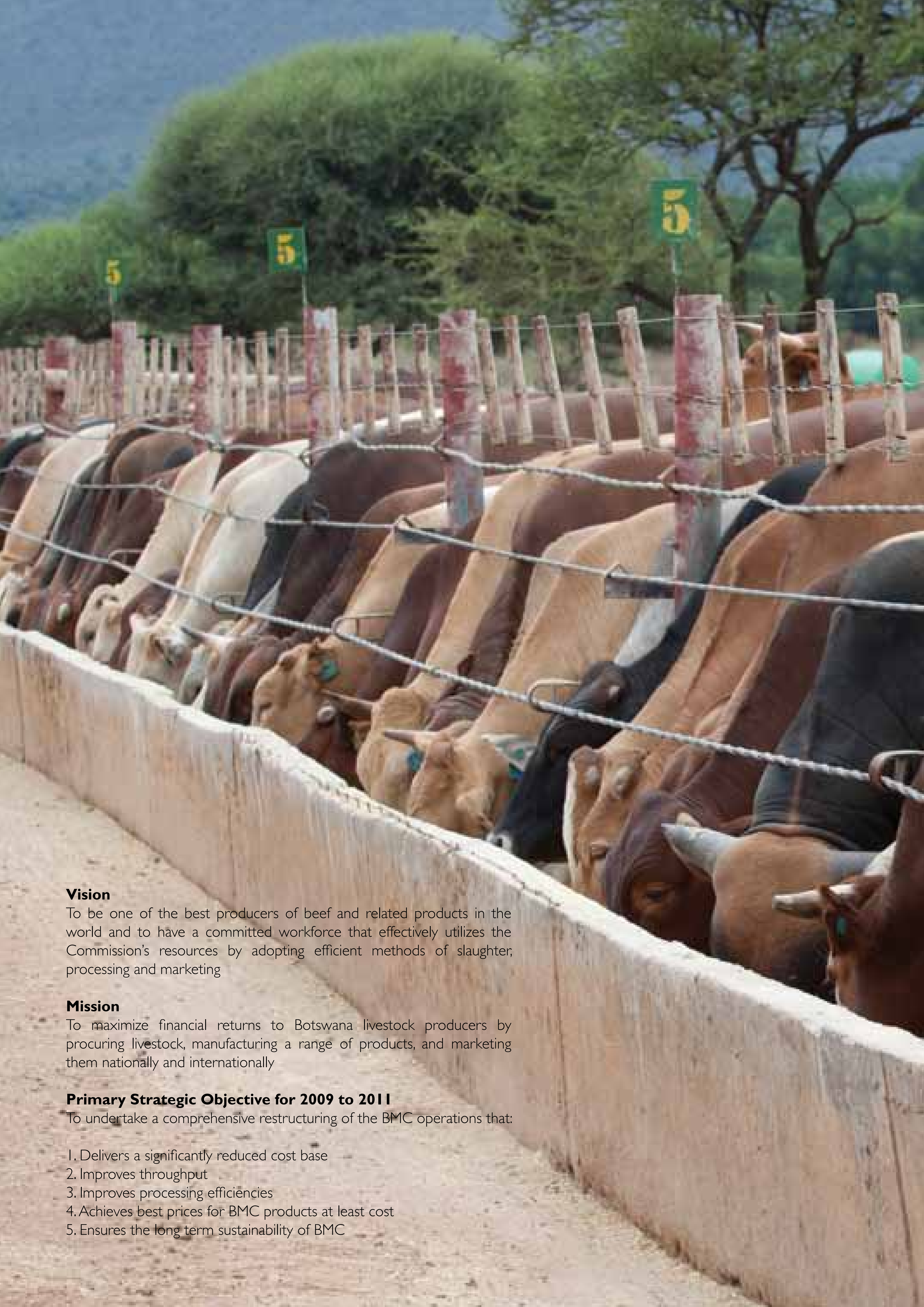
2010

annual report

BMC

Botswana Meat Commission



Vision

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

Mission

To maximize financial returns to Botswana livestock producers by procuring livestock, manufacturing a range of products, and marketing them nationally and internationally

Primary Strategic Objective for 2009 to 2011

To undertake a comprehensive restructuring of the BMC operations that:

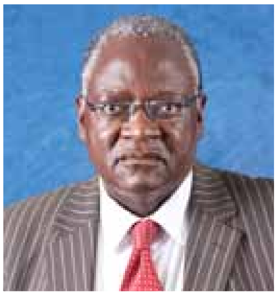
1. Delivers a significantly reduced cost base
2. Improves throughput
3. Improves processing efficiencies
4. Achieves best prices for BMC products at least cost
5. Ensures the long term sustainability of BMC

BOTSWANA MEAT COMMISSION BOARD MEMBERS

Front row from left to right: Rowland Munger, Norman Wright(Chairman), Dorah Moremi,
Back row from left to right: Ian Thompson, Neil Fitt, Douglas Kono, Dudley Barnes, Sabelo Matikiti, Siva Prasad, Thapelo Matsheka,
Absent: Isaac Seloko

BOTSWANA MEAT COMMISSION EXCO MEMBERS

Dr. David Falepau
Chief Executive Officer



Thabani Machacha
Operations

James Kumwenda
Corporate Services

Tumelo Nthaga
Marketing

Thomas Ntobedzi
Human Capital

Dr. Stephen Ghanie
Strategy

Clive Marshall
Livestock Procurement

Goabaone Ranko
Executive Manager (Maun)

Bokang Sennanyana
Distribution

Seikanelo Madisa
Quality Manager (Acting)

Gaotswepelo Kgosidiawa
Acting Executive Manager (Francistown)

BOTSWANA MEAT COMMISSION HEAD OF DEPARTMENTS

Temo Ntapu
Marketing

Marcus Kgosiemang
Operations

Lesley Motheo
Cannery

Billy Mauco
Information Services

Sapelo Bantsi
Finance

Tiro Kganela
Corporate Communications

Modiri Garenamotse
Safety, Health and Environment

Babli Kgafela
Supply Chain

Assie Mangadi
Management Accounts

Erence Kotokwe
Livestock Procurement

CHAIRMANS STATEMENT

Honourable C. De Graaff, MP
Minister of Agriculture

I present to you the Annual Report and Financial Statements of the Botswana Meat Commission for the financial year ended 31st December 2010.

The year under review saw a recent record in the number of animals slaughtered. By the close of the 2010, 180,000 cattle had been slaughtered compared with 135,000 the year before. In addition, a CDM of 223.5 kg/head against a target of 215 kg/head was achieved. This continued year on year growth in throughput and CDM was largely a result of changes in the structure of the national herd brought about by the development of the BMC feedlotting program which has created a viable and competitive market for weaner cattle.

Turnover for the Commission in 2010 was 70% greater than that of 2009, at over BWP 1 Billion by the year end. This significant increase in Gross Revenue signaled the end of the Global Financial Crisis, but was not a strong enough result to offset increasing costs, including some one-off consultancy and retrenchment costs and increasing cattle prices.

In 2010, the BMC Group recorded a deficit of P126M before taxation for the year ended 31st December. Following an operating deficit of P101M in 2009, it became clear that some long term changes to the BMC business model were required.

In mid 2010, the CEO Dr Motshudi Raborokgwe resigned and a major restructure of the UK Marketing and Sales subsidiary was effected. The restructure of the BMC UK office saw the retrenchment of the 9 most senior management staff. Restructuring of other subsidiaries including Table Bay Cold Storage was commenced. In December 2010, after an extensive international search commenced in 2009, Dr David Falepau was appointed CEO of the BMC.

The year 2010 also saw the closure of the GRM/BMC technical partnership after nearly two and a half years of cooperation. While the complete restructuring and turnaround of the BMC was not achieved, the partnerships in-depth analysis of the entire Group has provided the necessary benchmarking for BMC to achieve global competitiveness as a result of continued reforms. Unfortunately, at the time of writing a series of unprecedented events including FMD, market access and regional disease outbreaks in 2011 have severely constrained BMCs turnaround, but positively this exposure has highlighted even further macro reforms critical to the long term sustainability of the sector.

I would like to express my sincere gratitude to the Commissioners outgoing in 2010, for their many years of service to the BMC. I would also like to welcome the number of new members who have recently accepted appointments to the Board.

I would also like to commend the staff of BMC for their perseverance throughout 2010 in the face of major changes occurring both within and external to the BMC.

Finally, I wish to thank the Government of Botswana through the Honourable Minister of Agriculture for their continued support and commitment to the restructuring and reform of the BMC.

Norman Wright
Chairperson
BMC Board

CHIEF EXECUTIVE OFFICERS REVIEW

In July 2010, Dr Motshudi Raborogkwe resigned from the post of Chief Executive Officer of the Botswana Meat Commission. Until January 2011, the post of Acting CEO was officially occupied by Mr Sonny Molapisi. The following review of the 2010 Financial Year is written in a 'third party' context by the incumbent CEO, Dr David Falepau who was appointed in December 2010 to the position.

In 2010, the BMC Group recorded a deficit of P126M before taxation for the year ended 31st December. Following an operating deficit of P101M in 2009, it has become extremely clear that further ongoing changes to the BMC business model are required.

Under the BMC Act. (1965) the Botswana Meat Commission, after the deduction of production costs from the Revenue account, is required to pass all surplus funds back to farmers by way of the prices it pays for their cattle. Up until 2006, this cattle pricing model was applied. However, prices paid to farmers were reputed to be less than half that received by farmers in other countries including the Republic of South Africa.

Such poor prices had a major impact on the number of cattle offered for sale to BMC and this in turn increased the BMCs cost of production per head to sub-economic levels.

In 2006, the BMC introduced a new system of cattle pricing to ensure that Batswana were paid at least equivalent to their RSA counterparts for their cattle. This coupled with the development of a feedlotting sector gradually increased the BMCs throughput to 180,000 cattle by the close of the 2010, in comparison to 135,000 the year before and 113,000 in 2008.

This continued year on year growth in throughput appears to have been largely a result of changes in the structure of the national herd brought about by the development of the BMC feedlotting program which has created a viable and competitive market for weaner cattle.

Unfortunately, in order to sustain such prices to farmers, BMC still required an increase in the prices received for Botswana's beef and a consistent throughput of over 200,000 cattle per year to reduce per head cost of production to global competitiveness.

Since 2006 it is not apparent that this has occurred and more recently, without other sources of financial support to draw on has lead the Commission to record the operating deficits in 2009 and 2010.

In 2010, turnover for the Commission was 70% greater than that of 2009, at over BWP 1 Billion by the year end. This significant increase in Gross Revenue signaled the end of the Global Financial Crisis, but was not a strong enough result to offset increasing costs, including some one-off consultancy and retrenchment costs and increasing cattle prices.

Notwithstanding the overall financial result of the Commission in 2010, the following review of various aspects of the business provides some very strong encouragement that some key aspects of the Commission's business that are critical to long term viability are being addressed:

1) The slaughter throughput of 180,000 cattle was the highest for many years and prices paid to farmers were equal to, if not greater than those received by any other farmer in the world.
2) An increase in prices was achieved by Marketing and Sales regionally and abroad towards the end of 2010 and early 2011. Based on Gross Revenue divided by the number of cattle slaughtered, the average market realization in 2009 was P4588 per head rising to P6666 in 2010.

Corporate Governance

Attendance and Meetings of Main Board, Special Board and Board Committees is as reflected in table 1. The Board meets quarterly in accordance with the Act.

Table 1: Attendance of Board and Board Committees meetings – Financial year 2010

BMC CORPORATE GOVERNANCE STATEMENT

Attendance of Board and Board Committees meetings – Financial year 2010

Members	Statutory & Special Board Meeting	Audit Committee	HR Committee	Tender Committee	Marketing, Sales & Distribution	Restructuring Committee	Livestock Procurement	Pension Fund	Remarks
Number of meetings held	9	7	6	10	10	3	8	Not a member	
Ms M. Modise	9	Not a member	Not a member	Not a member	Not a member	1	Not a member	Not a member	Board Chairperson
Dr M. Chimbombi	9	Not a member	Not a member	Not a member	Not a member	Not a member	Not a member	Not a member	Board V. Chairman
Dr N.H. Fidzani	8	Not a member	Not a member	10	10	3	6	Not a member	
Mr L. Maika	8	7	6	Not a member	Not a member	Not a member	Not a member	2	
Mr J.J. Van der Merwe	9	Not a member	Not a member	Not a member	Not a member	Not a member	6	Not a member	
Mrs M.L.T. Maine	8	6	Not a member	8	Not a member	3	Not a member	Not a member	
Mr R. W. Munger	9	6	4	Not a member	Not a member	Not a member	Not a member	Not a member	
Mr C. Gabanakemo	8	Not a member	6	Not a member	10	3	8	Not a member	
Mr D. Barnes	9	Not a member	Not a member	Not a member	10	Not a member	8	Not a member	
Mr H. Kapeko	8	7	Not a member	7	Not a member	Not a member	5	Not a member	
Mr N. Wright	9	7	4	Not a member	10	3	Not a member	Not a member	
External Advisors									

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, King1, King 2 and King 3 reports on Corporate Governance.

The Board is committed to continued development on good governance matters. The group has a duly appointed company secretary who ensures implementation of corporate governance principles and compliance with relevant statutes and regulations.

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 audit function on an annual basis.

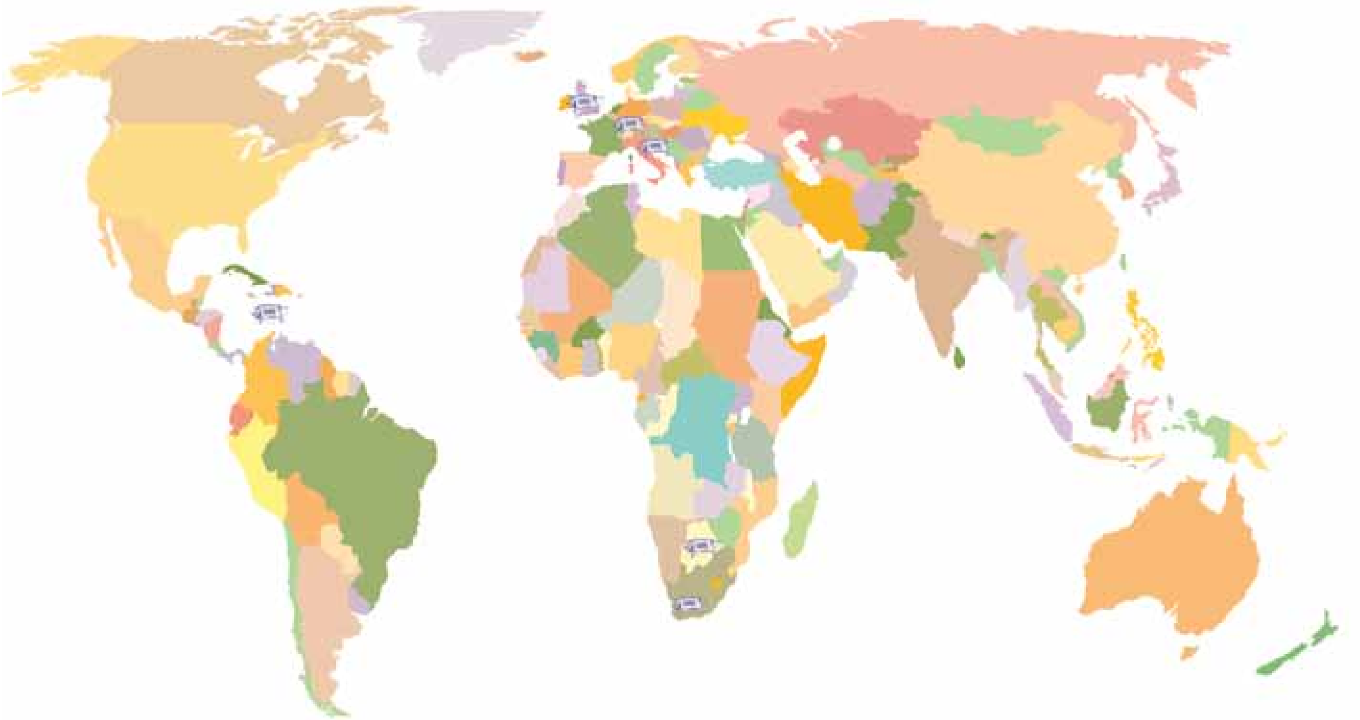
Board Tender Committee

The Committee comprises of three 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 four Commissioners, one of whom is the Chairperson.

Geographical spread



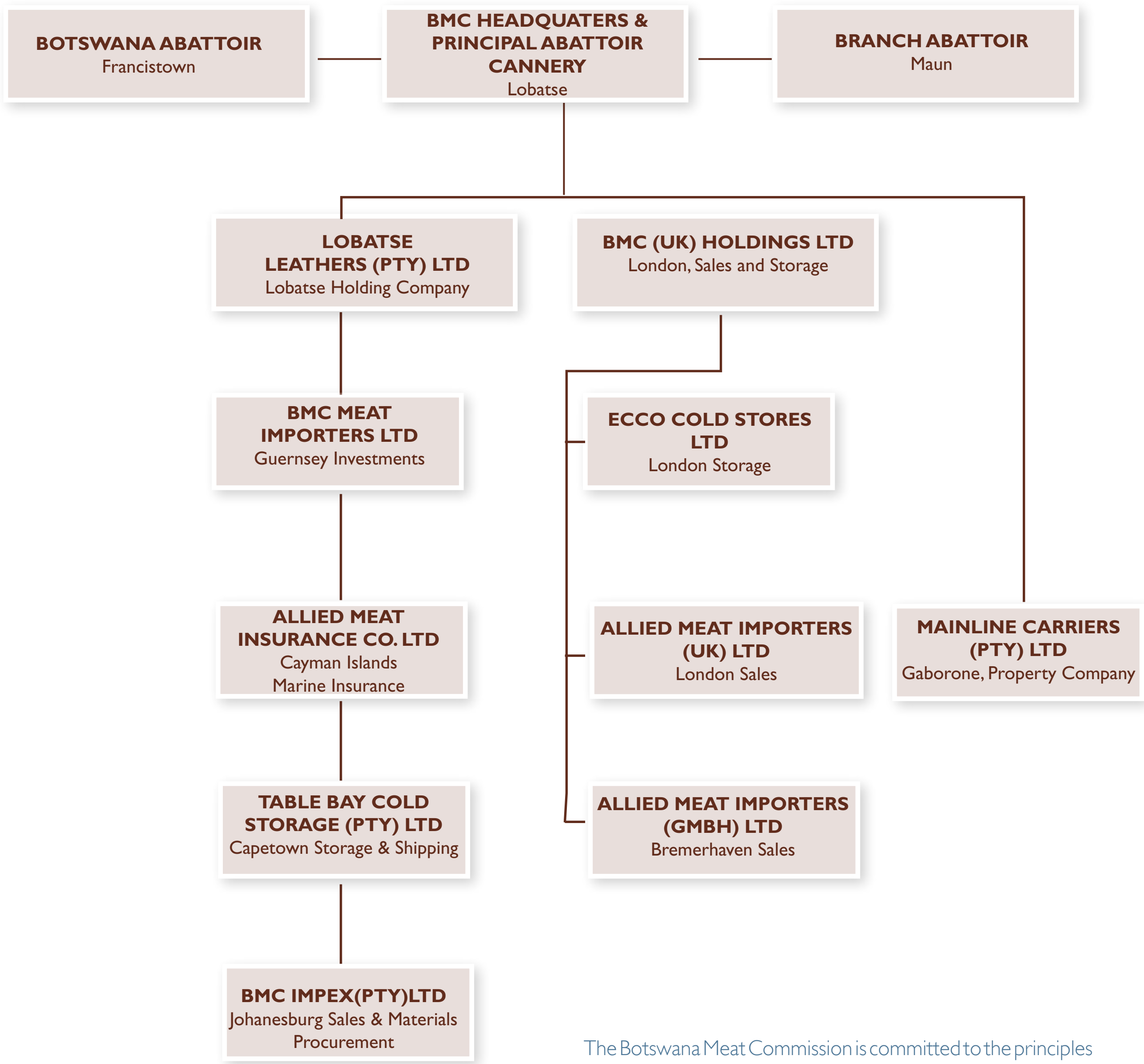
Botswana
Lobatse Abattoir, Cannery and Head Office
Francistown Abattoir
Maun Abattoir
Mainline Carriers

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

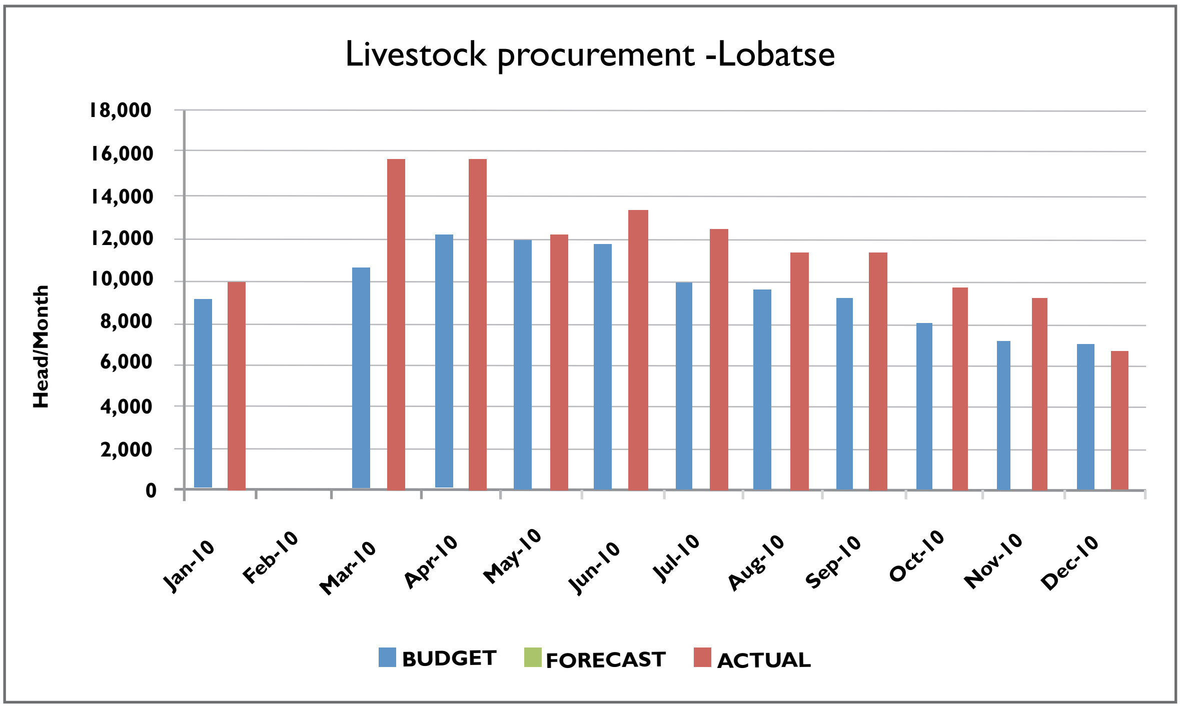
Cayman Islands
Allied Meat Insurance Co. Ltd

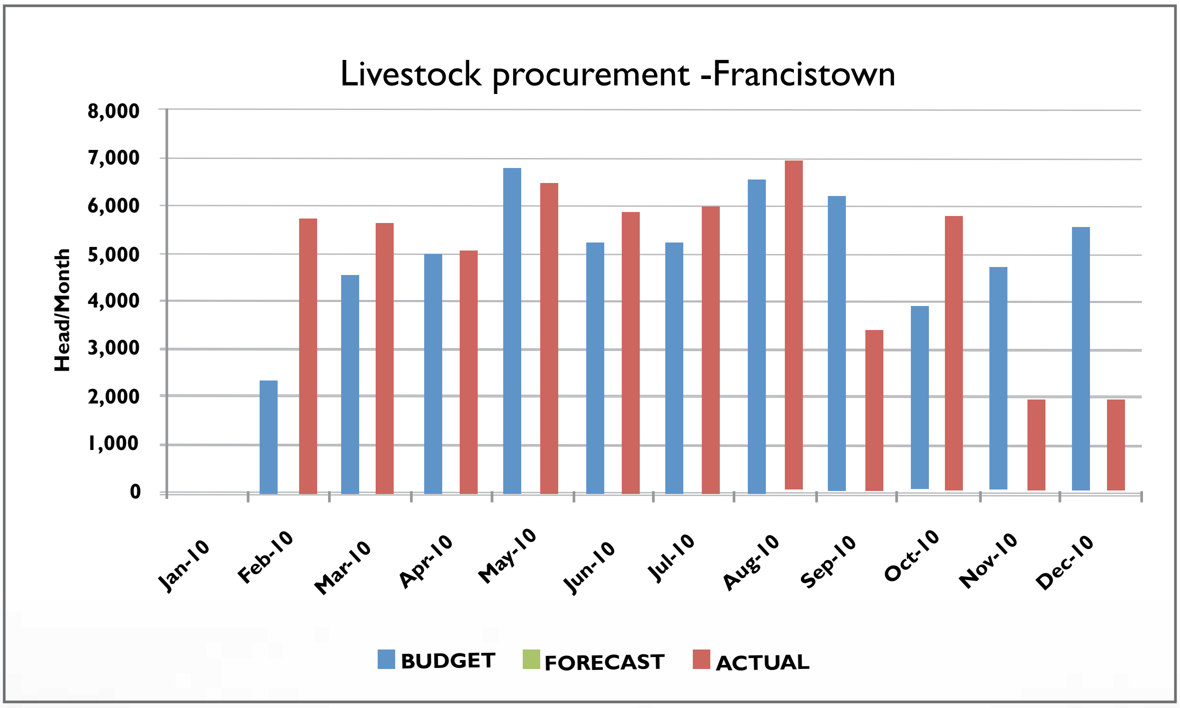


The Botswana Meat Commission is committed to the principles of openness, integrity and accountability. The Commission recognises the need to conduct the business of the Commission with integrity and in accordance with generally accepted corporate practices. Accordingly the Commissioners endorse the principles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

Livestock Procurement

Livestock Procurement had an extremely successful year with an increase in cattle supplied for slaughter from 113,000 in 2008, 135,000 in 2009 to 180,000 by the year end 2010. Through the combination of the Direct Cattle Purchase (DCP) scheme rewarding farmers for supplying cattle most suited to the highest paying markets, the feedlotting program demonstrated its importance to maintaining a consistent number of cattle for slaughter throughout the year.





"In addition to achieving a 50,000 head increase in throughput, due to the large number of DCP feedlot cattle slaughtered Cold Dressed Mass (CDM) target of 215 kg/head was also exceeded with an average of 223 kg/head achieved."

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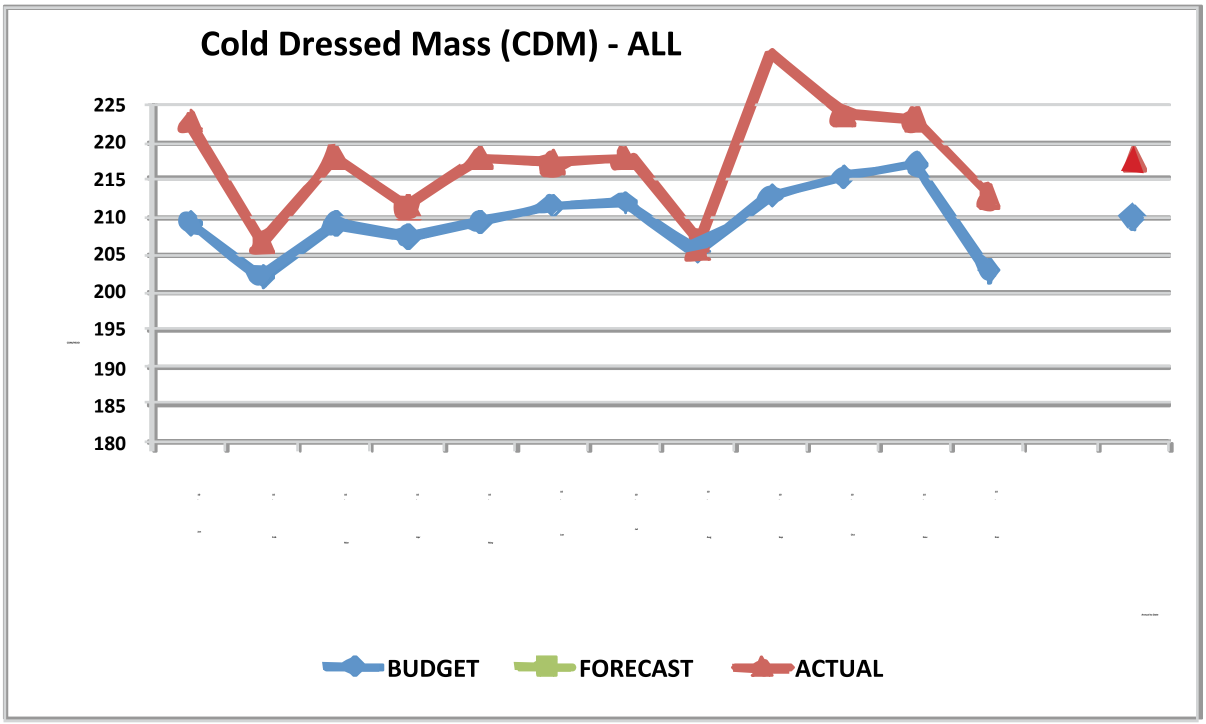


Combining the 180,000 cattle available for slaughter with the increase in CDM an all time record of over 30 million kilograms of carcase weight was produced, showing what can be achieved by farmers, feedlots and BMC working together to deliver on time, in full to the highest paying markets requirements.

Product	Lobatse	Francistown	Totals 2010	Totals 2009
Boneless Beef	18,874	8,032	26,906	21,281
Carcasses (Bone in quarters)	2,424	13	2,437	669
Offal	2,428	617	3,045	2,583
Carcass Meal	3,533	1697	5,230	3,825
Blood Meal	297	50	347	186
Tallow	2,334	659	2,993	2,722
Hides (Green Unfleshed)	2,770	1601	4,371	3,963
Stewed Steak in Gravy	1,031	-	1,031	1,025
Corned Meat	179	-	179	490
Corned Beef	22	-	22	83
Ox Tongue	20	-	20	22
Pet food	450	-	450	606

"Total boneless beef production for the two export plants of Lobatse and Francistown for 2010 was 26,906 tons. Compared to the 2009 figure of 21,281 tons this was a 26% increase. The production of bone in quarters also increased more than threefold from 669 tons in 2009 to 2,424 tons. "

Lobatse And Francistown Abattoir Production

Total boneless beef production for the two export plants of Lobatse and Francistown for 2010 was 26,906 tons. Compared to the 2009 figure of 21,281 tons this was a 26% increase. The production of bone in quarters also increased more than threefold from 669 tons in 2009 to 2,424 tons.

New products introduced during the year as a result of customer demand included "cap off topside" and "knuckle" for the European Union market and "sliced stewing beef (boneless)", "sliced T- Bone" and "club steak" for the local market. In addition, both the plants continued the production of meaty bones in an effort to increase Gross Revenue.

In 2010, green hide production only increased by 10% compared to 2009, despite a greater than 30% increase in cattle throughput. As had been expected, this reflected lighter hides being produced from the feedlot cattle. The de-commissioned tannery facility continued operating as a hide salting depot for Lobatse and Francistown export eligible hides. Francistown non-export eligible hides continued to be sold locally. Continuing from previous years, export eligible hides were sold by international public tender and sold strongly considering the low quality and volume produced by world standards. Moving to the future, with hide quality improvements possible through the feedlotting of cattle, changes to branding practices could greatly enhance the value of Botswana's hides and increase the viability of domestic tanning or the value of Botswana's hides on the export market.

For 2010, the Cannery produced below 2009 levels for all exception the "stewed steak in gravy" line. The Government of Botswana contract of 85,500 cartons (513,000 cans) of "stewed steak in gravy" remained unchanged from the previous year and was fulfilled without difficulty. The upgrading of some equipment at the Cannery to compliment the Maun refurbishment project also commenced during the year.

Both plants maintained their international food safety and quality management system accreditations during the year.

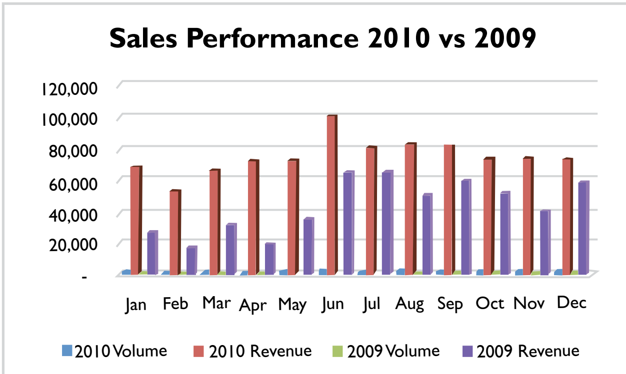
Maun Abattoir production

The Maun slaughter floor, deboning hall and chillers were wet commissioned at the end of May and the abattoir was licensed by the Competent Authority in December 2010. By the end of the year the plant had processed a total of 557 cattle. The plant was licensed for a limited throughput subject to commissioning of the rendering plant and the installation of a river water supply to be completed in 2011. The sale of meat from the Maun abattoir within Ngamiland was difficult with butcheries preferring to purchase cattle directly from farmers for their own slaughter and supply to consumers. Most stock was dispatched to the Cannery (Lobatse).

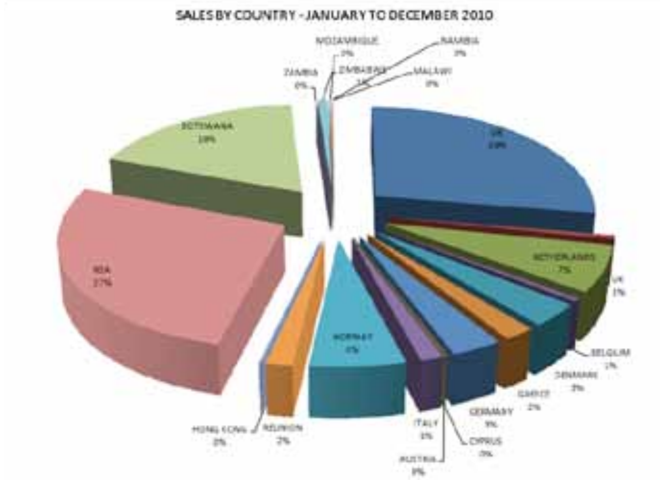
Marketing, Sales And Distribution

2010 was the second year of the BMC strategic plan (2009 to 2011), which was developed with the assistance of GRM. It marked the recovery of most economies following the 2009 world economic crisis. Sales volume increased by 81% from 15,622 tons to 28,301 of beef, while sales revenue increased by 71% from P523m to P896m. The total overall sales revenue including the 5th Quarter and canned products was P1,061m.

July 2010 saw major changes to the BMC Marketing and Sales function with the retrenchment of the 9 most senior staff in the BMC UK subsidiary. In the second half of 2010, the remaining team spread across the BMC Group focused on managing customers through the uncertainty the retrenchments had created and building their capability to implement a Key Account Management strategy.



In 2010, the major market for Botswana beef remained the EU and RSA, which accounted for 81% of the BMC sales revenue. Among the challenges during 2010 was the unfavorable exchange rate against the major trading currencies being the British Pound (GBP) and the Euro, with the Pula appreciating 12% against the British Pound and 11% against the Euro. Due to a number of long-term contracts signed with customers in Europe, it became difficult to divert product to other markets. Fortunately, the 2010 FIFA world cup in South Africa did have a positive impact on the beef prices, with RSA prices improving during the first half of the year, particularly on the manufacturing cuts. The Norwegian market, which is supplied through a shared quota with Namibia, remained the highest market by value. BMC continues to build its Market Intelligence and Sales functions to position Botswana's beef closer to end users at higher prices. The implementation of Key Account Management (KAM) across the BMC Group started with the BMC UK office during the last quarter of 2010 and is being rolled out to other markets during 2011. Leveraging a number of strong supply chain partnerships, new products are envisaged during 2011 to improve on the value of the BMC products.



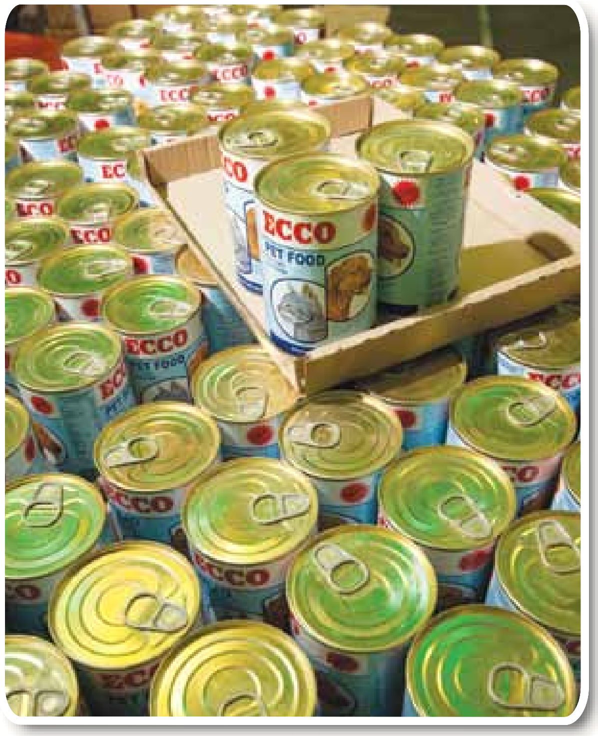
Branding and promotion of the BMC products

Limited work has been undertaken historically by BMC with respect to branding and positioning of its products. In 2010, a number of pre-packed products were introduced to the local Botswana market and this positively improved the visibility of the BMC.

The quality of Botswana's beef is unarguable, providing a huge opportunity with improved supply chain management to deliver on time, in full, to specification and achieve considerably higher prices. To improve the image of BMCs products a rebranding project was commenced in the last quarter of 2010 and is ongoing. The further implementation of KAM to better manage supply into the market, particularly RSA also yielded significant price improvements.

Canned Products

The canned products market is dominantly local. The Botswana Government Stewed Steak contract contributed more than 75% of the canned products sales revenue. The canned products export markets were UK, RSA and Zimbabwe. The UK and RSA markets were based on supply contracts, which unfortunately could not fulfilled due to cannery constraints.



By-products

BMC produces the by-products Tallow, Carcass and Blood Meal and Hides. The major challenge in 2010 on the sale of by-products was the BMC policy to give priority to local manufacturers which severely impacted on sales volumes. Towards the end of 2010 however, a number of new customers and markets were established and this improved on the value and volume of by-products sold. Tendered globally, hides prices continued to rise.

Quality and Food Safety

The South African Bureau of Standards (SABS) continued to monitor BMCs quality and food safety management system's compliance with the requirements of ISO 9001:2008; SANS 10330:2007 and PAS 220:2008 standards. Bi-annual assessments were successfully carried out in June and November at both abattoirs.

To ensure food safety, BMC continued to maintain its Hazard Analysis Critical Control Point (HACCP) system that conforms to the requirements of South African National Standard (SANS) 10330:2007 and British Retail Consortium (BRC) Global Food Standard (Issue 4, 2005).

"The quality of Botswana's beef is unarguable, providing a huge opportunity with improved supply chain management to deliver on time, in full, to specification and achieve considerably higher prices."

Human Capital

The BMC Human Capital strategy is centred around the concept of PEOPLE as its most valuable asset. Human Capital development, Employee Benefits, recognition and retention form the basis of how critical this resource is. Employees at BMC fully understand their role to "deliver on time, in full and to specification."

In line with the BMC commitment to our PEOPLE as an important resource with value, in 2010, the Commission has continued to engage the Botswana Meat Industries Workers Union (BMIWU) and agreed to the implementation of the remuneration strategy. The 2010/2011 remuneration strategy has seen employee remuneration brought in line with the median of the All Organisations Market. BMC continued to undertake needs analysis and develop its people in identified areas relevant to processes and operations.

The BMC continued to support the national internship programme and a number of graduates were employed in Marketing, IT and Human Capital departments during the period.

The BMC apprenticeship programme continued to produce young people to take over roles previously held by expatriates in the technical areas of operations. These apprentices were mentored by some of our most talented staff members who had been ably trained by the BMC.
In recognizing the worth of our people, the BMC continued to recognize those employees who have dedicated their lives to the service of the Commission. The annual Long Service Awards ceremony was a critical event on the calendar where we celebrated our employees saying 'Thank you' for what they continue to do for the Commission.

The BMC remained committed to assisting our people to combating the scourge of HIV/AIDS through the Wellness programme. Employees were assisted through counseling services and BMC worked closely with the Aids Coordinating Unit of the Ministry of Agriculture.

Financial Performance

In 2010, the Commission and the Group recorded a deficit of P129 million and P126 million respectively, before taxation for the financial year ended 31 December 2010.This deficit was before adjusting P30 million of losses incurred at Francistown abattoir.

On top of the deficit in 2009, the financial performance of 2010 raises the question as to whether the BMC model can be sustained.

In all reality the fundamentals of meat processing are relatively simple;

1) Pay competitive prices in order to attract sufficient cattle to maximize plant capacity and leverage over heads,

2) Maintain and operate the plant, equipment and labor resource to at least 85% of its capacity, and

3) Maximize GR by optimizing quantity sold by price paid.

As already mentioned, the payment of Export Parity Prices coupled with the development of a feedlotting sector increased the BMCs throughput to 180,000 cattle by the close of the 2010 year, in comparison to 135,000 the year before and 113,000 in 2008. This provides confidence that notwithstanding major disruptions such as FMD outbreaks, sufficient cattle should be available from the national herd to achieve an 85% capacity utilization of BMCs plant and infrastructure.

Unfortunately, as occurs with any complex supply chain, improvement in one section of the chain invariably tests the performance of the others. The increase in the number of cattle made available for slaughter at BMC in 2010 tested in particular the performance of the Marketing and Sales section of the BMC supply chain. In particular, the GR achieved by the Marketing and Sales function was insufficient to meet the Export Parity Prices paid to farmers without incurring consecutive operating losses (deficits) in 2009 and 2010 of greater than 10% of GR.

However, as was shown by the year on year sales performance improvement from 2009 to 2010 this aspect is improving and with major changes to the Marketing and Sales function implemented in mid to late 2010 there are further very significant gains to be realized.

The global outlook for red meat protein is strong. Demand from emerging economies such as China and Russia is placing unprecedented demand on global supplies. Botswana has an established reputation for producing quality beef and with some further improvement to deliver on time, in full, to specification BMC with the support of farmers and other supply chain participants can realize significant benefits into the future.

While the BMC is central to the Botswana Beef supply chain, ultimately the Commission relies on the coordination and cooperation between farmers, BMC's operations in Botswana, and its Marketing, Sales and Distribution subsidiaries around the globe. It relies on the Government services and regulatory bodies to provide service levels comparable to their counterparts overseas. All of these provide the environment for the Botswana beef supply chain to prosper.

The delivery of quality beef on time, in full, to specification is achievable if the industry understands that we are all in this together and works to this mantra.

The BMC is now well on the way with a major transformation of its management, with a very strong focus on supply chain management. Support from the Government of Botswana and its commitment and courage to change have been invaluable and are much appreciated by the Board of Commissioners and BMC Management.

Dr. David Falepau
Chief Executive Officer

BOTSWANA MEAT COMMISSION
GROUP ANNUAL FINANCIAL STATEMENTS
31 DECEMBER 2010

BOTSWANA MEAT COMMISSION
GROUP ANNUAL FINANCIAL STATEMENTS
31 DECEMBER 2010

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:	Mr N Wright	**Chairman**
	D Barnes	**Deputy Chairperson**
	Dr. M Chimbombi	**(Resigned 31 December 2010)**
	Dr. H E Fidzani	**(Resigned 31 December 2010)**
	Mr N Fitt	**(Appointed 22 December 2010)**
	Mr C Gabanakemo	**(Resigned 30 November 2010)**
	Mr H Kapeko	**(Resigned 30 November 2010)**
	Mr D Kono	**(Appointed 01 August 2011)**
	Mr L Maika	**(Resigned 31 May 2011)**
	Mrs M T L Maine	**(Resigned 31 Novemeber 2010)**
	Mr S Matikiti	**(Appointed 01 December 2010)**
	Dr. T Matsheka	**(Appointed 01 December 2010)**
	Mrs M Modise - Chairperson	**(Resigned 30 November 2010)**
	Ms D Moremi	**(Appointed 01 December 2010)**
	Mr R W Munger	
	Mr P V S S Prasad	**(Appointed 01 January 2011)**
	Mr I Seloko	**(Appointed 01 December 2010)**
	Mr I Thomson	**(Appointed 01 August 2011)**
	Mr J J Van Der Merwe	**(Resigned 04 May 2011)**
EXECUTIVE MANAGEMENT:	Dr. D Falepau	**Chief Executive Officer**
	J Kumwenda	**EXCO, Corporate Servicess**
	C Marshall	**EXCO, Livestock Procurement**
	Dr. S Ghanie	**EXCO, Strategy**
	T Nthaga	**EXCO, Marketing**
	B Sennanyana	**EXCO, Distribution**
	T Machacha	**EXCO, Operations**
	T Ntobedzi	**EXCO, Human Capital**
	S Madisa	**EXCO, Quality Manager (Acting)**
	G Kgosidiawa	**EXCO, Francistown (Acting)**
	G Ranko	**EXCO, Maun**
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
GROUP ANNUAL FINANCIAL STATEMENTS
31 DECEMBER 2010

CONTENTS PAGE

BOTSWANA MEAT COMMISSION
COMMISSIONERS' STATEMENT OF RESPONSIBILITY AND APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

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 2010, 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 2010

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 total comprehensive loss of P87,818,000 and P87,694,000 respectively (2009: P115,127,000 and P107,393,000 respectively). The going concern of the group and commission is dependent on continued government support, finding alternative markets internationally and regionally and reestablishment of the European Union 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 5 to 6.

Commissioners' approval of the annual financial statements
The annual financial statements set out on pages 7 to 44, which have been prepared on the going concern basis, were approved by the Board on 19 October 2011 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 accompanying 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 2010, the consolidated and separate statements of comprehensive income, 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 as set out on pages 7 to 44.

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), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 2010, 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 - going concern

Without qualifying our opinion, we draw attention to Note 25 of the financial statements, which indicates that the Group and Commission incurred a total comprehensive loss of P87,818,000 (2009: P115,127,000) and P87,694,000 (2009: P107,393,000) respectively. This indicates the existence of a material uncertainty over the Group's and Commission's ability to continue as a going concern.

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 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 26 of the financial statements.

GABORONE
19 OCTOBER 2011

BOTSWANA MEAT COMMISSION
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2010

	NOTE	Group 2010 P'000	Group 2009 P'000	Commission 2010 P'000	Commission 2009 P'000
REVENUE	1	1,082,812	664,122	1,062,092	621,835
Levies		-	(90)	-	(90)
Freight, storage and other selling expenses		(60,471)	(59,333)	(97,296)	(84,660)
Net livestock and meat costs	2	(792,385)	(440,822)	(783,939)	(425,449)
NET SALES		229,956	163,877	180,857	111,636
Fair value gain/(loss) on biological assets	11	768	(382)	768	(382)
Production and administration costs		(360,317)	(286,723)	(305,055)	(235,831)
Share of results of associates	10	-	(51)	-	-
Reimbursement of losses incurred at the Francistown abattoir	13.2	-	22,230	-	22,230
Other income/(losses)	3	6,601	(256)	6,298	6,948
OPERATING DEFICIT	4	(122,992)	(101,305)	(117,132)	(95,399)
Finance costs	6	(8,876)	(1,702)	(10,939)	(3,054)
Finance income		2,824	13,860	1,925	10,916
DEFICIT before taxation		(129,044)	(89,147)	(126,146)	(87,537)
Taxation	7	(131)	(3,378)	-	-
DEFICIT for the year		(129,175)	(92,525)	(126,146)	(87,537)
Other comprehensive income/(loss)					
Unrealised gain/(loss) on translation of net assets arising on consolidation of foreign entities		2,905	(2,746)	-	-
Fair value adjustment of government loan		38,452	(19,856)	38,452	(19,856)
Total other comprehensive income/(loss)		41,357	(22,602)	38,452	(19,856)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(87,818)**	**(115,127)**	**(87,694)**	**(107,393)**

BOTSWANA MEAT COMMISSION
STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010

	Note	Group 2010 P'000	Group 2009 P'000	Commission 2010 P'000	Commission 2009 P'000
ASSETS					
Non-current assets					
Property, plant and equipment	8	183,269	121,470	164,144	108,992
Investment property	9	1,123	1,153	-	-
Investments	10	1,318	1,354	7,484	7,484
Deferred taxation	17	30	-	-	-
		185,740	123,977	171,628	116,476
Current assets					
Biological assets	11	62,827	49,203	62,827	49,203
Inventories	12	118,948	147,263	118,948	147,263
Taxation receivable	7	4,709	22,906	-	17,321
Trade and other receivables	13	135,263	140,505	120,953	123,477
Amounts due from group companies	20	-	-	10,948	20,770
Cash and cash equivalents	14	81,865	98,839	43,787	41,834
		403,612	458,716	357,463	399,868
Total assets		589,352	582,693	529,091	516,344
RESERVES AND LIABILITIES					
RESERVES					
Capital reserves		99,815	101,864	58,666	58,666
Loan redemption reserve		83,271	72,134	83,271	72,134
Development reserve		1,438	1,080	1,438	1,080
Stabilisation reserve		390	390	390	390
Foreign exchange fluctuation reserve		63	4,076	-	-
Foreign exchange stabilisation reserve		12,151	12,669	-	-
Loans revaluation reserve		72,215	33,763	72,215	33,763
Accumulated (deficit)/surplus		(119,005)	12,180	(137,641)	-
Total reserves		150,338	238,156	78,339	166,033
LIABILITIES					
Non-current liabilities					
Borrowings	15.2	167,290	110,656	167,290	110,656
Pension fund obligations	16	2,491	3,095	2,491	3,095
Deferred taxation	17	-	343	-	-
		169,781	114,094	169,781	113,751
Current liabilities					
Taxation payable	7	3,889	3,772	-	-
Trade and other payables	18	81,707	83,427	73,458	73,410
Amounts due to group companies	20	-	-	27,598	19,906
Borrowings	15.1	183,637	143,244	179,915	143,244
		269,233	230,443	280,971	236,560
Total liabilities		439,014	344,537	450,752	350,311
Total reserves and liabilities		589,352	582,693	529,091	516,344

BOTSWANA MEAT COMMISSION
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	Group 2010 P'000	Group 2009 P'000	Commision 2010 P'000	Commision 2009 P'000
CASH FLOWS USED IN OPERATING ACTIVITIES					
Cash used in operations	21.2	(89,285)	(259,016)	(70,240)	(234,402)
Finance costs		(8,876)	(1,702)	(10,939)	(3,054)
Taxation refunded/(paid)		18,124	(50,141)	17,321	(45,083)
Net cash used in operating activities		(80,037)	(310,859)	(63,858)	(282,539)
CASH FLOWS USED IN INVESTING ACTIVITIES					
Purchase of property, plant and equipment		(77,106)	(26,675)	(69,063)	(28,698)
Proceeds on disposal of property, plant and equipment	21.3	1,079	306	1,001	271
Proceeds on disposal of investment property	21.4	-	6,165	-	-
Finance income		2,824	13,860	1,925	10,916
Dividends received		-	-	1,062	8,500
Net cash used in investing activities		(73,203)	(6,344)	(65,075)	(9,011)
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES					
Capital contribution		-	25,000	-	25,000
Borrowings repaid		(134)	(48,134)	(134)	(48,134)
Borrowings raised		50,000	-	50,000	-
Effects of changes in foreign exchange rates	21.5	1,658	(3,958)	-	-
Net cash generated from/ (used in) financing activities		51,524	(27,092)	49,866	(23,134)
Net decrease in cash and cash equivalents		(101,716)	(344,295)	(79,067)	(314,684)
Effects of exchange rate changes on balance of cash held balance of cash held		(871)	795	(871)	795
Cash and cash equivalents at beginning of year		3,729	347,229	(53,276)	260,613
Cash and cash equivalents at end of year		(98,858)	3,729	(133,214)	(53,276)
Comprising:					
Cash and bank balances (Note 14)		81,865	98,839	43,787	41,834
Bank overdraft (Note 15.1)		(180,723)	(95,110)	(177,001)	(95,110)
		(98,858)	3,729	(133,214)	(53,276)

BOTSWANA MEAT COMMISSION
STATEMENTS OF CHANGES IN RESERVES
FOR THE YEAR ENDED 31 DECEMBER 2010

Group	Total P'000	Capital reserve P'000	Loans redemption reserves 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 2009	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 (loss)/income	(22,602)	(2,891)	-	-	-	1,820	(1,267)	(19,856)	(408)
Total comprehensive (loss)/income	(115,127)	(2,891)	-	-	-	1,820	(1,267)	(19,856)	(92,933)
Loan redemption reserve realised	-	-	(52,431)	-	-	-	-	-	52,431
Appropriations	-	-	30,840	-	(40,629)	-	-	-	9,789
Capital contribution	25,000	25,000	-	-	-	-	-	-	-
Balance at 31 December 2009	238,156	101,864	72,134	1,080	390	4,076	12,669	33,763	12,180
Transfer of share of associate result	-	-	-	-	-	-	-	-	-
Deficit for the year	(129,175)	-	-	-	-	-	-	-	(129,175)
Other comprehensive (loss)/income	41,357	(2,049)	-	-	-	(4,013)	(518)	38,452	9,485
Total comprehensive (loss)/income	(87,818)	(2,049)	-	-	-	(4,013)	(518)	38,452	(119,690)
Appropriations	-	-	11,137	358	-	-	-	-	(11,495)
Balance at 31 December 2010	150,338	99,815	83,271	1,438	390	63	12,151	72,215	(119,005)

BOTSWANA MEAT COMMISSION
STATEMENTS OF CHANGES IN RESERVES
FOR THE YEAR ENDED 31 DECEMBER 2010

Commission	Total P'000	Capital reserves P'000	Loans redemption reserve P'000	Development reserve P'000	Stabilisation reserve P'000	Loan revaluation reserve P'000	Accumulated surplus /(deficit) P'000
Balance at 1 January 2009	248,426	33,666	93,725	1,080	§41,019	53,619	25,317
Deficit for the year	(87,537)	-	-	-	-	-	(87,537)
Other comprehensive loss	(19,856)	-	-	-	-	(19,856)	-
Total comprehensive loss	(107,393)	-	-	-	-	(19,856)	(87,537)
Loan redemption reserve realised	-	-	(52,431)	-	-	-	52,431
Appropriations	-	-	30,840	-	(40,629)	-	9,789
Capital contribution	25,000	25,000	-	-	-	-	-
Balance at 31 December 2009	166,033	58,666	72,134	1,080	390	33,763	-
Deficit for the year	(126,146)	-	-	-	-	-	(126,146)
Other comprehensive income	38,452	-	-	-	-	38,452	-
Total comprehensive (loss)/income	(87,694)	-	-	-	-	38,452	(126,146)
Appropriations	-	-	11,137	358	-	-	(11,495)
Balance at 31 December 2010	78,339	58,666	83,271	1,438	390	72,215	(137,641)

BOTSWANA MEAT COMMISSION
STATEMENTS OF CHANGES IN RESERVES (continued)
FOR THE YEAR ENDED 31 DECEMBER 2010

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 (2009: GBP250 000) and US$1 500 000 (2009: 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 2010

ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

Standards and interpretations effective in the current year

The following revised standards and interpretations were available for adoption for the year ended 31 December 2010. These standards and interpretations have not had any impact on the annual financial statements of the Organisation.

Conceptual Framework for Financial Reporting		Effective Date
Conceptual Framework	Conceptual Framework for Financial Reporting 2010	No stated effective date, therefore effective from date of issue(September 2010)

Revised International Financial Reporting Standards		Effective Date
IFRS 1	First-time Adoption of International Financial Reporting Standards - Revised and restructured	Annual periods beginning on or after 1 July 2009
IFRS 1	First-time Adoption of International Financial Reporting Standards - Amendments relating to oil and gas assets and determining whether an arrangement contains a lease	Annual periods beginning on or after 1 January 2010
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

BOTSWANA MEAT COMMISSION
GROUP ACCOUNTING POLICIES (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2010

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

Standards and interpretations effective in the current year (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 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 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 embedded derivatives when reclassifying financial instruments	Annual periods ending on or after 30 June 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 resulting from April 2009 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2010

IFRIC Interpretation		Effective Date
IFRIC 9	Reassessment of Embedded Derivatives - Amendments resulting from April 2009 Annual Improvements to IFRSs	Annual periods beginning on or after 1 July 2009
IFRIC 16	Hedges of a Net Investment in a Foreign Operation - Amendments resulting from April 2009 Annual Improvements to IFRSs	Annual periods beginning on or after 1 July 2009
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

BOTSWANA MEAT COMMISSION
GROUP ACCOUNTING POLICIES (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2010

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

Standards and interpretations in issue but not yet effective

New/Revised International Financial Reporting Standards		Annual Periods beginning on or after
IFRS 1	First-time Adoption of International Financial Reporting Standards - Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters	Annual periods beginning on or after 1 July 2010
IFRS 1	First-time Adoption of International Financial Reporting Standards - Amendments resulting from May 2010 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2011
IFRS 1	First-time Adoption of International Financial Reporting Standards - Replacement of 'fixed dates' for certain exceptions with 'the date of transition to IFRSs'	Annual periods beginning on or after 1 July 2011
IFRS 1	First-time Adoption of International Financial Reporting Standards - Additional exemption for entities ceasing to suffer from severe hyperinflation	Annual periods beginning on or after 1 July 2011
IFRS 3	Business Combinations - Amendments resulting from May 2010 Annual Improvements to IFRSs	Annual periods beginning on or after 1 July 2010
IFRS 7	Financial Instruments: Disclosures - Amendments resulting from May 2010 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2011
IFRS 7	Financial Instruments: Disclosures - Amendments enhancing disclosures about transfers of financial assets	Annual periods beginning on or after 1 July 2011
IFRS 9	Financial Instruments - Classification and Measurement	Annual periods beginning on or after 1 January 2013
IAS 1	Presentation of Financial Statements - Amendments resulting from May 2010 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2011
IAS 12	Income Taxes - Limited scope amendment (recovery of underlying assets)	Annual periods beginning on or after 1 January 2012
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 - Amendments resulting from May 2010 Annual Improvements to IFRSs	Annual periods beginning on or after 1 July 2010
IAS 32	Financial Instruments: Presentation - Amendments relating to classification of rights issues	Annual periods beginning on or after 1 February 2010
IAS 34	Interim Financial Reporting - Amendments resulting from May 2010 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2011

BOTSWANA MEAT COMMISSION
GROUP ACCOUNTING POLICIES (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2010

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 2010

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.

BOTSWANA MEAT COMMISSION
GROUP ACCOUNTING POLICIES (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2010

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 average cost of production

- 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.

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.

BOTSWANA MEAT COMMISSION
GROUP ACCOUNTING POLICIES (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2010

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 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.

BOTSWANA MEAT COMMISSION
GROUP ACCOUNTING POLICIES (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2010

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 directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

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.

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.

BOTSWANA MEAT COMMISSION
GROUP ACCOUNTING POLICIES (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2010

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.

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 attaching 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.

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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

BOTSWANA MEAT COMMISSION
GROUP ACCOUNTING POLICIES (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2010

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 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 derecognised on 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.

BOTSWANA MEAT COMMISSION
GROUP ACCOUNTING POLICIES (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2010

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.

Derecognition 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

BOTSWANA MEAT COMMISSION
GROUP ACCOUNTING POLICIES (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2010

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.

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.

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.

BOTSWANA MEAT COMMISSION
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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	Group		Commission	
	2010	2009	2010	2009
1. REVENUE	P'000	P'000	P'000	P'000
Sale of meat and allied meat products	1,062,092	640,207	1,062,092	621,835
Other sales - services	20,720	23,915	-	-
	1,082,812	664,122	1,062,092	621,835
2.. NET LIVESTOCK AND MEAT COSTS				
Opening Inventory (note 12)	131,758	39,010	131,758	38,497
Livestock and meat purchases	765,163	533,570	756,717	518,710
Cattle purchases	765,163	518,710	756,717	518,710
Meat purchases	-	14,860	-	-
Closing Inventory (note 12)	(104,536)	(131,758)	(104,536)	(131,758)
	792,385	440,822	783,939	425,449
3. OTHER INCOME/(LOSSES)				
Dividends from subsidiaries	-	-	1,062	8,500
Net exchange gains/(losses)	597	(7,776)	517	(7,792)
(Loss)/profit on disposal of property, plant and equipment	(207)	306	148	271
Profit on disposal of investment property	-	4,346	-	-
Rentals from investment property	635	646	-	-
Sundry income	5,576	2,222	3,936	1,431
Income from related parties	-	-	635	4,538
	6,601	(256)	6,298	6,948

4. OPERATING DEFICIT

Operating deficit is stated after taking the following into account:

	Group 2010	Group 2009	Commission 2010	Commission 2009
(Income)/expenses (from)/to subsidiary companies				
- Management fees	-	-	(240)	(240)
- Commission	-	-	16,391	10,933
Depreciation of property, plant and equipment	14,990	12,446	13,058	10,924
Depreciation of investment property	30	86	-	-
Auditor's remuneration - current	3,893	4,515	2,250	2,050
- prior year	929	-	929	-
Commissioners				
- Fees and emoluments	3,197	3,563	343	220
- Compensation for loss of office	5,121	-	-	-
- Expenses	846	891	846	494
Staff costs (note 5)	151,194	133,466	116,762	108,061

BOTSWANA MEAT COMMISSION
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

	Group		Commission	
	2010	2009	2010	2009
5 STAFF COSTS	P'000	P'000	P'000	P'000
Wages and salaries	129,109	120,153	109,242	98,849
Redundancy costs	10,310	-	-	-
Social security costs	11,775	13,313	7,520	9,212
	151,194	133,466	116,762	108,061
6 FINANCE COSTS				
Bank borrowings	8,830	1,620	8,722	1,315
Long term loans	46	82	46	82
Penalty interest for late settlement of income tax	8,495	-	8,495	-
Related parties	-	-	2,171	1,657
	17,371	1,702	19,434	3,054
Less rebate received from the Government of Republic of Botswana	(8,495)	-	(8,495)	-
	8,876	1,702	10,939	3,054
7 TAXATION				
Botswana taxation:				
- current year	48,235	24,869	47,993	23,394
- less tax rebate (note b)	(47,993)	(23,394)	(47,993)	(23,394)
- prior year	-	(108)	-	-
	242	1,367	-	-
Foreign taxation:				
- current taxation	(52)	717	-	-
- prior year deferred taxation	-	(8)	-	-
- deferred taxation	(59)	1,302	-	-
	(111)	2,011	-	-
Total taxation	131	3,378	-	-

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 P47,993,000 (2009:P23,394,000).

	Group 2010	Group 2009	Commission 2010	Commission 2009
Balance (receivable)/payable at beginning of year	(19,134)	28,931	(17,321)	27,762
Current tax charge	48,183	25,470	47,993	23,394
Rebates received	(47,993)	(23,394)	(47,993)	(23,394)
Refunds/(payments)	18,124	(50,141)	17,321	(45,083)
Balance payable/(receivable) at end of year	(820)	(19,134)	-	(17,321)
Disclosed on the statement of financial position as:				
Taxation receivable	(4,709)	(22,906)	-	(17,321)
Taxation payable	3,889	3,772	-	-
	(820)	(19,134)	-	(17,321)

8. PROPERTY, PLANT AND EQUIPMENT

8.1 Group

	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 Equipement P'000	Capital Work in Progress P'000	Total P'000
Year ended 31 December 2010								
Opening carrying amount	46,654	1,685	51,008	4,380	2,295	6,050	9,398	121,470
Exchange differences	1,100	(119)	94	(83)	(28)	5	-	969
Additions	13,760	-	57,928	1,343	640	3,230	205	77,106
Disposals	(73)	-	-	(1,179)	(2,511)	(1,723)	(831)	(6,317)
Depreciation charge	(2,914)	(244)	(8,236)	(1,982)	(528)	(1,086)	-	(14,990)
Depreciation on disposal	51	-	-	751	2,511	1,718	-	5,031
Interclass transfers	6,654	-	(285)	-	(13)	-	(6,356)	-
Closing carrying amount	65,232	1,322	100,509	3,230	2,366	8,194	2,416	183,269
At 31 December 2010								
Cost	105,036	7,106	191,210	15,177	8,199	22,049	2,416	351,193
Accumulated depreciation	(39,804)	(5,784)	(90,701)	(11,947)	(5,833)	(13,855)	-	(167,924)
Closing carrying amount	65,232	1,322	100,509	3,230	2,366	8,194	2,416	183,269

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.

Freehold land and buildings of Table Bay Cold Storage (Proprietary) Limited, a 100% subsidiary registered in South Africa, with a carrying amount of P14,694,432, are secured against an overdraft facility per note 15 through a registered bond in favor of Standard Bank Limited.

8. PROPERTY, PLANT AND EQUIPMENT (continued)

8.1 Group(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 Equipement P'000	Capital Work in Progress P'000	Total P'000
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	46,654	1,685	51,008	4,380	2,295	6,050	9,398	121,470
At 31 December 2009								
Cost	83,595	7,225	133,473	15,096	10,111	20,537	9,398	279,435
Accumulated depreciation	(36,941)	(5,540)	(82,465)	(10,716)	(7,816)	(14,487)	-	(157,965)
Net carrying amount	46,654	1,685	51,008	4,380	2,295	6,050	9,398	121,470

8. PROPERTY, PLANT AND EQUIPMENT (continued)

8.2 Commission

	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 Equipement P'000	Capital Work in Progress P'000	Total P'000
Year ended 31 December 2010								
Opening carrying amount	38,757	3	49,819	3,088	1,964	5,962	9,399	108,992
Additions	7,586	-	56,391	1,119	571	3,191	205	69,063
Disposals	(73)	-	-	-	(2,170)	(1,700)	(831)	(4,774)
Depreciation charge	(2,428)	-	(7,861)	(1,394)	(358)	(1,017)	-	(13,058)
Depreciation on disposal	51	-	-	-	2,170	1,700	-	3,921
Interclass transfers	6,654	-	(285)	-	(13)	-	(6,356)	-
Closing carrying amount	50,547	3	98,064	2,813	2,164	8,136	2,417	164,144
At 31 December 2010								
Cost	90,071	4,548	189,391	12,680	6,581	21,323	2,417	327,011
Accumulated depreciation	(39,524)	(4,545)	(91,327)	(9,867)	(4,417)	(13,187)	-	(162,867)
Net carrying amount	50,547	3	98,064	2,813	2,164	8,136	2,417	164,144
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	38,757	3	49,819	3,088	1,964	5,962	9,399	108,992
At 31 December 2009								
Cost	75,904	4,548	133,285	11,561	8,193	19,832	9,399	262,722
Accumulated depreciation	(37,147)	(4,545)	(83,466)	(8,473)	(6,229)	(13,870)	-	(153,730)
Net carrying amount	38,757	3	49,819	3,088	1,964	5,962	9,399	108,992

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.

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9. INVESTMENT PROPERTY	Group 2010 P'000	Group 2009 P'000
Opening carrying amount	1,153	3,058
Disposals at cost	-	(2,500)
Depreciation charge	(30)	(86)
Accumulated depreciation on disposals	-	681
Closing carrying amount	1,123	1,153
Cost	1,796	1,796
Accumulated depreciation	(673)	(643)
Net carrying amount	1,123	1,153

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.

10 INVESTMENTS	% Equity held	Group 2010 P'000	Group 2009 P'000	Commission 2010 P'000	Commission 2009 P'000
Subsidiary companies:					
Botswana Meat Commission (UK) Holdings Limited					
Shares at cost	100	-	-	2,866	2,866
Lobatse Leathers (Proprietary) Limited					
Shares at cost	100	-	-	300	300
Botswana Road Services (Proprietary) Limited					
Shares at cost ***	100				
Botswana Road Services (Proprietary) Limited					
Shares at cost ***	100				
Mainline Carriers (Botswana) (Proprietary) Limited					
Shares at cost	100	-	-	4,308	4,308
Associated Companies:					
AMI Investments Limited		1,308	1,344	-	-
Shares at cost (USD162 351)	50	1,045	1,081	-	-
Share of opening accumulated profit		447	498		
Share of revaluation in investment		(184)	(184)	-	-
Attributable share of loss for the year		-	(51)	-	-
Debentures in Clifton School at cost		10	10	10	10
		1,318	1,354	7,484	7,484

*** The cost of investments in these companies is less than P500

During the year, the Commission instructed the Registrar of Companies to deregister Lobatse Leathers (Proprietary) Limited. (Per Government Gazette, 11 June 2010). This was an oversight as this company owns certain operating subsidiaries of the Group. The Commission is in the process of re-instating the registration this subsidiary.

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10. INVESTMENTS (continued)

	Group		Commission	
	2010 P'000	2009 P'000	2010 P'000	2009 P'000
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
	-	-	3,166	3,166
Held for sale investments				
Mainline Carriers (Botswana) (Proprietary) Limited	-	-	4,308	4,308
	-	-	4,308	4,308
Total investments in subsidiary companies	1,318	1,354	7,474	7,474

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.

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.

11. BIOLOGICAL ASSETS

	Group 2010 P'000	Group 2009 P'000	Commission 2010 P'000	Commission 2009 P'000
Balance at beginning of year	49,203	-	49,203	-
Purchases	155,848	138,897	155,848	138,897
Slaughtered	(141,667)	(88,347)	(141,667)	(88,347)
Deaths	(1,325)	(965)	(1,325)	(965)
Fair value gain/(loss)	768	(382)	768	(382)
Balance at end of year	62,827	49,203	62,827	49,203

Biological assets comprise livestock held for slaughter. Cattle livestock is generally kept for periods less than four months before sluaghter. The Commissioners believe the carrying amount of the livestock approximates its fair value less costs to sell.

12. INVENTORIES

	Group 2010 P'000	Group 2009 P'000	Commission 2010 P'000	Commission 2009 P'000
Finished goods	104,536	131,758	104,536	131,758
Stores	14,412	15,505	14,412	15,505
	118,948	147,263	118,948	147,263

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FOR THE YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

	Group 2010 P'000	Group 2009 P'000	Commission 2010 P'000	Commission 2009 P'000
13. TRADE AND OTHER RECEIVABLES)				
13.1 Trade receivables	131,672	80,671	123,560	70,808
Less: Provision for doubtful debts	(21,013)	(6,429)	(21,013)	(6,429)
Trade receivables - net	110,659	74,242	102,547	64,379
Prepayments	6,111	13,777	4,885	12,317
Other receivables	18,493	30,256	13,521	24,551
	135,263	118,275	120,953	101,247
13.2 Amount due from Government of Botswana Francistown reimbursement of losses	-	22,230	-	22,230
	135,263	140,505	120,953	123,477

The amount due from the Government of Botswana was in respect of reimbursement of losses incurred at the Francistown abattoir.

Movement in the allowance for doubtful debts

	Group 2010 P'000	Group 2009 P'000	Commission 2010 P'000	Commission 2009 P'000
Balance at beginning of year	6,429	19,943	6,429	19,681
Current year provision/(reversal)	16,716	(4,302)	16,716	(4,040)
Amounts written off	(2,132)	(9,212)	(2,132)	(9,212)
Balance at end of year	21,013	6,429	21,013	6,429

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 (2009: 60 days)

14. CASH AND CASH EQUIVALENTS

	Group 2010 P'000	Group 2009 P'000	Commission 2010 P'000	Commission 2009 P'000
Cash and bank balances	81,865	98,839	43,787	41,834

15. BORROWINGS

	Group 2010 P'000	Group 2009 P'000	Commission 2010 P'000	Commission 2009 P'000
15.1 Current				
Bank overdraft	180,723	95,110	177,001	95,110
Current Portion of Government of the Republic of Botswana loan	134	48,134	134	48,134
African Banking Corporation of Botswana Limited t/a ABC Bank	2,780	-	2,780	-
	183,637	143,244	179,915	143,244

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15. BORROWINGS (CONTINUED)

	Group 2010 P'000	Group 2009 P'000	Commission 2010 P'000	Commission 2009 P'000
Bank overdraft comprises:				
Trade finance	121,743	68,490	121,743	68,490
Stanbic Bank Botswana (Proprietary) Limited	86,661	68,490	86,661	68,490
Standard Chartered Bank Botswana Limited	35,082	-	35,082	-
Current account overdraft	58,980	26,620	55,258	26,620
Standard Chartered Bank Botswana Limited	14,477	11,314	14,477	11,314
First National Bank of Botswana Limited	16,423	15,306	16,423	15,306
Barclays Bank of Botswana Limited	24,358	-	24,358	-
Other	3,722	-	-	-
	180,723	95,110	177,001	95,110

15.1.1 Financing facilities

	Group 2010 P'000	Group 2009 P'000	Commission 2010 P'000	Commission 2009 P'000
Unsecured bank overdraft				
Amount used	55,258	26,620	55,258	26,620
Amount available	21,742	10,380	21,742	10,380
Total facility	77,000	37,000	77,000	37,000

The unsecured overdraft facilities attract interest at rates ranging from Prime Lending Rate currently 11% (2009: 11%) up to Prime lending rate less 2.5%. The overdrafts are repayable on demand.

	Group 2010 P'000	Group 2009 P'000	Commission 2010 P'000	Commission 2009 P'000
Secured bank overdraft				
Amount used	125,465	68,490	121,743	68,490
Amount available	58,453	-	57,306	-
Total facility	183,918	68,490	179,049	68,490

The secured bank overdraft facilities are denominated in foreign currencies with limits as follows

	Group 2010	Group 2009	Commission 2010	Commission 2009
Euro denominated (million)	€ 15,000	€ 8,000	€ 15,000	€ 8,000
South African Rand denominated (million)	ZAR 5,000	-	-	-
British Pound denominated (million)	£5,000	-	£5,000	-

The Euro denominated overdraft facility attracts interest at 3% (2009:3%) above the Euro interbank offered rate (EURIBOR) and the British Pound denominated overdraft facility attracts interest at 2% above the GBP 3 months LIBOR. Both facilities are secured by an irrevocable instruction by the Commission to Botswana Meat Commission (UK) Holdings Limited to pay all proceeds from the sale of exported beef financed by the bank net of expenses to a specified bank account in London and they are repayable 4 months from date of drawdown.

The South African Rand denominated overdraft is secured against the land and buildings of the subsidiary company, Table Bay Cold Storage (Proprietary) Limited, through a registered bond. The overdraft is repayable on demand and attracts interest at the South African Prime Lending Rate plus 0.6%, currently 9%.

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15. BORROWINGS (CONTINUED)

	Group 2010 P'000	Group 2009 P'000	Commission 2010 P'000	Commission 2009 P'000
15.2 Non Current				
Government of the Republic of Botswana				
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 repayable in 10 equal annual instalments of P 134,089 each.	134	268	134	268
Interest free loan repayable in eight equal instalments which commence in August 2013, after a grace period of 6 years.	119,786	110,238	119,786	110,238
Capital	192,000	192,000	192,000	192,000
Fair value adjustment - beginning of year	(33,762)	(53,618)	(33,762)	(53,618)
Current portion of loan	-	(48,000)	-	(48,000)
Fair value adjustment	(38,452)	19,856	(38,452)	19,856
Total Government of Botswana Loans	120,070	110,656	120,070	110,656
African Banking Corporation of Botswana Limited t/a ABC Bank - the loan has a moratorium for 7 months ending 31 March 2011. The repayments thereafter are over a 10 year period at an interest rate of prime less 2.75%, currently 11%. The loan is secured by a guarantee from the Government of the Republic of Botswana.	47,220	-	47,220	-
Total non-current borrowings	167,290	110,656	167,290	110,656
Total Borrowings	350,927	253,900	347,205	253,900
Maturity of borrowings				
Up to 1 year	183,637	143,244	179,915	143,244
Between 2 and 5 years	47,653	110,506	47,653	110,506
Over 5 years	119,637	150	119,637	150
	350,927	253,900	347,205	253,900

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FOR THE YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

16. 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 was performed at 30 September 2009. The results of the valuation and subsequent measurements are as follows.

	Group and Commission	
	2010	2009
	P'000	P'000
Present value of defined benefit obligation	(138,312)	(142,733)
Fair value of plan assets	112,435	102,848
Deficit	(25,877)	(39,885)

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 defined benefit obligation	138,312	142,733
Fair value of plan assets	(112,435)	(102,848)
Deficit	25,877	39,885
Net actuarial gains not recognised	(23,386)	(36,690)
Unrecognised liability	-	(100)
Net liability arising from defined benefit obligation	2,491	3,095

Amounts recognised in profit or loss in respect of these defined benefit plans are as follows:

Current service cost	4,823	7,233
Interest on obligation	10,705	12,331
Expected return on plan assets	(10,092)	(10,811)
Net actuarial loss recognised in the year	1,437	689
Prior year adjustment	100	-
Unrecognised expense	-	(100)
Recognised expense for the year	6,973	9,342

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16. PENSION FUND OBLIGATIONS (continued)

	Group and Commission 2010 P'000	2009 P'000
Movements in the present value of the defined benefit obligations in the current period were as follows:		
Opening defined benefit obligation	142,733	123,312
Interest cost	10,705	12,331
Current service cost	4,823	7,233
Benefits paid	(5,300)	(6,303)
Actuarial losses	(14,649)	6,160
Closing defined benefit obligation	138,312	142,733
Movement in the present value of the plan assets in the current period were as follows:		
Opening fair value of plan assets	102,848	96,482
Expected return on plan assets	10,092	10,811
Contributions	12,235	10,000
Benefits paid	(5,300)	(6,303)
Actuarial losses	(7,440)	(8,142)
Closing fair value of plan assets	112,435	102,848
The principal actuarial assumptions used were:		
- Expected rate of return	10.60%	9.50%
- Inflation rate	5.60%	4.50%
- Expected rate of remuneration growth	6.60%	5.50%
- Discount rate	8.60%	7.50%
- Expected pension increases	5.10%	4.00%

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

	Group and Commission			
	Expected return		Fair value of plan assets	
	2010 %	2009 %	2010 P'000	2009 P'000
Equity	11.10	10.00	97,481	84,002
Bonds	8.60	7.50	3,598	3,330
Property	9.10	8.00	2,586	2,360
Cash	7.80	7.50	8,770	8,039
Weighted average expected return	10.80	9.50	112,435	97,731

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 P2,652,000 (2009: 2,669,000).

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17. DEFERRED TAXATION

	Group		Commision	
	2010 P'000	2009 P'000	2010 P'000	2009 P'000
Balance at beginning of year	(343)	547	-	-
Exchange differences	314	412	-	-
Income statement charge (Note 7)	59	(1,302)	-	-
Balance at end of year	30	(343)	-	-

18. TRADE AND OTHER PAYABLES

	Group 2010	Group 2009	Commision 2010	Commision 2009
Trade payables	46,186	24,638	42,593	18,492
Other payables	35,521	58,789	30,865	54,918
	81,707	83,427	73,458	73,410

The average credit period for trade payables is 30 days (2009:30 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.

19. FINANCIAL INSTRUMENTS

19.1 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	
	2010 P'000	2009 P'000	2010 P'000	2009 P'000
Debt (i)	350,927	253,900	347,205	253,900
Bank balances and cash (note 14)	(81,865)	(98,839)	(43,787)	(41,834)
Net debt	269,062	155,061	303,418	212,066
Equity (ii)	150,338	238,156	78,339	166,033
Net debt to equity ratio	179%	60%	387%	128%

(i) Debt is defined as borrowings, as disclosed in note 15.

(ii) Equity comprises reserves and capital contributions as disclosed in the statement of changes in reserves.

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19. FINANCIAL INSTRUMENTS (CONTINUED)

19.2 Categories of financial instruments

	Group		Commision	
	2010 P'000	2009 P'000	2010 P'000	2009 P'000
Financial assets				
Loans and receivables				
at amortised cost	211,017	225,567	170,803	173,764
Financial liabilities				
Other liabilities at amortised cost	436,523	341,099	448,261	347,216
Finance costs				
Financial liabilities at amortised cost	8,876	1,702	10,939	3,054
Finance income				
Loans and receivables	2,824	13,860	1,925	10,916

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.

19.3 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 reporting date are as follows:

	Group 2010	Group 2009	Commision 2010	Commision 2009
South African Rand creditors	5,632	4,519	5,632	4,519
Australian Dollars creditors	-	416	-	416
United States Dollar creditors	1,008	11,534	1,008	11,534
British Pound	-	7,208	-	7,208
	6,640	23,677	6,640	23,677
South African Rand debtors	11,780	9,545	11,780	9,545
British Pound debtors	29,409	23,936	29,409	29,435
Euro debtors	22,454	27,557	22,454	41,981
United States Dollar debtors	-	194	-	194
	63,643	61,232	63,643	81,155
Net Assets of Table Bay Cold Storage				
South Africa (ZAR)	16,928	20,946	-	-
Net Assets of Botswana Meat Commission				
Guernsey (GBP)	16,381	17,175	-	-
Net Assets Of Botswana Meat Commission				
United Kingdom (GBP)	27,134	36,063	-	-
Net Assets of Allied Meat Investments				
Cayman Islands (GBP)	48,866	46,374	-	-
	109,309	120,558	-	-

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19. FINANCIAL INSTRUMENTS (CONTINUED)

	Group		Commision	
	2010	2009	2010	2009
	P'000	P'000	P'000	P'000

19.3 Foreign currency risk management (continued)

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.

	Group 2010 P'000	Group 2009 P'000	Commision 2010 P'000	Commision 2009 P'000
Profit or loss	2,850	1,878	2,850	2,874
Equity	5,465	6,028	-	-

19.4 Interest rate risk

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.

	Group 2010 P'000	Group 2009 P'000	Commision 2010 P'000	Commision 2009 P'000
Profit or Loss	(1,057)	(53)	(1,577)	(632)
Equity	1,198	1,102	1,198	1,102

19.5 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.

19.6 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.

BOTSWANA MEAT COMMISSION
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FOR THE YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

	Commision 2010 P'000	Commision 2009 P'000
20. RELATED PARTY TRANSACTIONS		
The following related party transactions were entered into at fair value:		
20.1 *Services charges*		
Freight Commission - Botswana Meat Commission (UK) Holdings Limited	16,391	10,933
Management Fees - Mainline Carriers Botswana (Proprietary) Limited	240	240
	16,631	11,173
20.2 *Interest paid to subsidiaries*	2,171	1,657
20.3 *Amounts due from group companies*		
Botswana Meat Commission (UK) Holdings Limited	9,534	19,799
Botswana Road Services (Proprietary) Limited	106	77
Botzam Services (Proprietary) Limite	-	25
Lobatse leathers (Proprietary) Limited	5	5
Botswana Meat Importers and Exporters (Proprietary) Limited	360	-
Mainline Carriers Botswana (Proprietary) Limited	943	686
BMC Importers and Exporters (Proprietary) Limited	-	178
	10,948	20,770
20.4 *Amounts due to group companies*		
BMC Meat Importers Limited, Guernsey	7,244	7,208
Allied Meat Insurance Company Limited, Cayman Islands	11,123	11,486
BMC UK Holdings Limited	7,976	-
Table Bay Cold Storage (Proprietary) Limited	48	-
Botzam Services (Proprietary) Limited	1,046	1,051
Lobatse Leathers (Proprietary) Limited	161	161
	27,598	19,906
20.5 *Related party balances included in receivables*		
Feedlotters advance to key management personnel	-	106
Government of the Republic of Botswana	7,621	4,058
	7,621	4,164
Refer to note 15 for Government of Botswana loans and guarantees		
Amount due from government included in provision for bad debts	-	118
Remuneration of key management personnel		
Short term benefits	5,002	3,755
Post retirement benefits	-	74
	5,002	3,829

BOTSWANA MEAT COMMISSION
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

	Group 2010 P'000	Group 2009 P'000	Commission 2010 P'000	Commission 2009 P'000
21 NOTES TO THE CASH FLOW STATEMENT				
21.1 Cash used in operations				
Operating deficit	(122,992)	(101,305)	(117,132)	(95,399)
Adjustments for:				
Depreciation of property, plant and equipment	14,990	12,446	13,058	10,924
Depreciation of investment property	30	86	-	-
Loss/(profit) on disposal of property, plant and equipment	207	(306)	(148)	(271)
Pension fund obligation expense	6,973	9,342	6,973	9,342
Profit on disposal of investment property	-	(4,346)	-	-
Dividends from subsidiaries	-	-	(1,062)	(8,500)
Unrealised exchange gains	871	(795)	871	(795)
Share of results of associates	-	51	-	-
	(99,921)	(84,827)	(97,440)	84,699)
21.2 Movements in working capital				
Increase in biological assets	(13,624)	(49,203)	(13,624)	(49,203)
Decrease/(increase) in inventories	28,315	(98,095)	28,315	(98,608)
Decrease in amounts due from group companies	-	-	9,822	33,220
Decrease/(increase) in trade and other receivables	5,242	(32,882)	2,524	(42,139)
Contribution to pension fund	(7,577)	(10,001)	(7,577)	(10,001)
(Decrease)/increase in trade and other payables	(1,720)	15,992	48	13,047
Increase in amounts due to group companies	-	-	7,692	3,981
	10,636	(174,189)	27,200	(149,703)
Cash used in operations	(89,285)	(259,016)	(70,240)	(234,402)
21.3 Proceeds on disposal of property, plant and equipment				
Cost	6,317	1,185	4,774	-
Accumulated depreciation	(5,031)	(1,185)	(3,921)	-
Net carrying amount	1,286	-	853	-
(Loss)/profit on disposal of property, plant and equipment	(207)	306	148	271
Proceeds on disposal	1,079	306	1,001	271
21.4 Proceeds on disposal of investment property				
Cost	-	2,500	-	-
Accumulated depreciation	-	(681)	-	-
Net carrying amount	-	1,819	-	-
Profit on disposal of investment property	-	4,346	-	-
Proceeds on disposal	-	6,165	-	-

BOTSWANA MEAT COMMISSION
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

	Group		Commission	
	2010 P'000	2009 P'000	2010 P'000	2009 P'000
21 NOTES TO THE CASH FLOW STATEMENT (continued)				
21.5 Effects of changes in foreign exchange rates				
Property, plant and equipment	(969)	(934)	-	-
Reserves	2,905	(2,746)	-	-
Deferred tax	(314)	(412)	-	-
Investments	36	134	-	-
	1,658	(3,958)	-	-

22 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:

	Group 2010 P'000	Group 2009 P'000	Commission 2010 P'000	Commission 2009 P'000
Bond of surety covering outstanding liabilities under the BMC Staff Motor Vehicle Advance scheme	1,466	2,091	1,466	2,091
Guarantees in respect of home loan advances	2,689	3,159	2,689	3,159
Guarantee facility from Standard Chartered Bank Botswana Limited	10,000	230	10,000	230
Guarantee by Standard Chartered Bank of Botswana Limited in favour of Standard Chartered Bank London	29,412	11,259	29,412	11,259
	43,567	16,739	43,567	16,739

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

23 FUTURE CAPITAL EXPENDITURE

	Group 2010 P'000	Group 2009 P'000	Commission 2010 P'000	Commission 2009 P'000
Authorised but not yet contracted for	-	29,599	-	29,599

The capital budget for the year ending 31 December 2012 has not yet been approved due to cash flow challenges faced by the Commission and Group.

24 EVENTS AFTER THE REPORTING DATE

Subsequent to the reporting date, the Government of the Republic of Botswana, through the Veterinary Authority voluntarily delisted from the European Union Market (EU) eligibility in order to address compliance issues regarding livestock traceability. Resumption of trade to the EU is anticipated to recommence in December 2011.

On 21 June 2011 the Government of the Republic of Botswana, through the Ministry of Agriculture has extended a guarantee of P125 million to the Commission to borrow funds from the First National Bank Botswana (Proprietary) Limited.

25 GOING CONCERN

The ability of the Group and Commission to continue as a going concern is dependent on a number of factors. The most significant of these are:

- continued government assistance in the form of tax remissions and guarantees for external borrowings;
- obtaining trade facilities and commercial loans from financial institutions;
- establishment of regional markets; and
- resuming slaughtering for the European Union market.

26 COMPLIANCE WITH THE BOTSWANA MEAT COMMISSION ACT (74:04) (AS AMENDED)

The Commission has not complied with the following provisions of the Botswana Meat Commission Act(74:04) (as amended) ("the Act").

The Commission has incurred a total comprehensive loss of P87 694 000 (2009: P107 393 0000). Section 17 of the Botswana Meat Commission Act stipulates that it is the duty of the Commission so to exercise its functions and conduct its business as to ensure, taking one year with another, that its revenues are sufficient to enable the Commission to meet the outgoings of the Commission properly chargeable to the revenue account in terms of Section 14 of the act. The Commission has not complied with the Act in this regard.

Botswana Meat
Commission

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