global economy emerges out of recession.



[BMC Quality Policy]

We at the Botswana Meat Commission are committed to our organisation's endeavour to manufacture safe products of consistent quality, which meet statutory, regulatory and customer requirements at all times.

We will strive to meet the expectations of all stakeholders.

We have established measurable quality objectives that are consistent with our mission and quality policy.

To ensure continued achievement of our quality objectives, we have developed, implemented and will maintain a quality management system that conforms to the requirements of ISO 9001:2000 Standard.

To ensure food safety, we have developed, implemented and will maintain a Hazard Analysis and Critical Control Points (HACCP) system that complies with the best food manufacturing practices.

We are committed to continually improve our processes, products, human resources and the effectiveness of our quality and food safety management systems.

[BMC Quality Objectives]

BMC has established Quality Objectives which are in line with the Quality Policy and the Strategic Plan as follows:

- * Customer Satisfaction
- * Livestock Producers Satisfaction
- * Continual Development of Human Resources
- * Continual Improvement of the Quality Management System

Measures have been put in place at various functional levels to ensure that objectives are achieved and to facilitate effective and efficient review by Management.



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