"Meat Perfection Defined"

2015

Annual Report

Botswana Meat Commission

“Meat Perfection Defined”

Botswana Meat Commission commitys to its stakeholders and customers to consistently deliver value perfection and quality in every meat cut and processed meat products. It therefore promises to deliver to its target markets through its brand promise “ Meat Perfection Defined.”

The History of BMC

Botswana Meat Commission (BMC) or “The Commission” has been in existence, as a body corporate, since 1965. The Act of Parliament which legislated the BMC, requires it to serve the cattle producers of Botswana.
An excerpt from the 1965 Act states that “the business of the BMC is to purchase cattle and to slaughter the same; and prepare and sell the products of such slaughtering or, if the Commission thinks fit, to sell on the hoof cattle so purchased; in addition the Commission may, in its discretion and with the consent of the Minister, promote schemes for the development and improvement of the livestock industry.” The Commission operates a few production plants and other facilities in Botswana, South Africa and the United Kingdom.

The BMC Headquarters in Lobatse comprises an integrated complex housing the Head Office, Abattoir and a Cannery plant. The Tannery Plant, which collates hides from varied BMC operations, is also located in Lobatse – but quite distantly from the main abattoir plant. Other abattoir facilities were set-up in Francistown and Maun, in 1983 and 1989 respectively.
The Commission also owns a storage warehouse in Capetown, South Africa as well as marketing office in the United Kingdom.

BMC supplies varied markets with primal cuts of Botswana Beef, beef by-products as well as processed meats from the Cannery Plant. Even though it is no longer in the plinth of highest contributors to Gross Domestic Product (GDP), Botswana beef exports remains integral to economic diversity efforts of the country.

2015

Annual Report

2015

Botswana Meat Commission

2015

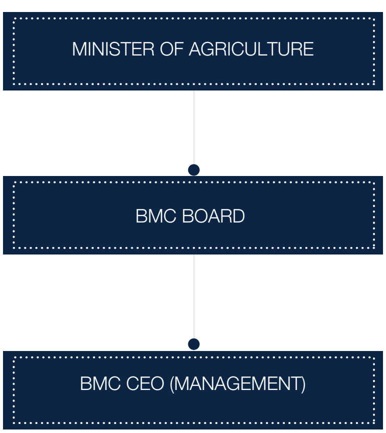
CONTENTS

Corporate Governance Statement

Statement of Compliance

The Board recognises the need to conduct the business of the Commission in accordance with the principles of the King III Code of Ethics. These principles include discipline, independence, responsibility, fairness, social responsibility, transparency and the accountability of Commissioners to all stakeholders. The Commission's core values, some of which are Teamwork, Pursuit of Excellence, Accountability and customer Focus are founded and conform to the pillars of King III Code of Ethics. The Board of Commissioners is committed to continuous improvement through good governance, embracing ethical standards and sustainability reporting. The Corporate Governance Structure of Botswana Meat Commission (BMC) comprises the Ministry of Agriculture, the Board, and Management. See illustration below.

Organogram of the BMC Corporate Governance structure



Composition of the Board and Appointment of Board of Commissioners

Governance of the Commission is provided for under Part 1 of the Schedule of the BMC Act Cap 74:04. Section 2 (1) establishes the Board of Commissioners which is the principal governing body of the BMC whose Members' tenure is three (3) years.

The Board shall consist of a Chairperson and ten (10) other Members, as appointed by the Minister of Agriculture, of which four are appointed from a list of names submitted by the Livestock Advisory Committee and the remaining six Members from among persons who, it appears to him, possess, by reason of their experience of and capacity in matters relating to the livestock industry, finance or administration, qualities likely to benefit the work of the Commission. Section 2 (3) empowers the Minister to disregard the list submitted by the Livestock Advisory Committee and appoint persons other than those recommended by the Committee. Members of the Board may be removed by the Minister if is of the view that their tenure is no longer in the public interest.

The role of the Board of Commissioners is to provide strategic direction and supervision to the Chief Executive Office and Management of BMC based on the requirements and mandates of the BMC Act, the Ministry of Agriculture and the best interests of the cattle producers of Botswana. Within the context of this role, the Board may delegate certain of its functions to its Committees or to the CEO and Management but will at all times retain full accountability for the delegated functions.

The Board abides by its Board Charter, through which it commits to comply with principles of good governance and good ethical behaviour. The guiding principles for the Board Charter and the Charters of its Committees are those contained in the King III Report on Corporate Governance.

Corporate Governance Statement | Continued

Board meetings

The Board meets, at a minimum, once every quarter. Special Board meetings are convened whenever deemed necessary. Six (6) meetings were convened during the year. Commissioners are provided with comprehensive board documentation at least seven (7) days prior to each of the scheduled meetings.

The table below records the attendance of Commissioners at Board meetings for the year. Attendance of meetings was satisfactory for the year.

Commissioners Name	19 January 2015	23 March 2015	13 April 2015	01 June 2015	02 November 2015	11 December 2015
Dr Thapelo Matsheka	✓	✓	✓	✓	✓	✓
Mr Legodile Serema	✓	✓	✓	✓	✓	✓
Mr Leonard Morakaladi	A	✓	✓	A	✓	✓
Dr Micus Chimbombi	A	✓	✓	✓	*	*
Mr Boipolelo Khumomatlhare	**	**	**	**	✓	A
Mr Mike Dube	A	✓	✓	✓	✓	✓
Mr Godfrey Mosimaneotsile	✓	A	✓	A	A	A
Mr Moraki Mokgosana	✓	A	✓	✓	✓	✓
Mr Dithologo Mmile	A	✓	✓	✓	A	A
Mr Onkabetse Kgotlafela	✓	A	A	✓	✓	✓
Mr Tshepo Masire	**	**	✓	✓	✓	✓
Ms Joyce Maphorisa	✓	O	O	O	O	O
Ms Tekolo Modungwa	✓	A	A	*	*	*

✓ Present
A Apologised
O Term Expired

* Resigned
** Not yet Appointed

Board Committees

Board meetings

The non-executive directors contribute their extensive experience and knowledge to the Board's committees. The Committees are constituted to over-see clearly defined functional responsibilities that have been delegated to them by the Main Board. Each Committee is formulated to interrogate issues within its portfolio in more detail than the Board would do ordinarily, to ensure alignment of policy, process and direction. Below are the currently existing Board Committees together with brief descriptions of their respective mandates.

1. Value Chain Committee

Current Members
Mr L. Serema (Chairperson), Dr M. Chimbombi (Resigned on 06 October 2015) Mr B. Khumomatlhare (Appointed on 12 October 2015), Mr D. Mmile & Mr O. Kgotlafela

2. Finance, Audit and Risk Committee (FARC)

Current Members
Mr M. Dube (Chairperson), Mr M. Mokgosana, Dr M. Chimbombi (Resigned on 06 October 2015), Mr B. Khumomatlhare (Appointed on 12 October 2015)

3. Human Resources & Remuneration Committee

Current Members
Ms T. Modungwa (Resigned on 06 May 2015), Ms J. Maphorisa (Term ended 20 March 2015), Mr M. Mokgosana (Chairperson) & Mr G. Mosimaneotsile

4. Tender Committee

Current Members
Mr L. Morakaladi (Chairperson), Ms J. Maphorisa (Term ended 20 March 2015) Mr G. Mosimaneotsile

Each of the above Committees operates in terms of a mandate approved by the Board. These mandates describe:

- the extent of its powers;
- the responsibility delegated to it;
- its term;
- its role and function;
- procedure for reporting to the board; and
- its authority to act.

At Board meetings, relevant minutes are submitted and the Chairperson of each Committee reports on the Committee's activities.

Value Chain Committee

The primary objective of the Value Chain Committee is to assist the BMC Board in discharging its responsibilities, relative to exercising oversight on all matters relating to strategy implementation, governance, risk management and capabilities and human resource development; in particular as they concern the value chain comprising of Livestock Procurement, Operations, Sales and Marketing, Distribution, and Compliance. The Committee monitors performance of Management on the annual business plan, as devolved from the Strategic Plan.

Finance, Audit and Risk Committee (FARC)

The FARC oversees issues relating to the development and management of financial and accounting information. In particular, the Committee assists the Board in its oversight role by managing the financial, operational, business continuity and commercial risk facets of the Commission. In this regard, it is responsible for monitoring the development of the financial information, the efficiency of internal controls and risk management systems, the auditing of annual financial statements as carried out by the external auditors, as well as the independence of the said external auditors.

Board Committees | Continued

Human Resources & Remuneration Committee

The Human Resources & Remuneration Committee assists the BMC Board of Commissioners to discharge its responsibilities relative to monitoring Management's implementation of the BMC Strategic Plan in relation to all matters concerning Human Resources at BMC. It periodically reviews reports from Management on significant changes to the organisational structure and makes recommendations to the Main Board.

Tender Committee

The Tender Committee is mandated to lend support and guidance on the BMC's tendering and procurement processes. The key objective of this Committee is to ensure that the procurement process of the Commission is conducted in an ethical, transparent, and fair manner; in adherence to the principles of good corporate governance as contemplated in the King III Report on Corporate Governance. The Tender Committee adjudicates tenders of values exceeding Two Million and Five Hundred Thousand Pula (P2 500 000) up to Five Million Pula (P5 000 000). The Main Board adjudicates over tenders valued at P5 000 000 and above, on recommendation of the Board Tender Committee.

Management Committees

1. Management Executive Committee

The Executive Committee of BMC reports to the CEO and the Board. Its key role is to monitor performance of the distinct departments within the Commission and come up with ways for improvement of such performance. The Management Executive Committee is also tasked to ensure that BMC conducts its business in line with set standards and policies and ensures that the Organisational Strategy that the Commission has formulated is properly implemented.

2. Management Tender Committee

Chaired by the CEO, the Management Tender Committee (MTC) adjudicates all orders/tenders exceeding One Million Pula (P1 000 000) in value, up to Two Million and Five Hundred Thousand Pula (P2 500 000). MTC recommends tenders values at over P2 500 000 to the Board Tender Committee for adjudication. Management Tender Committee ensures that the procurement process of the Commission is conducted in an ethical, transparent, and fair manner; in adherence to the principles of good corporate governance.

3. Management Review

The BMC is ISO 9001:2008 and British Retail Consortium Global Standard for Food Safety Issue 6 certified. It is an important requirement of these standards to have a management review process, the objective of which is to review organisational performance against set objectives and the establishment of new or amended targets and objectives. Of importance for this review is to ensure that the operations of the Commission are conducted in such a manner, as to ensure that all departments adhere to the agreed service standards.

Directors Declarations of Interest

All Commissioners endeavor to avoid any situation of conflict of interest with the Commission. Potential conflicts can arise and therefore processes and procedures are in place requiring Commissioners to identify and declare any actual or potential conflict of interest. Any such notifications are required to be made by the Commissioners prior to, or at a Board meeting and all Commissioners have a duty to update the whole Board of any changes in circumstances. The above shall not apply in relation to a contract with the Commission for the delivery, sale or slaughter of livestock entered into by a member or his spouse in which the member or his spouse receives no preferential treatment over, or more advantageous terms than other members of the public.

Geographical Structure

LOBATSE OFFICE
Private Bag 4, Lobatse, Botswana
Tel: (+267) 5330321 / 5340000
Fax: (+267) 5332228
email: communications@bmc.bw

FRANCISTOWN OFFICE
Private Bag 119, Francistown,
Botswana,
Tel: (267) 2414499
Fax: (267) 2414427

MAUN OFFICE
Private Bag 8, Maun, Botswana
Tel: (267) 6862782
Fax: (267) 6863562

UK OFFICE
BMC (UK) Holdings Ltd
Stuart House, Queensgate
Britannia Road
Waltham Cross
Hertfordshire,
England
EN8 7TF
Tel: +44(0)1992 807950
Fax: +44(0)1992 807951

CAPETOWN OFFICE
Table Bay Cold Storage
6 Auckland Street,
Paarden Eiland
Cape Town
Tel: 27 21 5088440
Fax: 27 21 5115957

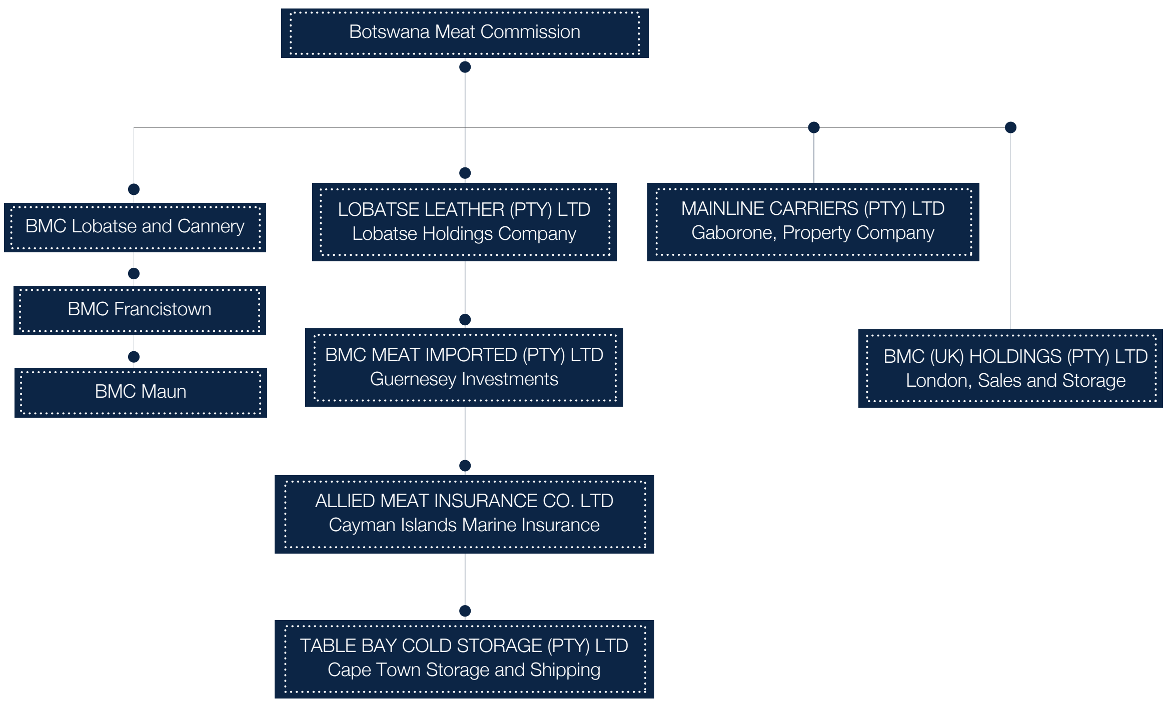
BOTSWANA ABATTOIRS AND PLANTS
Lobatse: Abattoir Tannery & Cannery
Francistown: Abattoir
Maun: Abattoir

SOUTH AFRICA
Capetown: Cold Storage & Shipping
Documentation
Johannesburg Sales Office

UNITED KINDOM
London: Sales & Marketing

Botswana Meat Commission

Group Structure



Board of Commissioners

1

2

3

4

5

1 DR THAPELO MATSHEKA
Board Chairperson

2 MR B KHUMOMATLHARE
Board Member

3 MR MORAKI MOKGOSANA
Board Member

4 MR DITHOLOGO MMILE
Board Member

5 MR TSHEPO MASIRE
Board Member

Botswana Meat Commission

Board of Commissioners | Continued


6


7


8

6 MR GODFREY MOSIMANEOTSILE
Board Member

7 MR LEGODILE SEREMA
Board Member

8 MR LEONARD MORAKALADI
Board Member

NOT IN PICTURE

MR MIKE DUBE
Board Member

MR ONKABETSE KGOTLAFELA
Board Member

Executive Management

1

2

3

4

5

6

1 DR AKOLANG R. TOMBALE
Chief Executive Officer

2 MR SHYAM GOTETI
Chief Financial Officer

3 DR. BOITUMELO MOGOME-MASEKO
Executive Manager Compliance

4 MR KENNETH MAKUBATE
Executive Manager Livestock Procurement

5 MS DITSAPELO R. MAKATI
Executive Manager Human Capital

6 DR STEPHEN GHANIE
Executive Manager Strategy, Projects & Innovations

Heads of Department

1

2

3

4

5

6

1 MR MOTHOBI MOTHOBI
General Manager (BMC Lobatse)

2 MR OABONA RAMOTSHWARA
Plant Manager (BMC Maun)

3 MR BOSIELA SAUDU
Plant Manager (Francistown)

4 MR BRIAN DIOKA
Corporate Communications & Public Relations Manager

5 MR TSHEPO MODISE
Sales & Maketing Manager

6 Ms Dimpho Mpulubusi
Financial Controller

Botswana Meat Commission

Board Chairman's Statement

HONOURABLE PATRICK PULE RALOTSIA, MP
Minister Of Agriculture
Private Bag 003
Gaborone

I present to you the Annual Report of the Botswana Meat Commission (BMC), for the financial year ended 31st December 2015. The BMC Board of Commissioners is buoyant that information contained herein, is compliant to the ethos and global standards of corporate governance, which are a guiding principle of how the Board applies its oversight commitment to the Commission – but also as a criterion of due diligence bade by your office.

I also wish to assure your office that the operational and financial narrative detailed in this Annual Report depicts a true record of BMC's performance in the year 2015, but also responds to strategic initiatives proposed in the preceding year of 2014.

The BMC Board of Commissioners is appreciative of Government's efforts to support the business with resources. The notable event in 2015 remains the liquidity challenges incurred by the Commission, which were largely necessitated by external factors such as high-debts to commercial banks, non-compliance of the raw-material and deficient supply to BMC abattoirs. Your Government's intervention totaling P 600 million cash injection to the Commission, kept the business afloat and minimized debt-exposure to commercial banks. However, what remains a challenge though, and also with glaring possibilities of further perplexing BMC operations even more - is non-compliancy of the availed stock for slaughter which have historically become deleterious to our efforts with BMC operations in Francistown and Maun.

In the year under-review, the Board of Commissioners remained resourced with skills-set to upkeep required governance structures, but also to carry-out its oversight mandate.

I wish to commend Dr Micus Chimbombi whose tenure with the Board ceased in September 2015 – for his noteworthy contributions as a Board Member and also his fabled service to the sector in its entirety. I should also applaud you and your Ministry's resoluteness in appointing Messrs.' Boipolelo Khumomatlhare and Tshepo Masire to the BMC Board of Commissioners to fortify its strategic mandate and responsibility of achieving intended results.

On behalf of the Board, I wish to express gratitude to the shareholder, cattle supplier stakeholders, our strategic resourcing partners, product consumers, BMC management and staff for their invaluable contributions and support to the Commission.

DR THAPELO MATSHEKA
BMC Board of Commissioners - Chairperson

Chief Executive Officer's Review

The year ended 31 December 2015, records the mid-point of the five (5) year Strategic Plan devised by the Commission (BMC). Even though the reporting-period had notable events of its own, the Commission remains on course to recover from its loss making financial status

The 2012/17 Strategic Plan is focused on following strategic themes, which are very critical to ensuring that the Commission is guaranteed a recovery
a. Value chain optimization
b. Diversification and partnering opportunities
c. Financial restructuring and organization's transformation

As at the end of December 2015, the Commission had reformed its cattle procurement and meat production strategy succinctly to the intents and objectives of a fully optimized BMC value chain. This meant that greater focus needed to be dedicated to buying-better and smartly, and with full appreciation of what the market requires. The in-between processes such as; (i) better managing of BMC stock at feedlots; (ii) better managing of feed required by such stock, (iii) ensuring compliance at all fronts – enabled cattle supply to all BMC abattoirs to improve at 3.9 percent year-on-year, reaching 149,709 cattle in 2015.

However the year's events were unrelenting, especially given the official declaration of drought by Government in July 2015, and its obvious implications on cattle through-put as well as plant's performance which aggregated 62 percent against the prescribed minimum utilization of 85 percent.

The prevalence of Measles continued to weigh heavily on meat production at all BMC abattoirs and subdued sales revenue. In the period under review Measles' highest peak was recorded at 15.14 percent in May 2015 in Francistown, whereas Lobatse plant's highest was in the month of January 2015 at 13.55 percent. The inferences of Measles on meat production at the BMC, can no longer be underplayed nor ignored, given its impact on operational/production costs. Just as in the preceding year, the Commission achieved yet another positive growth on its annual gross revenue by 3.6 percent year-on-year, improving to P 1,213 Million from P 1,170 Million (declared in 2014). The referred financial record, though lower than the projected 2012/17 strategic plan target of P 1,331 Million for the year under review. It is evident that had we not been negatively affected by difficult climatic misfortunes, the target was indeed realistically within our reach. The Maun and Francistown plants' performance remained below par and continued to be loss making.

Maun Plant's performance is negatively affected by the high value export market that would be able to take high value matured deboned primal cuts that are produced there. Instead the said products are sold in the local market that neither prefers deboned meat nor primal cuts. On the positive side Maun Plant generally achieves better carcass quality (CDM) weights which at times reach almost 250 Kilogram. Francistown Plant's performance is more bedeviled by erratic cattle supply as well as the quality of the cattle availed for slaughter (which is dominantly below a CDM of 210 KG). The Commission however remains optimistic that the relisting the facility for European Market supply would perhaps spike better plant capacity usage.

In an effort to push on with the financial and operational restructuring the Commission engaged a transactional advisor/consultant to develop a bespoke business model, value the enterprise, restructure the balance sheet as well as come up with mechanisms of raising cost effective financing of the Commission. The consultancy started their assignment on BMC, at a time where the business faced heightened liquidity challenges, due to its poor business model, but even more important worsening beef sub sector deficiencies such as poor animal husbandry leading poor quality of animals available for slaughter.The first phase of the consultancy recommendations, required for an exigent short-term plan on BMC's working capital but also to enable the business to settle its debt/loan obligations which resulted in a P600 million re-capitalization by Government.

Botswana Meat Commission

Chief Executive Officer's Review

The second phase of the consultancy recommendation was to develop possible scenarios that the shareholder could adopt, to reform the Commission's business model to make it more efficient and effective.

In achieving both the strategic initiatives for 2015 but also the principles of its core mandate, the Commission also actively developed a robust stakeholder engagement plan, which resuscitated consultative platforms with both internal and external parties. The notable events for the year included Francistown Farmer's Pitso in October 2015, planned update-sessions with strategic ministry heads (including ministers i.e. Agriculture; Finance and Development Planning; Trade and Industry etc.), Parliament's Portfolio Committee on Agriculture, as well as the media. The commission believed that these platforms were crucial in providing clarity about the Commission, but also assuring about the path of the strategic plan. Also as part of the transformative obligation, to achieve optimal performance of the business, the Commission decided to re-assess its human capital needs with a view to reduce operational costs but also streamline processes.

In diversification and partnering opportunities, the Commission revised the sales strategy and will introduce family retail packages in the domestic market in the following year (2016), but also provide similar packs to external markets in subsequent years. This was informed by the market assessment later in the year that new opportunities existed in that front. Beyond that a holistic review of market-performances was done, which have assured that EU and Norway remained best and lucrative markets for primal cuts.

The market forecast, as the end of December 2015, also proved the same given the envisaged signing of the SADC Economic Partnership Agreement (EPA) which promises to unlock more trade opportunities especially for Botswana beef. It is against this backdrop of increasing supply-opportunities for more quality beef, that Management has identified and approached a few financial-providers which could better resource the beef value chain, and in the process enable the cattle supply-market to improve throughput at the BMC. Such capacitation is more directed at the producer/farmer, that they should have funds/resources readily available to sustain supplying their stock to the BMC.

As part of the reformative journey guided by the 5 year strategic plan, the Commission maintained its higher compliance global-grading for the Lobatse and Francistown abattoirs, but also re-invested by improving operational capacity at the Maun abattoir by 33 percent. With the latter, the Maun abattoir is now able to slaughter 130 cattle a day. The Lobatse facility invested in ensuring guaranteed supply of critical utilities such as water. The Commission approved the construction of a more than 1000 cubic meter water treatment plant at the Lobatse facility, together with all its associated civil works. This would ensure sustained supply of water for the abattoir, at times where supply is not guaranteed by Water Utilities (WUC). A similar project is being considered for the Maun abattoir.

I am assured that the 2012-17 strategic plan of the Commission, would surpass its core objectives but only if the beef value chain is restructured to correspond with current/market requirements. For their part, Board and Management, are determined to reform the Commission not only to be profit making but also to remain a sustainable and preferable off take market for Batswana cattle. The country would possibly have the best and distinct product (if better coordinated and developed), the BMC has laudable production processes of highest global standards, therefore the Board, Management and staff remain resolute, that with these collective strengths, the Commission is assured of recording an even better performance in the next year.

DR AKOLANG R. TOMBALE
Chief Executive Officer

2015

COMPLIANCE

Botswana Meat Commission continued to adhere to stringent multiple standards of food safety, legality and quality and supply its high quality product to demanding market segment during 2015. Compliance to international customer requirements was a challenge especially due to dynamic certifiable standards and multiple audits and as a result BMC compliance protocol was aligned to the new editions of certifiable standards and customer requirements. Senior management commitment, site compliance, personnel, process and product control, allergen, supplier quality assurance, traceability, raw material authenticity, security, fraud and hazard analysis critical control points (HACCP) requirements cut across all disciplines.

European Union certification

The Lobatse plant continued to be listed to supply the European Union (EU) and continued to export to the lucrative EU market during 2015. Francistown plant due to its close proximity (less than ten kilometers) from the protection zone at the time of the 2013 EU audit could not export.

The Department of Veterinary Services as the regulatory authority at Commission export facilities continued to monitor and verify implementation of EU legislative requirements and certified that beef imports from Botswana meet the standards of production for EU member states.

British Retail Consortium certification

BMC Lobatse and Francistown export plants were audited by international renowned certification bodies and maintained “Grade A” against the internationally recognized British Retail Consortium (BRC) Global Standard for Food Safety (Issue 6) Standard.

Compliance | Continued

The BRC standard is one of the Global Food Safety Initiative (GFSI) benchmarked food safety standards required as a minimum for food manufactures globally that measures ethical and fair practices, animal welfare, technical and operational factors in food production.

ISO 9001 certification

Botswana Meat Commission was audited and granted a three years (2014 to 2017) multi-sited certification against ISO 9001:2008 which emphasizes on continual improvement i.e. customer focus, leadership skills, involvement of people and stakeholders (communication) and factual approach to decision making.

BMC Management understand continual improvement in a business context and used it to improve overall business performance and all facilities including head office continues to operate to the requirements of this standard.

HACCP certification

BMC abattoirs and manufacturing facilities in Lobatse, Francistown and Canneries maintained certification against the Hazard Analysis and Critical Control points (HACCP), South African National Services (SANS) 10330:2007 standard. Although not certified the Maun plant complies with BMC Technical Standards which are benchmarked against an HACCP system of preventative approach to food safety.

Customer requirements

Over and above the regulatory standards and audits mentioned above the Commission had to comply with specific protocol for some customers e.g. McDonald's and Woolworths who conducted independent audits of our facilities during the year.

- McDonalds

Lobatse and Francistown plants successfully retained their certification to supply red meat products to McDonald's fast food chain in South Africa. The McDonald's audit conducted by SAI Global (EFSIS) covers hygiene, quality of the product, animal health and welfare.

- Woolworths

Botswana Meat Commission Cannery is a primary supplier for pet food to Woolworths while the red meat processing plants are secondary suppliers to the food chain in South Africa. All facilities were audited and approved to continue supply.

Laboratory accreditation

BMC in-house laboratory embarked on a strategic initiative to accredit its operations against ISO/IEC 17025:2005 standard for testing and calibration laboratories. This initiative will provide valuable component for due diligence, defense and reduce reliance on external suppliers. The laboratory successfully carried out method development and validation and participated in proficiency schemes with local, regional and international renowned bodies.

During 2014, gap analysis by Botswana National Veterinary Services and application for accreditation and document review were carried out by Southern Africa Development Community Accreditation System (SADCAS) in preparation for a full accreditation audit in 2015. All findings identified were successfully addressed and evidence submitted to the accreditation body.

Initial assessment was conducted in July 2015 with all twelve (12) tests earmarked for accreditation recommended for accreditation pending closure of identified non-conformities.

Botswana Meat Commission

2015

OPERATIONS

Annual production

Figure 1 below shows the monthly comparative throughput between the plants. Lobatse processed the largest throughput when compared with Francistown and Maun. Over 80% of Lobatse throughput made up of European Union compliant cattle, which also earned it the highest revenue per head of cattle.

- Lobatse produced 16.656 tons of boneless beef, Francistown 3.960 tons, and Maun 2.656 tons.

- Francistown also produced for 9,474 tons of bone-in forequarter, while Maun produced 0.167 tonnes.

- When considering the slaughter numbers, plant capacity utilization was 78.8%, 29.7%, and 76.6% at Lobatse, Francistown and Maun respectively. Both Lobatse and Maun were close to the optimum utilization target of 85%, while Francistown continued to struggle with throughput.

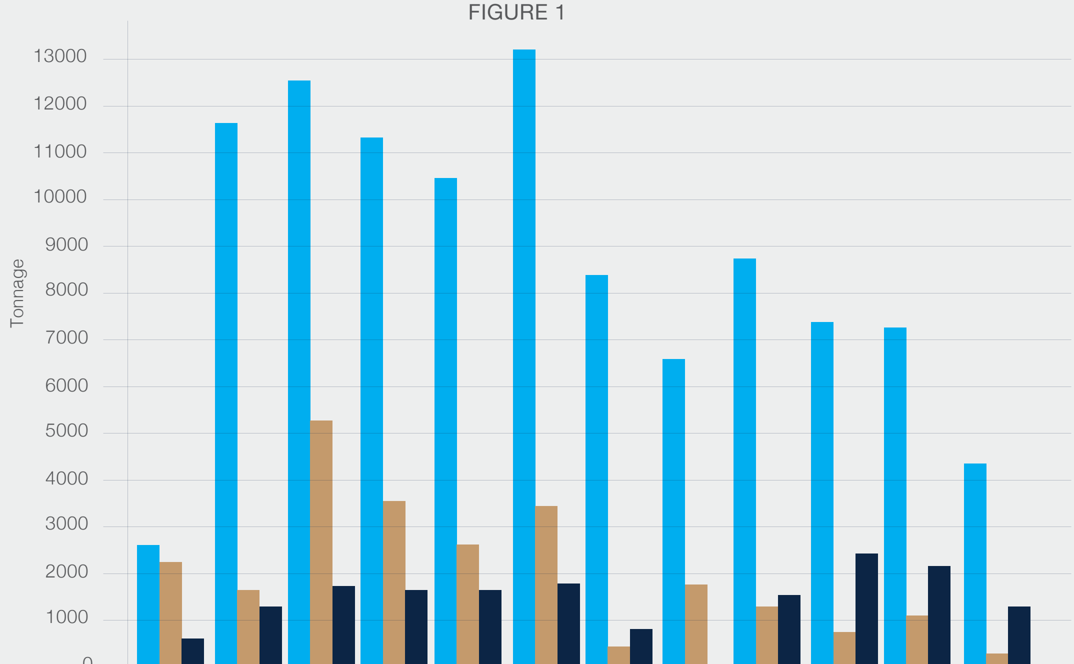
- In terms of value of production, Maun produced the lowest value because of market access constraints for beef derived from cattle reared in Foot-and-Mouth Disease areas.

- The canning plant production primary focus was on supplying the Government of Botswana stewed steak contract of 85,500 cartons. By July 2016, 73.34% of the contract had been supplied. Other products produced were corned meat, corned beef, and pet food.

Operations | Continued

Lobatse, Francistown and Maun Plant Slaughter for 2015

FIGURE 1



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Lobatse	2089	11705	12515	11157	10554	13820	8288	6539	8908	7454	6570	4396
F/ town	2210	1854	5124	3293	2833	3521	389	1791	1372	882	1125	452
Maun	733	1629	1923	1724	1787	1993	835	0	1620	2323	2147	1344

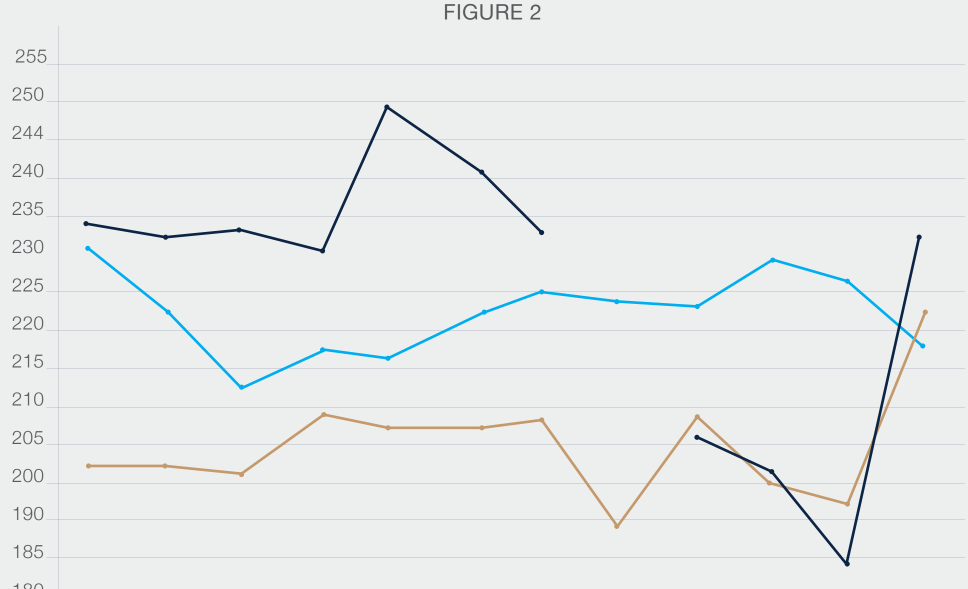
Carcass Cold Dressed Mass (CDM)

Figure 2 below shows the comparative cold dressed mass for cattle slaughtered between the three abattoirs.

- Maun slaughtered the largest cattle during the first part of the year before the two months conveyor upgrade shutdown from late July. The heavier, grass reared cattle were sourced from mainly the Kareng veterinary exten sions. The CDM ranged between 229 and 248 kg. After the shutdown in August, when the effects of drought manifested, slaughter cattle were much lighter and this lowered the CDM.
- The feedlot factor helped maintain a good slaughter weight at Lobatse. The average CDM ranged between 212 and 230 kg. A higher CDM was possible had all the feeders performed well and the direct-from-veld cattle prepared prior to marketing.
- Francistown sources cattle almost wholly from the range where the cattle were lighter than were for Lobatse and Maun.

Lobatse, Francistown and Maun Monthly Average CDM For 2015

FIGURE 2



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Lobatse	230	222	212	217	216	222	225	223	222	228	226	217
F/ town	203	203	201	209	207	207	208	189	209	200	195	223
Maun	238	233	234	229	248	241	232	-	203	193	184	227

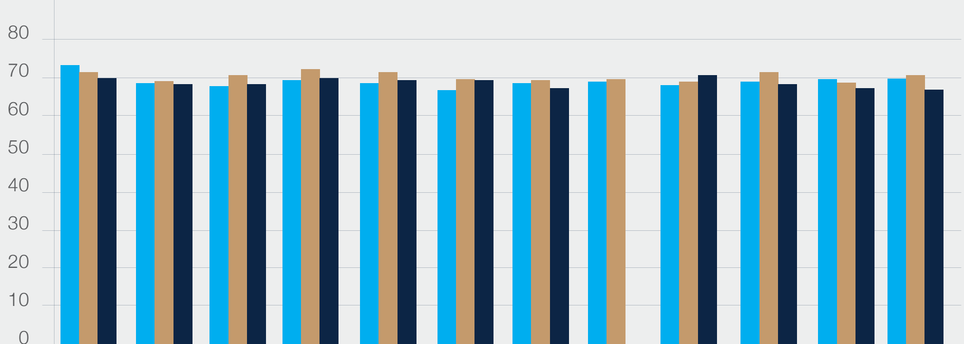
Botswana Meat Commission

Boneless meat yield

All the plants exceed the global benchmark boneless yield target of 69%. At all plants, there are complementary initiatives to maximize harvesting of meat. These include daily monitoring and reporting of production value and production of sliced bones for sale. Figure 3 below shows the high boneless yields achieved by each deboning plant.

Lobatse, Francistown and Maun Boneless Meat Yield % for 2015

FIGURE 3



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Lobatse	70.82	69.21	69.03	69.27	68.83	67.61	69.15	69.68	69.35	69.28	69.27	69.55
Francistown	70.18	69.37	70.18	71.00	70.12	69.86	69.63	69.00	69.27	71.62	69.15	70.26
Maun	70	69	69	70	69.5	69.6	68	-	72.5	69	68	67

Maun palnt was not in production in the month of August, due to scheduled plant upgrades

Measles

Measles continued to menace the cattle industry. The high incidence did not only affect the market value of affected carcasses, but also bottlenecked the production operation as chiller capacity for carcasses and boxed beef could not be utilized efficiently. The special treatment applied to the affected meat increased operating cost for the Commission.

- Figure 4 shows measles peaking to 15.14% in May at Francistown abattoir before modestly reducing.
- Lobatse recorded the highest measles prevalence in January with a second lower peak in April.
- Generally, cattle sourced from permanently or regularly inhabited areas produced the bulk of the affected carcasses.

Botswana Meat Commission

2015

LIVESTOCK PROCUREMENT

Performance Overview

Achievements

- Cattle supply performance was generally good during the 1st and 2nd quarter of the year, especially for Lobatse where throughput targets were exceeded. The third quarter started on a low note mainly due to shortage of water, but in terms of cattle availability this was well and managed. Quarter 4 was fair on cattle supply but was immensely affected by challenges of water shortage and drought.

- Cattle supply for Francistown started to slow down in the second quarter and this challenge continued throughout the course of the year. Livestock Procurement continued to engage with farmers around the Francistown Area as part of stakeholder engagement to encourage farmers to bring cattle to the Francistown abattoir.

- Maun plant did not do well because of low slaughter numbers in January as a result of frequent plant breakdown, and FMD outbreak in February and March. The scheduled plant upgrades for Maun in August 2015, negatively impacted on slaughter-targets in Q3, since the plant was not in production. However, the performance drastically improved after the re-opening of the plant to achieve a now improved slaughter target of 110 cattle a day.

Challenges

- Drought impacted negatively on cattle quality and weights

- Plant down-time caused by erratic water supply, especially for Lobatse and Maun plants – affected scheduled cattle supply

- Liquidity challenges of the Commission, also limited procurement of targeted cattle numbers

- Concerning mortality-rates were experienced at feedlots mainly due to inconstant feeding regime.

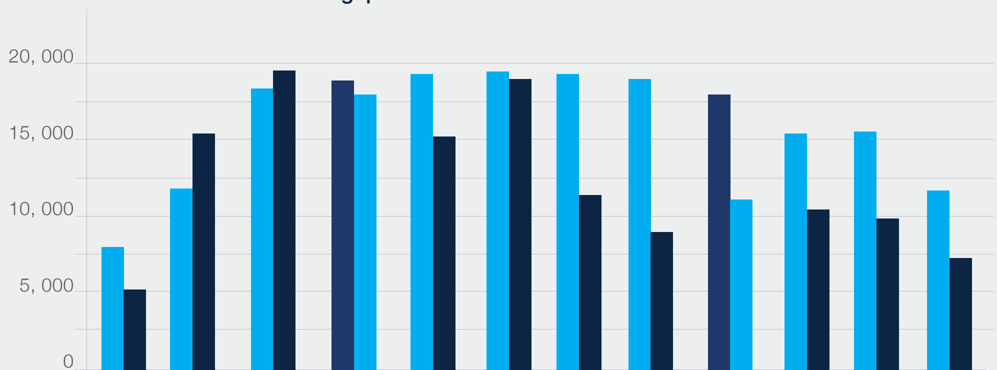
Performance Against Strategic Objectives 2015

Deliver Cattle Supply to BMC of 189, 974 Head by end of Year

- Total throughput budget for the 3 plants for Q1 – Q4 is 146,064 cattle.

- Quarter 1 (Q1) target kill = 37,104 cattle Achieved 40,000
- Quarter 2 (Q2) target kill = 55,780 cattle Achieved 50,482
- Quarter 3 (Q3) target kill = 54, 980 cattle Achieved 32,533
- Quarter 4 (Q4) target kill = 43,910 cattle Achieved 26,694

Throughput Perfomance - All Plants Combined



	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15
Forecast	6,704	13,600	16,800	17,000	19,300	19,480	19,300	17,500	16,290	15,290	15,200	13,420
Actual	5,032	15,406	19,562	16,174	15,175	19,133	12,512	8,330	11,900	10,659	9,843	6,192

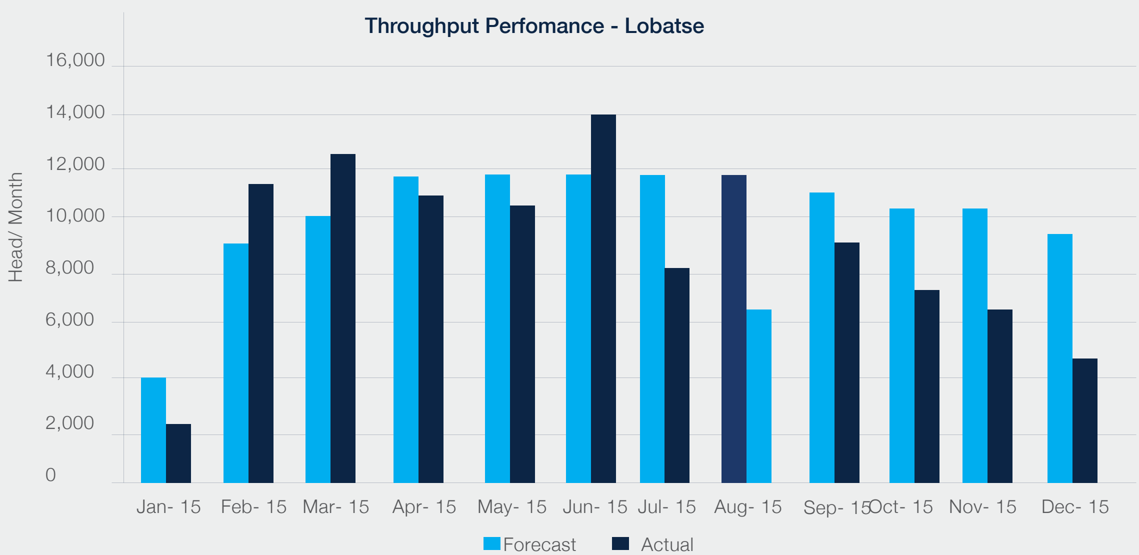
Performance Against Strategic Objectives 2015

Cattle Supply to Lobatse Plant of 124, 044 Heads by end of Year

EU compliant Cattle Supply to Lobatse plant

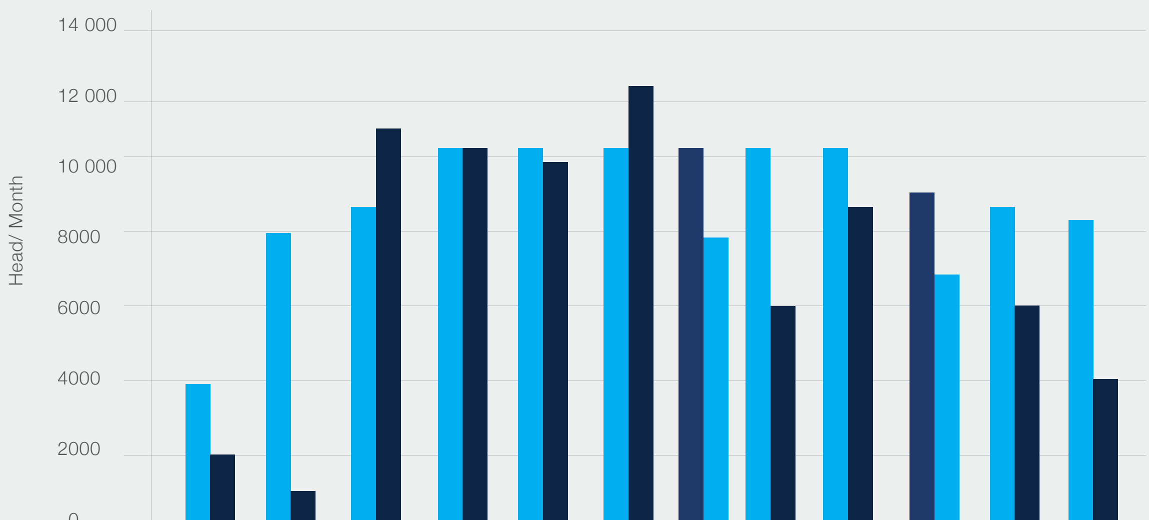
- Though throughput was significantly low in January, it however improved in subsequent months.
- Cumulative EU throughput achieved at year end (December 2015) was 103,997 against a budget of 124,044.

- Q1 was exceeded since 24,252 cattle were slaughtered against budget of 20,894.
- Q2 was exceeded since 32,400 cattle were slaughtered against budget of 30,900.
- Q3 not realized since 23, 735 cattle were slaughtered against budget of 31,900.
- Q4 not realized since 18, 421 cattle were slaughtered against budget of 30, 100



Performance Against Strategic Objectives 2015

Eu Slaughter - Lobatse Plant



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Budget	3894	8000	9000	10300	10300	10300	10300	10300	10500	9500	9500	8500
Actual	1974	1113	11165	10361	9797	12242	7906	6171	8606	6712	6057	3993

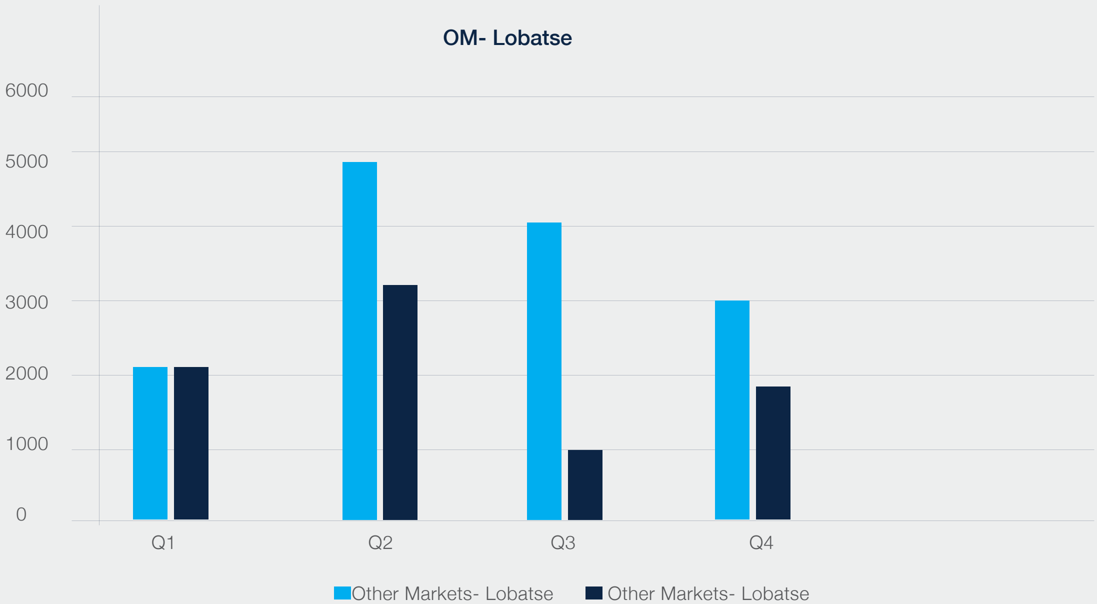
Full Kill- Lobatse Full Kill- Lobatse

Other Markets Cattle Supply to Lobatse Plant

Cattle supply to Lobatse plant was achieved as follows:

- Q1 Budget 2,100 cattle, Actual 2,057
- Q2 Budget 4,800 cattle, Actual 3,132
- Q3 Budget 4,100 cattle, Actual 1,051
- Q4 Budget 2,800 cattle, Actual 1,657

Performance Against Strategic Objectives 2015



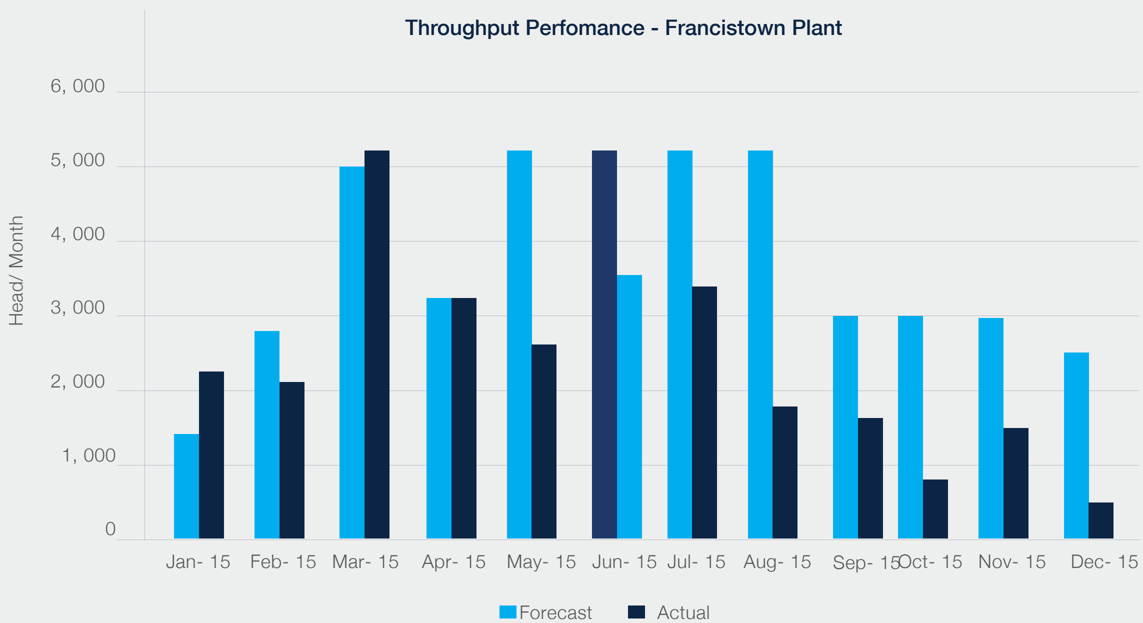
Budget	2100	4800	4100	2800
Actual	2057	3132	1051	1657

Performance Against Strategic Objectives 2015

Deliver Cattle Supply to Francistown Plant of 43, 310 Head by end of Year

Other Markets Cattle Supply to Francistown

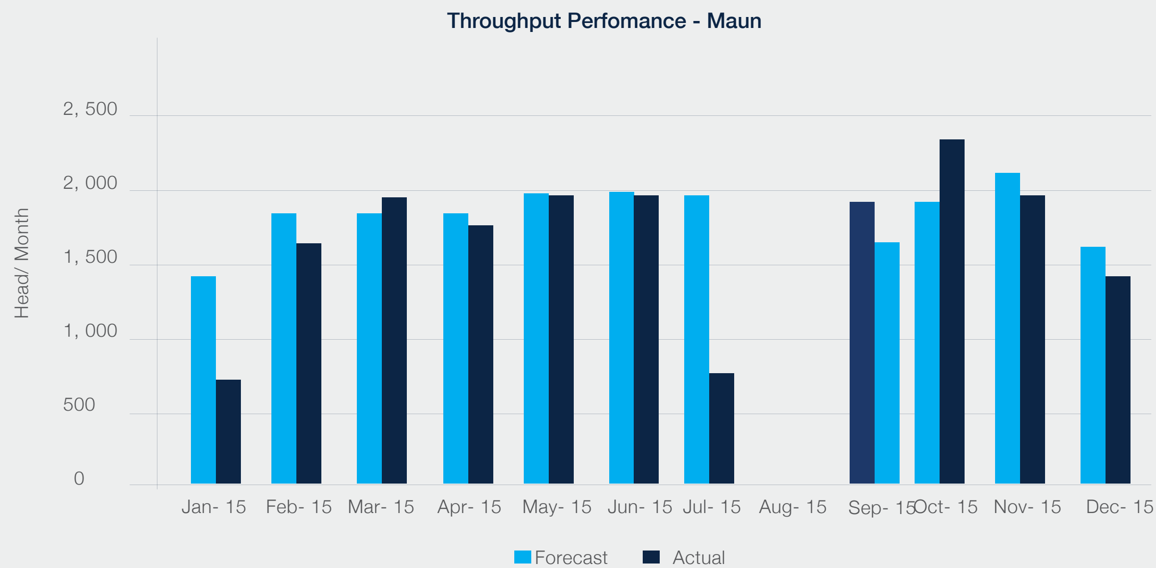
Q1 Budget 9,110 cattle, Actual 9,406
Q2 Budget 11,500 cattle, Actual 3, 552
Q3 Budget 14,200 cattle, Actual 6,552
Q4 Budget 8,500 cattle, Actual 2,459



Performance Against Strategic Objectives 2015

Cattle supply budget to Maun Plant of 19, 620 Head by end of Year

Q1 budget 5,130 cattle, Actual 4,285
Q2 budget 5,580 cattle, Actual 5,409
Q3 budget 5,580 cattle, Actual 2,246 – scheduled plant upgrade largely contributed to not achieving target/budget.
Q4 budget 5,310 cattle, Actual 5,814 – achieved due to improved slaughter capacity, after plant upgrade.



2015

2015

HUMAN CAPITAL

The Human capital of the Commission remains important and material investments are always pursued on this invaluable asset of the organization.

The organization stand by its commitment to periodically conduct employee satisfaction surveys to gauge and monitor the climate and come up with initiatives to address the findings. The last survey was carried out in 2014 and the organisation will carry out the next survey in 2016 to gauge changes in staff morale, engagement and welfare over a two-year cycle. As at last climate survey, the Commission registered a satisfaction index of 50%.

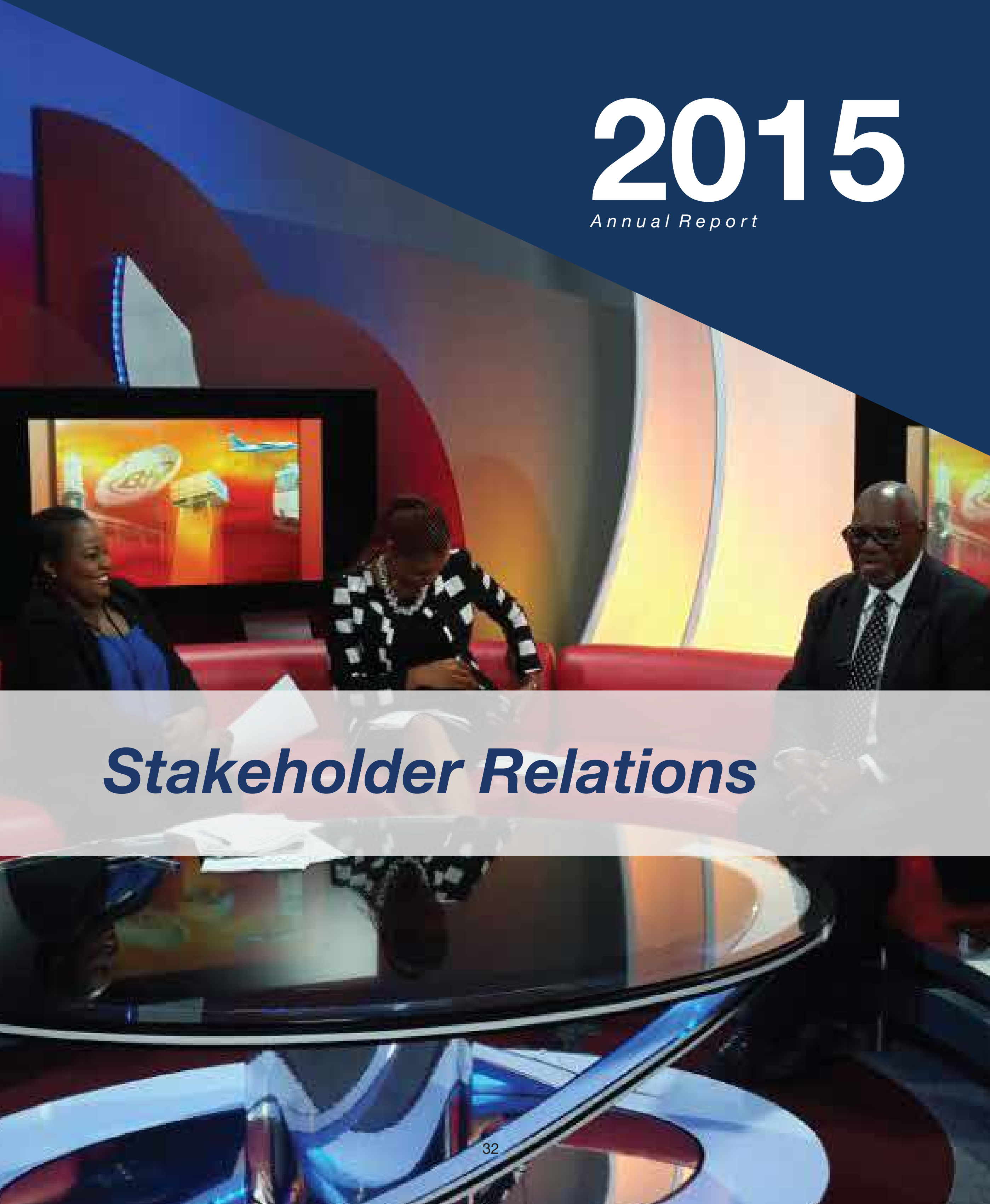
Through its European sales and marketing agents, Global Protein Suppliers (GPS), the Commission engaged the services of GPS personnel in its production operations in order to scale up skill transfer to its locally based staff. In addition, to date, two staff members of the Commission have been seconded to its subsidiary businesses in Cape Town and the United Kingdom, again with the milestone of enhancing the capacity of its local human capital. The year 2015 saw the recruitment of Executive management in areas of Human Capital and livestock procurement, as well as establishment of General Manager role within Lobatse plant for efficient running of operations. The job incumbent for this latter role of General Manager was filled towards the end of the period under review.

Still during the year under review, the Commission invested in the development of its top tier leadership via development opportunities in the Investment in Excellence programme. This six-day programme increased awareness on the significance of key competencies of leading the self, others and the organisation as a whole within the employees who attended this course.

Human Capital | Continued

Management and Botswana Meat Industry Workers Union continue to engage in dialogue in order to ensure good human relations governance. A total of group joint forum meetings exceeding six were held in 2015 to discuss issues of concern which include human capital employee handbook review and memorandum of agreement revision. Both these documents will be disbursed to staff in quarter one of the next review period. The Commission engaged an external consultant in order to carry out a work-study and productivity review during the period May to August 2015. This was part of the organisations endeavor to benchmark its processes and establish those fit for purpose and be aligned to industry trends and standard. Good lessons were drawn from this study and the organisation continue to review its operations in order to implement the recommendations of this study.

During the period under review, the need to adopt a turnaround strategy of restructuring the operations of the Commission was established, the result of which was a decision to right size the Commission. This exercise started in 2015 through dialogue with key stakeholders in Botswana Meat Industry Workers Union and the employees in general. This restructuring is anticipated to end in quarter one of the next review period



Stakeholder Relations

Stakeholder Relations

In the period under review, especially at the start of the first quarter, relations between the Commission and varied stakeholders had plummeted, owing to concerns around the liquidity of the BMC, but also re-ignited somewhat astray debates on ending the BMC monopoly.

I. Stakeholder Relations

BMC had to then strengthen, with resources, its Corporate Communication and Public Relations function to better manage relationships with stakeholders such as farmers and their amalgamations, feed producers, the legislative, Government, media and the general populace. To effectively debut its stakeholder relations strategy, the media was engaged through press conferences, media-owners platform, orchestrated print and broadcast interviews and statements; to detail the liquidity concerns as well as the recovery-plan, on the same, developed by the BMC.

The stakeholder engagement plan also provided for constant and consistent consultation with cattle-supplier stakeholders through workshop presentation at the annual conference of the Botswana National Beef Producers Union, farmer's field day events (Sandveld, Southern, Gantsi), the first Francistown Baruakgomo Pitso, kgotla addresses in varied villages, just to mention a few.

Members of the legislative were contacted through a detailed presentation by the Honorable Minister, to rebut fears that BMC was insolvent – but also to bring them into his confidence, that the BMC recovery strategy had ensued. Other engagements opportunities created by the BMC stakeholder plan included arranged tours to BMC facilities, by varied members of the cabinet and legislative, and more importantly that of the Parliament Committee of Agriculture. By the year-end, relations with targeted stakeholders had improved, and BMC was profiled even better in the public domain. The Corporate Communications and Public Relations function, intends to sustain these vital relations in subsequent years, through developing and implementing corporate frameworks which are linked to the strategic direction of the business.

II. Corporate Social Investment

The pith of giving back to the community, is etched in the BMC corporate value - "Caring for our People" - and this has anchored the business to share some of its success in 2015, even with those that do not directly benefit from its operational proceeds. In the period under review, BMC responded to ruinous adversities endured by communities in the Gantsi and Bobirwa localities, who were affected by flash-storms. BMC donated canned food hampers to a combined total of 600 families, of the referred localities. The Commission also sponsored and donated to the annual Lobatse International Beef Festival; Gantsi Meat Festival; construction of cattle-kraals at the Serowe District Show; dedicatory events of the impending 50th independence anniversary; national sporting events, just to mention a few.

As part of the intrinsic role of BMC in national development, in the period under review, BMC allowed for educational and familiarization tours of its abattoirs, by the schooling fraternity, members of the disciplined forces, varied heads of foreign missions to Botswana and also private business to benchmark on the operational processes of the company.

BMC intends to continually contribute to the socio-economic developments of Botswana, and has developed a Donations Policy, to better guide and implement its investment role in all communities.

Sales & Marketing

Sales & Marketing

International Overview

2015 was a challenging year for the BMC as all the key global markets were under stresses for various reasons and where protein prices started the year well but overall went into significant decline. The main export markets of the BMC also were depressed and the cattle prices and beef prices across all our key markets fell overall.

However, applying our strategic marketing plan and through a concerted and focused effort, the Commission's Sales and Marketing Team actually grew returns and realizations per animal for the third consecutive year.
In a world that is largely in recession or where GDP's are slowing down, we consider this to be a good performance.

International Overview – Factors Affecting Global Markets

- The largest exporter of beef globally is Brazil and the South American continent.
- Mercosur, 'the market of the south' as the region represents itself, is home to a herd in excess of 270 million cattle and Brazil accounts for in-excess of 200 million
- The USA has a cattle herd of circa 90 million, China 100 Million, the EU 88 Million and so on…….
- What is clear is that Botswana, with circa 2.5 million cattle have to make sure we stand tall to be seen and heard in this world of global giants
- Beef consumption in the developed world is largely stagnant
- In the developing world, which has been the powerhouse of driving global protein consumption, stresses and strains are developing.
- The key BRICS nations have challenges ranging from economic slowdowns, to the collapse of the oil price and falling GDP's
- FAO's Agricultural Outlook 2015-2024 sights a period where global grain prices will fall and therefore, protein prices will fall
- The challenge for the BMC in 2015 and forward will be to maximise market return in a global market where prices are softening.

The UK Market

Throughout 2015 the UK market, as with the whole of Europe, did not show any growth in GDP and inflation remained at circa zero. The market had an excess of cattle and beef supplies remained high from the Easter trading period through to the year end.
This made our marketing efforts in the UK particularly competitive and we maintained our strategy of developing end user customers in the niche, premium sector.

Sales & Marketing | Continued

Norway Market

The Norwegian market, for the 2015 period was depressed. There was significant overstocking of beef created by the excessive import of German carcasses for deboning which negatively impacted the market. This overstocked positon also affected the domestic cattle price.

Crude Oil prices across the year fell significantly and as Norway is largely an Oil economy this had a significant detrimental effect on the country and employment.

Nortura

Nortura, the Norwegian Farmers Co-operative continued to be our key partner within the market place. Working with Nortura, BMC Beef was a regular feature within the largest retailers across the country.

BMC beef has become recognized as a high quality, consistent and flavorsome product by Norwegian consumers.

EU Market

The EU market remained a difficult market with such countries as Greece, Spain and Portugal all still struggling to come to terms with austerity measures and where the countries fiscal status remained under pressure. Therefore, our strategy across the EU was not to be over reliant on a single market channel but to spread our beef products across many countries and lower our risk in any single market. BMC Beef can be found in 17 of the EU countries on a regular basis with key focus on Italy, Germany, Holland and Eastern European countries such as the Czech Republic.

We held Trade/Industry days with the assistance of the German Embassy in Berlin and have developed business with the German retailer Edeka.

RSA Market

South Africa has always been a significant trading partner for the product we produce that is not EU eligible. However, as is well documented, the South African economy is going through turbulent times and this resulted, in 2015, in a significant loss of value in the Rand compared to the Pula. This FX shift was of a great detriment to our export returns and although we actually pushed our prices up in South Africa, our actual net realisations suffered and declined.

The strategy for 2016 is too reduce volumes supplied to South Africa and push prices upwards on the material we do send.

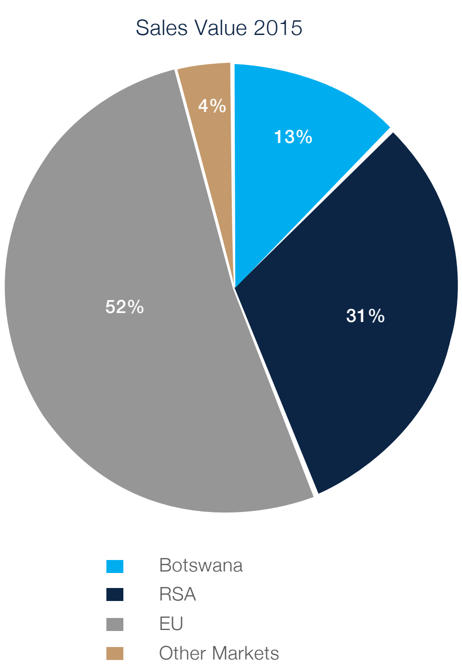
Sales & Marketing | Continued

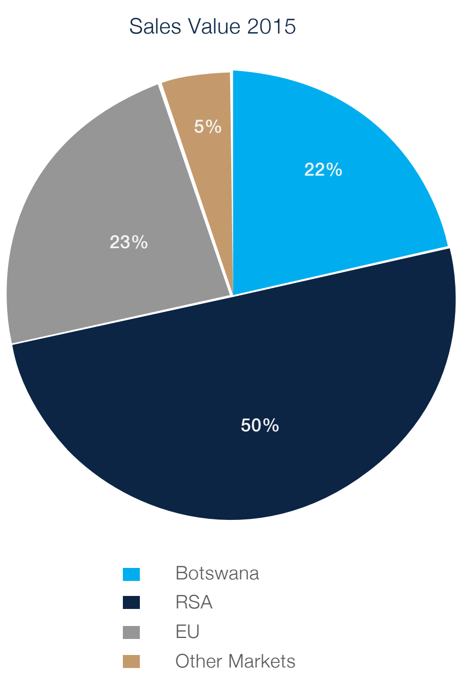
Overall Sales and Marketing Performance

In Norway we grew returns y-on-y by 12.2% and in South Africa by 13.6%. Within the EU and UK markets realisations remained at the levels of 2014. Overall, across our key export markets we grew returns by 12.9%.

- Prior to 2012 BMC best revenue realisation year was 2010
- In 2010 BMC processed 180,000 cattle and realised BWP 1bn
- In 2010 the BMC realised BWP 5555.55 per animal processed
- In 2013 140,000 cattle were processed for BWP1bn
- The BMC realised BWP 7142.86 per animal processed, an increase of circa 29%
- In 2014 144,000 cattle were processed for BWP1.17bn
- The BMC realised BWP 8125.14 per animal processed, an increase of c 46% v 2010
- In 2015 141,000 cattle were processed for a realisation of BWP1.21bn

The BMC realised BWP8608.10 per animal processed, an increase of 55% v 2010 and 6% up y-on-y.



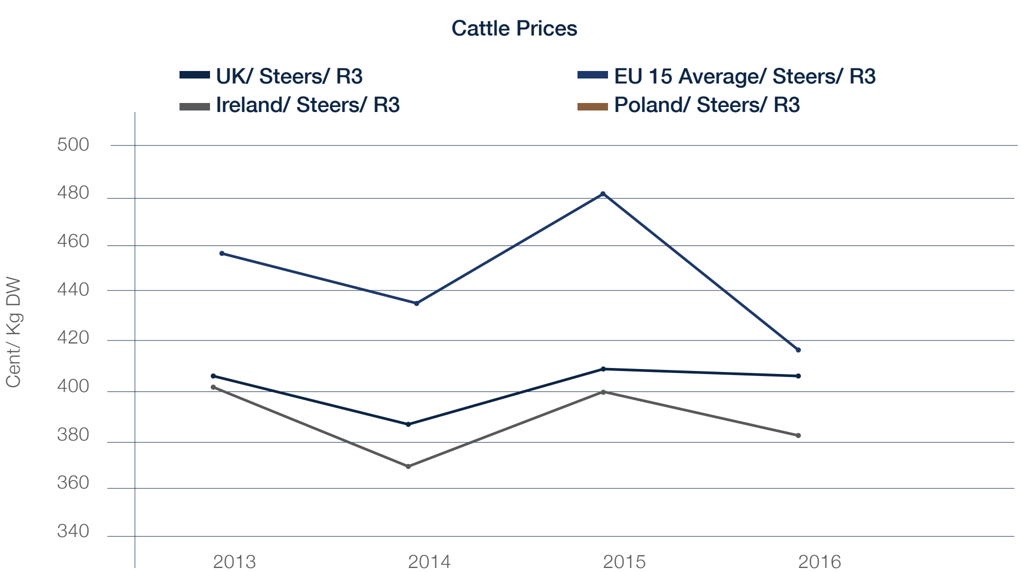


Sales & Marketing | Continued

EU Market

The EU market remained a difficult market with such countries as Greece, Spain and Portugal all still struggling to come to terms with austerity measures and where the countries fiscal status remained under pressure. Therefore, our strategy across the EU was not to be over reliant on a single market channel but to spread our beef products across many countries and lower our risk in any single market. BMC Beef can be found in 17 of the EU countries on a regular basis with key focus on Italy, Germany, Holland and Eastern European countries such as the Czech Republic.

We held Trade/Industry days with the assistance of the German Embassy in Berlin and have developed business with the German retailer Edeka.



RSA Market

South Africa has always been a significant trading partner for the product we produce that is not EU eligible. However, as is well documented, the South African economy is going through turbulent times and this resulted, in 2015, in a significant loss of value in the Rand compared to the Pula. This FX shift was of a great detriment to our export returns and although we actually pushed our prices up in South Africa, our actual net realisations suffered and declined.

Sales & Marketing | Continued

The strategy for 2016 is too reduce volumes supplied to South Africa and push prices upwards on the material we do send.

Overall Sales and Marketing Performance

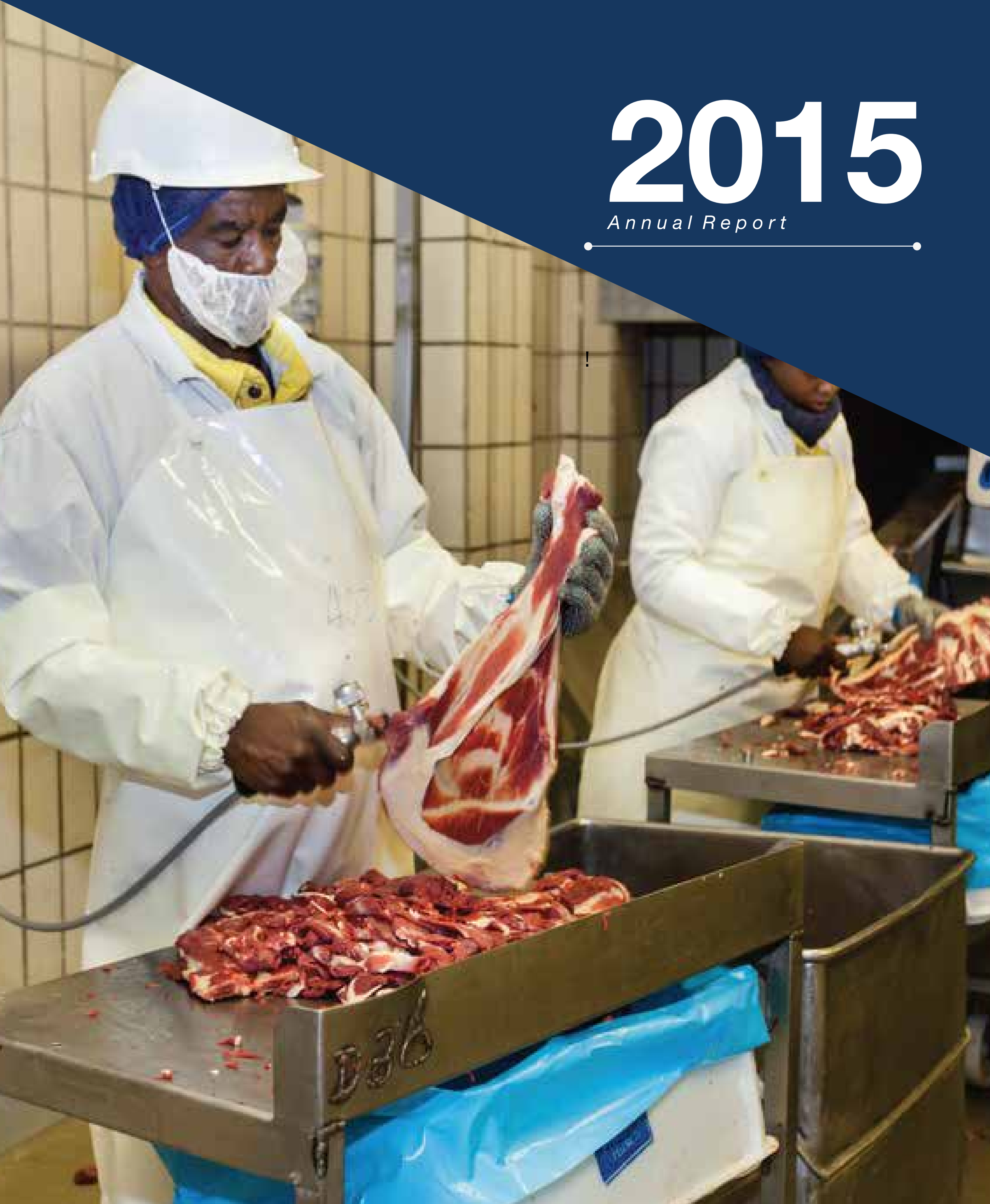
In Norway we grew returns y-on-y by 12.2% and in South Africa by 13.6%. Within the EU and UK markets realisations remained at the levels of 2014. Overall, across our key export markets we grew returns by 12.9%.

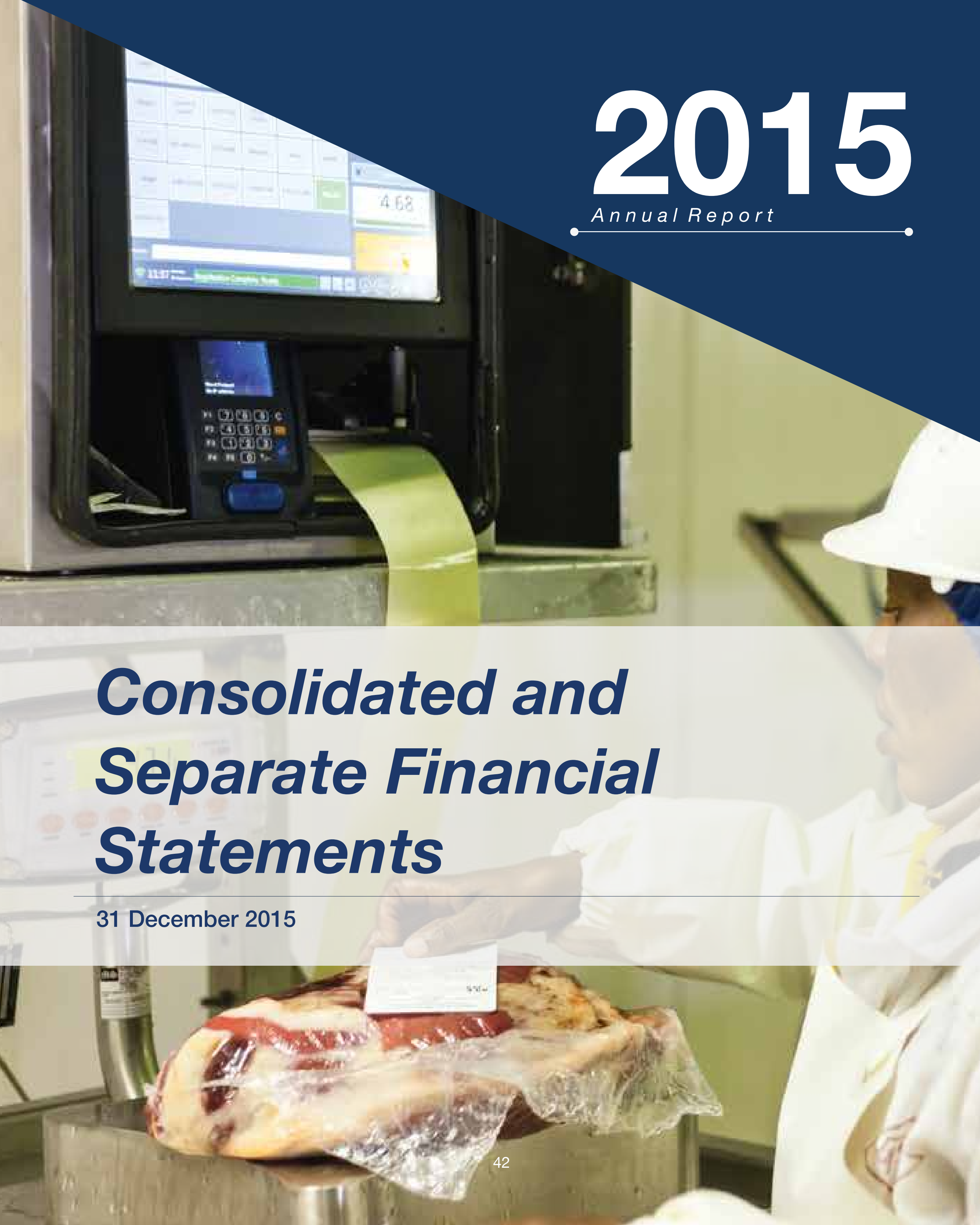
- Prior to 2012 BMC best revenue realisation year was 2010
- In 2010 BMC processed 180,000 cattle and realised BWP 1bn
- In 2010 the BMC realised BWP 5555.55 per animal processed
- In 2013 140,000 cattle were processed for BWP1bn
- The BMC realised BWP 7142.86 per animal processed, an increase of circa 29%
- In 2014 144,000 cattle were processed for BWP1.17bn
- The BMC realised BWP 8125.14 per animal processed, an increase of c 46% v 2010
- In 2015 141,000 cattle were processed for a realisation of BWP1.21bn

The BMC realised BWP8608.10 per animal processed, an increase of 55% v 2010 and 6% up y-on-y.

Notes

2015
Annual Report





2015
Annual Report

Consolidated and Separate Financial Statements

31 December 2015

General Information

31 December 2015

The Organisation

Botswana Meat Commission ("BMC") is a Parastatal and was established in 1965 to promote the development of the country's livestock industry and the sale of the country's beef and related products globally. Its headquarters are 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

Dr T. Matsheka	Chairperson
Dr M. C. Chimbombi	Term ended. Reappointed on 1 April 2015. Resigned on 6 October 2015
L. Morakaladi	Term ended. Reappointed on 1 April 2015
B. Khumomatlhare	Appointed on 12 October 2015
T. Modungwa	Term ended. Reappointed on 1 April 2015 - Resigned on 6 May 2015
L. Serema	Term ended. Reappointed on 1 April 2015
O. Kgotlafela	Appointed on 1 April 2014
G. Mosimaneotsile	Appointed on 1 April 2014
M. Mokgosana	Appointed on 1 April 2014
D. Mmile	Appointed on 1 April 2014
M. Dube	Appointed on 1 April 2014
T. Masire	Appointed on 1 April 2014

Executive Management

Dr Akolang R. Tombale	Chief Executive Officer
S. Goteti	Chief Financial Officer
Dr S. Ghanie	EXCO, Strategy, Projects and Innovation
R. D. Makati	EXCO, Human Capital. Appointed 16 February 2015
Dr Mogome-Maseko	EXCO, Compliance
K. Makubate	EXCO, Livestock Procurement. Appointed 17 August 2015
T. R. Nape	Board Secretary

Registered Office

Plot 621
1 Khama 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
BancABC Limited
NedBank South Africa Limited

Botswana Meat Commission

2015

CONTENTS

Commissioner's Responsibility Statement And Approval Of The Financial Statements

31 December 2015

Commissioners' Responsibility Statement

The Commissioners are responsible for the preparation and fair presentation of the consolidated and separate financial statements of Botswana Meat Commission ("the Group and Commission"), comprising the statements of financial position as at 31 December 2015, and the statements of comprehensive income, changes in reserves and cash flows for the year then ended, and 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 the financial information included in this report. It is their responsibility to ensure that the 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 their operations and cash flows for the year then ended, in conformity with IFRS.

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 consolidated and separate financial statements are prepared in accordance with IFRS and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements 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 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 all employees are required to maintain the highest ethical standards in ensuring the Group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Group is on identifying, assessing, managing and monitoring all known forms of risk across the Group. While operating risk cannot be fully eliminated, the Group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The 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. The Board is primarily responsible for the financial affairs of the Group.

Commissioner's Responsibility
Statement And Approval Of The Financial Statements | Continued

31 December 2015

The Group and Commission have reported a surplus of P337 million and P332 million, respectively (2014: a deficit of P14 million and P21 million, respectively), and their accumulated losses amounted to P581 million and P591 million, respectively (2014: P889 million and P893 million respectively). The going concern of the Group and Commission is dependent on the initiatives disclosed in note 25 of the financial statements. The Government of Botswana has committed to continue offering financial support to the Group and Commission and the Commissioners believe that the going concern principle is an appropriate basis for preparation of the financial statements.

The external auditors are responsible for independently reviewing and reporting on the consolidated and separate financial statements. The financial statements have been examined by the Group's external auditors and their report is presented on page 4.

Disclosure of Audit Information

Each of the Commissioners at the date of approval of this report confirms that:

- in so far as the Commissioner is aware, there is no relevant audit information of which the Commission's auditor is unaware; and
- the Commissioner has taken all the steps that he/she ought to have taken as a Commissioner to make himself/herself aware of any relevant audit information and to establish that the Commission's auditor is aware of that information.

Commissioners' Approval of the Financial Statements

The consolidated and separate financial statements set out on pages 5 to 37, which have been prepared on the going concern basis, were approved by the Board on 23, May 2016 and are signed on its behalf by:

....	....
Commissioner	Commissioner

Independent Auditor's Report
to the Members of Botswana Meat Commission in Terms of Section 20 (3) of the Botswana Meat Commission Act (Chapter 74:04) (As Amended)

31 December 2015

Report on the Audit of the Consolidated and Separate Financial Statements

We have audited the consolidated and separate financial statements of Botswana Meat Commission as set out on pages 5 to 37, which comprise the statements of financial position as at 31 December 2015, the statements of comprehensive income, changes in reserves and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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 Commissioners 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 about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of Botswana Meat Commission as at 31 December 2015, 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.

Independent Auditor's Report to the Members of Botswana Meat Commission in Terms of Section 20 (3) of the Botswana Meat Commission Act (Chapter 74:04) (As Amended) | Continued

31 December 2015

Emphasis of Matter - Going Concern

Without qualifying our opinion, we draw attention to Notes 25 and 26 of the consolidated and separate financial statements, which indicate that the Group and the Commission reported a total deficit for the year of P263 million (2014: P180 million) and P268 million (2014: P187 million), respectively, after eliminating the effect of funding received from Government of P600 million (2014: P23 million) and recognition of a gain of Pnil million (2014: P143 million) on conversion of the defined benefit fund to a defined contribution fund. The accumulated losses of the Group and Commission amount to P639 million (2014: P889 million) and P649 million (2014: P893 million), respectively. These conditions indicate the existence of a material uncertainty that casts significant doubt on the Group's and Commission's ability to continue as a going concern. As indicated in Note 25 of these financial statements, the shareholder, the Government of the Republic of Botswana, has undertaken to provide ongoing financial support in the future. The Board of Commissioners believes that the initiatives as disclosed in Note 25 of these financial statements will be successfully implemented

Report on Other Legal and Regulatory Requirements

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

- 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;
- The accounts and related records of the Commission have been properly kept except for the deficiencies reported to management and those charged with governance; and
- 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 in the financial statements

Deloitte & Touche
Certified Auditors
Practicing Member: C V Ramatlapeng (20020075)
....
Gaborone

Gaborone
....

Statements Of Comprehensive Income

For The Year Ended 31 December 2015

		Consolidated		Commission	
		2015	2014	2015	2014
	NOTES	P'000	P'000	P'000	P'000
REVENUE	1	1,227,899	1,187,085	1,211,455	1,170,197
Freight, storage and other selling expenses		(110,366)	(103,069)	(104,921)	(89,162)
Livestock and meat costs YEAR	2	(905,686)	(833,633)	(905,686)	(833,633)
		211,847	250,383	200,848	247,402
Fair value gain on biological assets	11	22,194	4,758	22,194	4,758
Production and administration costs		(460,084)	(403,909)	(449,946)	(405,145)
Gain on conversion of defined benefit pension fund	16	-	143,286	-	143,286
Funding received from the Government		600,000	-	600,000	-
Other (costs)/income	3	(13,820)	38,645	(14,074)	37,446
Share of profit of associates	10	1,413	-	-	-
OPERATING SURPLUS	4	361,550	33,163	359,022	27,747
Finance costs	6	(34,095)	(30,871)	(37,431)	(33,436)
Finance income		2,894	280	2,842	236
SURPLUS/(DEFICIT) BEFORE TAXATION		330,349	2,572	324,433	(5,453)
Taxation	7	6,874	(16,443)	7,915	(15,802)
SURPLUS/(DEFICIT) FOR THE YEAR		337,223	(13,871)	332,348	(21,255)

Statements Of Comprehensive Income | Continued

For The Year Ended 31 December 2015

		Consolidated		Commission	
		2015	2014	2015	2014
	NOTES	P'000	P'000	P'000	P'000
Other comprehensive (loss)/income					
Items that will not be reclassified subsequently to profit or loss:					
Revaluation of land and buildings	8	-	152,526	-	115,541
Deferred tax on revaluation	17	-	(7,545)	-	-
Net actuarial loss recognised on the defined benefit plan	16	-	(26,725)	-	(26,725)
Items that may be reclassified subsequently to profit or loss:					
Unrealised gain/(loss) on translation of net assets arising on consolidation of foreign entities		1,440	(2,255)		-
Amortised cost adjustment of interest-free government loans	15	(13,169)	(13,156)	(13,169)	(13,156)
Total other comprehensive (loss)/income		(11,729)	102,845	(13,169)	75,660
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		325,494	88,974	319,179	54,405

Statements Of Financial Position

As At 31 December 2015

		Consolidated		Commission	
		2015	2014	2015	2014
	NOTES	P'000	P'000	P'000	P'000
ASSETS					
Non-current assets	8	560,688	611,063	479,291	515,901
Property, plant and equipment	9	5,980	6,171	-	-
Investment property	10	1,617	182	7,484	7,484
Investments		568,285	617,416	486,775	523,385
Current assets					
Biological assets	11	82,110	77,297	82,110	77,297
Inventories	12	90,953	108,836	90,859	108,836
Trade and other receivables	13	147,884	225,264	134,501	222,633
Amounts due from group companies	20.3	-	-	27,280	18,490
Cash and cash equivalents	14	158,814	24,167	134,985	3,204
		479,761	435,564	469,735	430,460
Total assets		1,048,046	1,052,980	956,510	953,845
RESERVES AND LIABILITIES					
RESERVES					
Capital reserves		114,449	109,815	58,666	58,666
Loan redemption reserve		195,063	165,067	195,063	165,067
Development reserve		2,734	2,434	2,734	2,434
Stabilisation reserve		390	390	390	390
Foreign exchange fluctuation reserve		489	64	-	-
Foreign exchange stabilisation reserve		21,014	17,976	-	-
Loans revaluation reserve		56,140	69,309	56,140	69,309
Asset revaluation reserve		403,258	411,153	345,157	345,157
Accumulated deficit		(581,175)	(889,340)	(591,254)	(893,306)
Total reserves/(deficit)		212,362	(113,132)	66,896	(252,283)
LIABILITIES					
Non-current liabilities	15.2	502,445	503,569	502,445	503,569
Borrowings		4,073	-	4,073	-
Government capital grant		10,937	13,147	-	-
Deferred tax liability	17	517,455	516,716	506,518	503,569

Statements Of Financial Position | Continued

As At 31 December 2015

		Consolidated		Commission	
		2015	2014	2015	2014
	NOTES	P'000	P'000	P'000	P'000
Current liabilities					
Taxation payable	7	2,546	74,252	-	72,495
Trade and other payables	18	150,150	152,952	138,292	142,926
Amounts due to group companies	20.4	-	-	79,271	66,753
Bank overdrafts	15.1	75,977	324,479	75,977	322,672
Unspent capital grant		3,905	-	3,905	-
Borrowings	15.1	85,651	97,713	85,651	97,713
		318,229	649,396	383,096	702,559
Total liabilities		835,684	1,166,112	889,614	1,206,128
Total reserves and liabilities		1,048,046	1,052,980	956,510	953,845

Statements Of Cash Flows

For The Year Ended 31 December 2015

		Consolidated		Commission	
		2015	2014	2015	2014
	NOTES	P'000	P'000	P'000	P'000
CASH FLOWS USED IN OPERATING ACTIVITIES					
Cash used in operations	21.1	(159,476)	(69,975)	(153,325)	(66,358)
Interest paid		(24,233)	(22,065)	(27,568)	(24,703)
Taxation (paid)/received	7	(29)	1,304	-	-
Net cash used in operating activities		(183,738)	(90,736)	(180,893)	(91,061)
CASH FLOWS USED IN INVESTING ACTIVITIES					
Purchase of property, plant and equipment		(18,673)	(43,515)	(16,015)	(41,388)
Proceeds on disposal of property, plant and equipment	21.2	782	734	782	463
Purchase of shares		-	(172)	-	-
Finance income		2,894	280	2,842	236
Net cash used in investing activities		(14,997)	(42,673)	(12,391)	(40,689)
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES					
Borrowings repaid		(36,218)	(33,836)	(36,218)	(33,762)
Government financing and grants obtained		607,978	-	607,978	-
Effects of changes in foreign exchange rates	21.3	10,124	(1,115)	-	-
Net cash generated from/(used in) financing activities		581,884	(34,951)	571,760	(33,762)
Net increase/(decrease) in cash and cash equivalents		383,149	(168,360)	378,476	(165,512)
Cash and cash equivalents at beginning of year		(300,312)	(131,952)	(319,468)	(153,956)
Cash and cash equivalents at end of year		82,837	(300,312)	59,008	(319,468)
Comprising:					
Cash and cash equivalents	14	158,814	24,167	134,985	3,204
Bank overdrafts	15.1	(75,977)	(324,479)	(75,977)	(322,672)
		82,837	(300,312)	59,008	(319,468)

Statements Of Changes In Reserves

For The Year Ended 31 December 2015

Consolidated	Total P'000	Capital reserves P'000	Loan redemption reserve P'000	Development reserve P'000	Stabilisation reserve P'000	Foreign exchange fluctuation reserve P'000	Foreign exchange stabilisation reserve P'000	Loans revaluation reserve P'000	Asset revaluation reserve P'000	Actuarial losses reserve P'000	Accumulated deficit P'000
Balance at 1 January 2014	(202,106)	108,203	135,067	2,146	390	(499)	16,691	82,465	267,033	(115,159)	(698,443)
Total comprehensive income	88 974	1,612	-	-	-	563	1,285	(13,156)	144,120	(26,725)	(18,725)
Deficit for the year	(13,871)	-	-	-	-	-	-	-	-	-	(13,871)
Other comprehensive income	102,845	1,612	-	-	-	563	1,285	(13,156)	144,120	(26,725)	(4,854)
Appropriations	-	-	30,000	288	-	-	-	-	-	-	(30,288)
Transfer of actuarial losses reserve to accumulated deficit upon conversion of defined benefit fund	-	-	-	-	-	-	-	-	-	141,884	(141,884)
Balance at 31 December 2014	(113,132)	109,815	165,067	2,434	390	64	17,976	69,309	411,153	-	(889,340)
Total comprehensive loss	325,494	4 ,634	-	-	-	425	3,038	(13,169)	(7,895)	-	338,461
Surplus for the year	337,223	-	-	-	-	-	-	-	-	-	337,223
Other comprehensive loss	(11,729)	4,634	-	-	-	425	3,038	(13,169)	(7,895)	-	1,238
Appropriations	-	-	29,996	300	-	-	-	-	-	-	(30,296)
Balance at 31 December 2015	212,362	114,449	195,063	2,734	390	489	21,014	56,140	403,258	-	(581,175)

16/01/201716/01/201716/01/2017

Statements Of Changes In Reserves | Continued

For The Year Ended 31 December 2015

Commission	Total P'000	Capital reserves P'000	Loan redemption reserve P'000	Development reserve P'000	Stabilisation reserve P'000	Loans revaluation reserve P'000	Asset revaluation reserve P'000	Actuarial losses reserve P'000	Accumulated deficit P'000
Balance at 1 January 2014	(306,521)	58,666	135,067	2 146	390	82,465	229,616	(115 159)	(699,712)
Total comprehensive income	54,405	-	-	-	-	(13,156)	115,541	(26 725)	(21,255)
Surplus for the year	(21,255)	-	-	-	-	-	-	-	(21,255)
Transfer of actuarial losses reserve to accumulated	75,660	-	-	-	-	(13,156)	115,541	(26 725)	-
deficit upon conversion of defined benefit fund	-	-	-	-	-	-	-	141 884	(141,884)
Appropriations	-	-	30,000	288	-	-	-	-	(30,288)
Other movements in reserves	(167)	-	-	-	-	-	-	-	(167)
Balance at 31 December 2014	(252,283)	58,666	165,067	2,434	390	69,309	345,157	-	(893,306)
Total comprehensive loss	319,179	-	-	-	-	(13,169)	-	-	332,348
Surplus for the year	332,348	-	-	-	-	-	-	-	332,348
Other comprehensive loss	(13,169)	-	-	-	-	(13,169)	-	-	-
Appropriations	-	-	29,996	300	-	-	-	-	(30,296)
Balance at 31 December 2015	66,896	58,666	195,063	2,734	390	56,140	345,157	-	(591,254)

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 (2014: GBP250 000) and US$1 500 000 (2014: 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 Commission, with appropriate approval, may determine from time to time.

Loan revaluation reserve

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

Asset revaluation reserve

Represents the difference between the fair value of land and buildings and plant and machinery and their net book value on revaluation, less related deferred taxation.

Group Accounting Policies

31 December 2015

Statement Of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the Botswana Meat Commission Act. The accounting policies have been consistently applied by the Commission with the exception of the newly adopted International Financial Reporting Standards as disclosed below.

Adoption Of New And Revised International Financial Reporting Standards

Standards and interpretations effective in the current year

The following revised standards and interpretations were adopted for the year ended 31 December 2015:

- Amendments to IAS 19 Employee Benefits.
- Annual Improvements 2010-2012 Cycle - Amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16 and IAS 24.
- Annual Improvements 2011-2013 Cycle - Amendments to IFRS 3, IFRS 13 and IAS 40.

The Commission has analysed the effect of the newly adopted standards and has not identified any material impact on the previously reported amounts. The additional disclosures required by the new standards are reflected in the consolidated and separate financial statements for the year ended 31 December 2015.

Standards and interpretations in issue not yet adopted

At the date of authorisation of these financial statements, the following Standards and Interpretations that affect the Commission's and Group's operations were in issue but not yet effective:

New/Revised International Financial Reporting Standards

- IAS 1 - Amendments arising under the Disclosure Initiative (effective for annual periods beginning on or after 1 January 2016).
- IAS 16 - Various amendments (effective for annual periods beginning on or after 1 January 2016).
- IAS 19 - Amendments resulting from September 2014 Annual Improvements to IFRSs (effective for annual periods beginning on or after 1 January 2016).
- IAS 27 - Amendments reinstating the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements (effective for annual periods beginning on or after 1 January 2016).
- IFRS 5 - Amendments resulting from September 2014 Annual Improvements to IFRSs (effective for annual periods beginning on or after 1 January 2016).
- IFRS 7 - Amendments resulting from September 2014 Annual Improvements to IFRSs (effective for annual periods beginning on or after 1 January 2016).
- IFRS 9 - New standard on financial instruments (effective for annual periods beginning on or after 1 January 2018).
- IFRS 10 - Amendments on Sale or Contribution of Assets between an investor and its associate or joint venture (effective for annual periods beginning on or after 1 January 2016).
- IFRS 12 - Amendments regarding the application of the consolidation exception (effective for annual periods beginning on or after 1 January 2016).
- IFRS 15 - New standard on revenue (effective for annual periods beginning on or after 1 January 2018).
- IFRS 16 - New standard on leases (effective for annual periods beginning on or after 1 January 2019).

Management is in the process of assessing the impact of these standards on the Group and Commission's financial statements.

Group Accounting Policies | Continued

31 December 2015

Basis Of Preparation

The consolidated and separate financial statements are prepared under the historical cost convention with the exception of certain items in the statement of financial position which are shown at fair value.

The preparation of consolidated and separate 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 statements are disclosed in the "Critical accounting judgements and key sources of estimations of uncertainty".

Basis Of Consolidation

Subsidiaries

Subsidiaries are all entities over which the Commission 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 profit or loss.

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 assets 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 Commission 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 statement of comprehensive income 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.

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.

Group Accounting Policies | Continued

31 December 2015

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 profit or loss.

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 statement of financial position presented are translated at the closing rate at the reporting date;
- Income and expenses for each statement of comprehensive income 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 profit or loss as part of the gain or loss on sale.

Inventories

Finished goods
Inventories are stated at the lower of cost and net realisable value. Cost 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 average cost of production.

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.

Group Accounting Policies | Continued

31 December 2015

Property, Plant And Equipment

All categories of property, plant and equipment except for land and buildings and plant and machinery are stated at historical cost less accumulated depreciation and impairments. Historical cost includes expenditure that is directly attributable to the acquisition of items. Land and buildings and plant and machinery are carried at a revalued amount, being the fair value at the date of revaluation less subsequent depreciation and impairment. The fair values are determined by independent valuers every 3 to 5 years.

Subsequent costs are included in the assets' carrying amount or recognised as separate assets, 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 profit or loss during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of assets 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 assets.

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.

Buildings	15 - 20 years
Leasehold land and buildings	the shorter of the lease period or 15-20 years
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 reporting 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 profit or loss.

Investment Property

The investment property, comprising a filling station, warehouse, workshop and ancillary offices owned by a subsidiary of the Commission, is held for long-term rental yields and is not occupied by the Group. The investment property is carried at fair value. Valuations are done every 3 to 5 years.

Group Accounting Policies | Continued

31 December 2015

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.

Cash And Cash Equivalents

Cash and cash equivalents comprise cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within current borrowings in the statement of financial position.

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 when the assets are substantially ready for their intended use or sale.

Group Accounting Policies | Continued

31 December 2015

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 when 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 prevailing market rates are initially recorded at fair value and subsequently measured at amortised cost, determined based on the effective yield method. Under this method, the amortised cost of the borrowing is measured as the present value of anticipated future cash flows discounted at the market interest rate at inception of the loans. The difference between the borrowing received and the amortised cost is recognised in other comprehensive 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 reporting date.

Employee Benefits

The Commission operated a defined benefit pension fund for all eligible citizen employees until 30 September 2014. The plan was converted to a defined contribution plan effective 1 October 2014.

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 was actuarially valued annually using the projected unit credit method.

The balance recognised in the statement of financial position in respect of the defined benefit pension plan was the present value of the defined benefit obligation at the reporting 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 was determined by discounting the estimated future cash flows using interest rates of high quality corporate bonds that were denominated in the currency in which the benefits would be paid and that had terms to maturity approximating to the terms of the related pension liability. Actuarial gains and losses and changes in the fair value of the plan assets were charged or credited to other comprehensive income in the year of valuation. Current service costs and interest on the obligation were charged to income as incurred.

Group Accounting Policies | Continued

31 December 2015

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

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, and 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 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 interest 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.
- 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.

Group Accounting Policies | Continued

31 December 2015

Related Parties

Related parties are defined as those parties that:

(a) directly, or indirectly through one or more intermediaries:

- control, are controlled by, or are under common control with the Commission (this includes parents, subsidiaries and fellow subsidiaries);
- have an interest in the Commission that gives them significant influence over the Commission; or

(b) are members of the key management personnel of the Commission and its subsidiaries including close members of their families.

All dealings with related parties are accordingly included in profit or loss for the year.

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

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

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

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

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

Group Accounting Policies | Continued

31 December 2015

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.

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.

Group Accounting Policies | Continued

31 December 2015

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

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

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.

Group Accounting Policies | Continued

31 December 2015

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.

Government Grants
Grants from the Government of the Republic of Botswana are recognised at their fair value where there is reasonable assurance that the grant will be received.

Financing received as immediate financial support or as a compensation for incurred losses is recognised in the statement of comprehensive income when it is committed by Government.

Capital expenditure is financed by grants from the Government of the Republic of Botswana. Funds received are initially credited to deferred grants and transferred to capital grants when the assets are acquired and the expenditure incurred. The capital grants are released to the statement of comprehensive income on a basis matching with the depreciation charge on the related assets.

Critical Accounting Judgements And Key Sources Of Estimation Of 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.

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.

Fair value of land and buildings, investment property and plant and machinery
The fair value of properties is determined by an independent valuer to be equal to their market value at the date of valuation. The fair value of plant and machinery is determined by an independent valuer to be equal to the assets' depreciated replacement cost.

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

Group Accounting Policies | Continued

31 December 2015

Impairment of assets

Property, plant and equipment, inventory, investments and financial assets are assessed for impairment at each reporting date. Factors taken into consideration include economic viability of the asset itself. Future cash-flows expected to be generated by the asset are projected, taking into account market conditions and the expected useful lives of the assets. The present value of these cash flows, determined using an appropriate discount rate, is compared to the current asset value and, if lower, the assets are impaired to present value.

Amortised cost of interest-free loans

The amortised cost is determined based on the expected future cash flows discounted using the market interest rate at commencement of the loans.

Provisions, contingent assets and contingent liabilities

Management performs ongoing analysis of all claims, litigation and other legal and business matters to identify provisions, contingent assets and contingent liabilities in compliance with the requirements of IAS 37 Provisions, contingent liabilities and contingent assets.

Going concern

The Commission’s management has made an assessment of the Commission’s and Group's ability to continue as a going concern. This has been noted in note 25.

Notes To The Consolidated And Separate Financial Statements

31 December 2015

	Consolidated		Commission	
	2015	2014	2015	2014
	P'000	P'000	P'000	P'000
1. REVENUE				
Sale of meat and allied meat products	1,211,455	1,170,197	1,211,455	1,170,197
Other sales - services	16,444	16,888	-	-
	1,227,899	1,187,085	1,211,455	1,170,197
2. LIVESTOCK AND MEAT COSTS				
Opening Inventory (note 12)	90,520	130,942	90,520	130,942
Cattle purchases	857,946	788,453	857,946	788,453
Fair value gain on biological assets	22,194	4,758	22,194	4,758
Closing Inventory (note 12)	(64,974)	(90,520)	(64,974)	(90,520)
	905,686	833,633	905,686	833,633
3. OTHER (COSTS)/INCOME				
Financing of the losses in Francistown abattoir received from the Government of Botswana	-	22,900	-	22,900
Net exchange (losses)/gains	(23,198)	6,816	(20,345)	7,544
Loss on disposal of property, plant and equipment	(34)	(1,068)	(34)	(1,090)
Sundry income	9,412	9,997	6,045	7,852
Income from related parties	-	-	260	240
	(13,820)	38,645	(14,074)	37,446
4. OPERATING SURPLUS				
Operating surplus is stated after taking the following into account:				
Depreciation of property, plant and equipment	57,093	30,508	51,809	29,766
Impairment of property, plant and equipment	-	8,344	-	8,344
Fair value gain from valuation of biological assets	22,194	4,758	22,194	4,758
Depreciation of investment property	191	29	-	-
Auditor's remuneration	3,243	2,735	2,440	1,983
- current	2,183	2,735	1,380	1,325
- prior year	1,060	-	1,060	658
Commissioners				
- Fees and emoluments	97	103	97	103
- Expenses	28	8	28	8
Operating lease payments	1,465	990	-	-
Operating lease income	(2,521)	(2,405)	-	-
Staff costs (note 5)	205,052	173,323	192,624	161,044

Notes To The Consolidated And Separate Financial Statements | Continued

31 December 2015

	Consolidated		Commission	
	2015 P'000	2014 P'000	2015 P'000	2014 P'000
5. STAFF COSTS				
Wages and salaries	142,956	115,374	131,315	103,462
Retrenchment costs	31,244	-	31,244	-
Pension fund costs	9,912	11,228	9,125	11 228
Staff allowances and other staff costs	20,940	46,721	20,940	46,354
	205,052	173,323	192,624	161,044
6. FINANCE COSTS				
Bank overdraft	2,970	9,068	2,880	8,995
Borrowings	31,125	21,803	31,125	21,803
Related parties	-	-	3,426	2,638
	34,095	30,871	37,431	33,436

Notes To The Consolidated And Separate Financial Statements | Continued

31 December 2015

	Consolidated		Commission	
	2015	2014	2015	2014
	P'000	P'000	P'000	P'000
7. TAXATION				
Botswana taxation:				
- current year	143	48,840	-	48,822
- prior years tax relief	(7,915)	(33,020)	(7,915)	(33,020)
	(7,772)	15,820	(7,915)	15,802
Foreign taxation:				
- current taxation	675	-	-	-
- deferred taxation	223	623	-	-
	898	623	-	-
Total taxation	(6,874)	16,443	(7,915)	15,802

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.

The Minister of Finance and Development Planning has relieved the Commission in respect of the taxation amount for all financial years up to 2015.

Balance payable at beginning of year	74,252	74,724	72,495	74,289
Current tax charge	818	48,840	-	48,822
Tax (paid)/received	(29)	1,304	-	-
Tax set off against VAT liabilities	(64,580)	(17,596)	(64,580)	(17,596)
Tax relief	(7,915)	(33,020)	(7,915)	(33,020)
Balance payable at end of year	2,546	74,252	-	72,495
Disclosed in the statements of financial position as:				
Taxation payable	2,546	74,252	-	72,495
	2,546	74,252	-	72,495

Notes To The Consolidated And Separate Financial Statements | Continued

31 December 2015

8. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land and Buildings	Leasehold Land and Buildings	Plant and Machinery	Motor Vehicles	Furniture and Equipment	Computer Equipment	Capital Work in Progress	Total
	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000
8.1 Consolidated								
Year ended 31 December 2015								
Opening carrying amount	334,521	23	242,731	6,062	6,448	9,044	12,234	611,063
Exchange differences	(6,776)	1	(4,258)	-	(100)	2	(8)	(11,139)
Additions	5,905	-	7,822	64	672	2,133	2,077	18,673
Transfers from WIP	10,912	-	1,253	-	60	7	(12,232)	-
Disposals	(130)	-	-	(1 377)	-	(46)	-	(1,553)
Depreciation charge	(15,309)	(14)	(34,402)	(2 310)	(1,408)	(3,650)	-	(57,093)
Depreciation on disposals	8	-	-	721	-	8	-	737
Closing carrying amount	**329,131**	10	**213,146**	**3,160**	**5,672**	**7,498**	**2,071**	**560,688**
At 31 December 2015								
Cost/valuation	358,983	4,596	263,835	19,982	15,096	32,559	2,071	697,122
Accumulated depreciation and impairment	(29 852)	(4,586)	(50,689)	(16,822)	(9,424)	(25,061)	-	(136,434)
Carrying amount	**329,131**	10	**213,146**	3,160	**5,672**	**7,498**	**2,071**	**560,688**
Year ended 31 December 2014								
Opening carrying amount	335,116	35	100,966	3,244	6,238	10,984	367	456,950
Exchange differences	(906)	1	(352)	-	(14)	-	(3)	(1,274)
Revaluation of land and buildings	-	-	37,371	-	-	-	-	37,371
Additions	13,395	-	4,293	4,036	968	1,738	19,085	43,515
Transfers from WIP	1,825	-	3,768	906	292	175	(6,966)	-
Disposals	(358)	-	(6,403)	(1,686)	(138)	(1,060)	(249)	(9,894)
Depreciation charge	(14,909)	(13)	(9,729)	(1,812)	(939)	(3,106)	-	(30,508)
Depreciation on disposals	358	-	6,006	1,374	41	313	-	8,092
Impairment	-	-	(8,344)	-	-	-	-	(8,344)
Elimination of depreciation on revaluation	-	-	115,155	-	-	-	-	115 155
Closing carrying amount	**334,521**	**23**	**242,731**	**6,062**	**6,448**	**9,044**	**12,234**	**611,063**
At 31 December 2014								
Cost/valuation	349,072	4,595	259,018	21,295	14,464	30,463	12,234	691,141
Accumulated depreciation and impairment	(14,551)	(4,572)	(16,287)	(15,233)	(8,016)	(21,419)	-	(80,078)
Carrying amount	**334,521**	**23**	**242,731**	**6,062**	**6,448**	**9,044**	**12,234**	**611,063**

The effect from the 2014 revaluation of the Group's plant and machinery presented in other comprehensive income comprises the elimination of depreciation on revaluation of P115 155 000 and the revaluation of plant and machinery of P37 371 000 disclosed in this note.

Notes To The Consolidated And Separate Financial Statements | Continued

31 December 2015

PROPERTY, PLANT AND EQUIPMENT

	Freehold Land and Buildings	Leasehold Land and Buildings	Plant and Machinery	Motor Vehicles	Furniture and Equipment	Computer Equipment	Capital Work in Progress	Total
	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000
8.2 Commission								
Year ended 31 December 2015								
Opening carrying amount	279,011	3	204,107	6,062	5,524	9,044	12,150	515,901
Additions	4,406	-	6,883	64	534	2,107	2,021	16,015
Transfers from WIP	10,912	-	1,189	-	43	7	(12,151)	-
Depreciation charge	15,309)	-	(29,384)	(2,310)	(1,158)	(3,648)	-	(51,809)
Disposals	(130)	-	-	(1,377)	-	(46)	-	(1,553)
Depreciation on disposals	8	-	-	721	-	8	-	737
Closing carrying amount	**278,898**	**3**	**182,795**	**3,160**	**4,943**	**7,472**	**2,020**	**479,291**
At 31 December 2015								
Cost/valuation	308,750	4,548	222,546	17,974	12,187	31,841	2,020	599,866
Accumulated depreciation and impairment	(29,852)	(4,545)	(39,751)	(14,814)	(7,244)	(24,369)	-	(120,575)
Carrying amount	**278,898**	**3**	**182,795**	**3,160**	**4,943**	**7,472**	**2,020**	**479,291**
Year ended 31 December 2014								
Opening carrying amount	279,593	3	99,288	3,244	5,407	10,984	116	398,635
Revaluation of land and buildings	-	-	386	-	-	-	-	386
Additions	12,502	-	3,441	4,036	671	1,738	19,000	41,388
Transfers from WIP	1,825	-	3,768	906	292	175	(6,966)	-
Depreciation charge	(14,909)	-	(9,190)	(1,812)	(749)	(3,106)	-	(29,766)
Disposals	(358)	-	(6,398)	(1,686)	(97)	(1,060)	-	(9,599)
Depreciation on disposals	358	-	6,001	1,374	-	313	-	8,046
Impairment	-	-	(8,344)	-	-	-	-	(8,344)
Elimination of depreciation on revaluation	-	-	115,155	-	-	-	-	115,155
Closing carrying amount	**279,011**	**3**	**204,107**	**6,062**	**5,524**	**9,044**	**12,150**	**515,901**
At 31 December 2014								
Cost/valuation	293,562	4,548	214,474	19,287	11,610	29,773	12,150	585,404
Accumulated depreciation and impairment	(14,551)	(4,545)	(10,367)	(13,225)	(6,086)	(20,729)	-	(69,503)
Carrying amount	**279,011**	**3**	**204,107**	**6,062**	**5,524**	**9,044**	**12,150**	**515,901**

The effect from the 2014 revaluation of the Commission's plant and machinery presented in other comprehensive income comprises the elimination of depreciation on revaluation gain of P115 155 000, the revaluation gain of plant and machinery in the Lobatse and Francistown plants of P386 000 and the impairment loss of plant and machinery in the Maun plant of P8 344 000 disclosed in this note.

Group and Commission

The details of the Group and Commission'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 certain title deeds over the Commission's properties are not available. The fair value of the plots with no title deeds available is P1 541 060 as at 31 December 2015.

Fair value measurement of the Group's and Commission's land and buildings

The fair value of the Commission's land and buildings was determined as at 31 December 2013 by Apex Properties Botswana (Proprietary) Limited, an independent valuer with appropriate qualifications and experience in the valuation of the properties in the relevant locations. The fair value was estimated using the Depreciated Replacement Cost ("DRC") model. The main input factors used in the model were the area of each property and the estimated value per square meter based on the condition of the properties.

The fair value of the land and buildings of Table Bay Cold Storage (Proprietary) Limited as at 31 December 2013 was determined by Unit Property Brokers, independent valuers not related to the Group with appropriate qualifications and experience in the valuation of the properties in the relevant location. The fair value was determined based on a combination of market prices and an income capitalisation model.

All land and buildings have been valued using level 3 inputs. Level 3 inputs are unobservable inputs for the asset. Management considers the fair values determined in 2013 still relevant as at 31 December 2015.

Had the land and buildings been measured on a historical cost basis, their net book value for the Group would have been P86 702 847 (2014: P75 858 504) and their net book value for the Commission would have been P 72 606 000 (2014: P61 395 000).

Fair value measurement of the Group's and Commission's plant and machinery

In 2014 the fair value of the plant and machinery belonging to the Commission and Table Bay Cold Storage (Proprietary) Limited was determined by PricewaterhouseCoopers' team of independent valuation specialists with appropriate qualifications and experience in the valuation of tangible assets. The basis for the valuation was the Depreciated Replacement Cost ("DRC") model. The following main input factors were used in the model: a) expected average life that each type of asset will remain in service before requiring replacement; b) the cost of replacing the existing assets with their modern equivalent assets; and c) estimated useful life adjusted by the condition factor to determine the remaining useful life of the assets.

Plant and machinery has been valued using level 3 inputs. Level 3 inputs are unobservable inputs for the assets.

Had the plant and machinery been measured on a historical cost basis, its net book value for the Group would have been P85 300 105 (2014: P90 521 104) and their net book value for the Commission would have been P83 255 000 (2014: P88 566 000).

The impairment loss of P8 344 000, which was recognised in profit and loss in 2014, relates to the plant and machinery of the Maun production plant,a separate cash generating unit, as its revalued amount was below its net book value. The impairment is a result of the fact that the plant and machinery was comparatively new and had a high net book value at the date of the revaluation, while its revalued amount was lower based on the assets' condition at the revaluation date. As the disposal costs of the plant and machinery are considered not being material, the recoverable amount of the revalued assets is assumed to be close to their revalued amount so no further impairment is deemed necessary.

Notes To The Consolidated And Separate Financial Statements | Continued

31 December 2015

	Consolidated	
	2015	2014
	P'000	P'000
9. INVESTMENT PROPERTY		
Opening carrying amount	6,171	6,200
Depreciation charge	(191)	(29)
Closing carrying amount	5,980	6,171
Fair value	5,980	6,171

The fair value of the investment property was determined as at 31 December 2013 by Apex Properties Botswana (Proprietary) Limited, an independent valuer with appropriate qualifications and experience in the valuation of the properties in the relevant location. The fair value was estimated using the depreciable replacement cost method. The investment property was valued using level 3 inputs. Level 3 inputs are unobservable inputs for the asset. Management believes that there was no material change in the fair value of the investment property as at 31 December 2015.

		Consolidated		Commission	
		2015	2014	2015	2014
	% Equity held	P'000	P'000	P'000	P'000
10. INVESTMENTS					
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
Mainline Carriers (Botswana) (Proprietary) Limited					
Shares at cost	100	-	-	4,308	4,308
		-	-	7,474	7,474
Associates:					
GPS Food Group AS - shares at cost	33	172	172	-	-
Effect of foreign exchange rates		22			
Share of the profit of GPS Food Group AS		1,413	-	-	-
		1,607	172	-	-
Debentures in Clifton School (Botswana) at cost		10	10	10	10
		1,617	182	7,484	7,484

The shares in GPS Food Group AS were acquired on 1 July 2014.

Notes To The Consolidated And Separate Financial Statements | Continued

31 December 2015

	Consolidated		Commission	
	2015 P'000	2014 P'000	2015 P'000	2014 P'000
11. BIOLOGICAL ASSETS				
Balance at beginning of year	77,297	18,470	77,297	18,470
Purchases	222,179	281,216	222,179	281,216
Slaughters	(232,692)	(215,131)	(232,692)	(215,131)
Deaths and sales to butcheries	(6,361)	(7 278)	(6,361)	(7,278)
Field losses and transport losses	(507)	(4,738)	(507)	(4,738)
Fair value gain	22,194	4,758	22,194	4,758
Balance at end of year	82,110	77,297	82,110	77,297

Biological assets comprise livestock held for slaughter. The Commissioners believe the carrying amount of the livestock approximates its fair value less costs to sell.

12. INVENTORIES

	2015 P'000	2014 P'000	2015 P'000	2014 P'000
Finished goods	65,068	90,520	64,974	90,520
Stores	26,775	20,174	26,775	20,174
Obsolete inventory allowance - stores	(890)	(1,858)	(890)	(1,858)
Stores - net	25,885	18,316	25,885	18,316
	90,953	108,836	90,859	108,836

Please refer to note 2 for inventory recognised as an expense during the year.

Notes To The Consolidated And Separate Financial Statements | Continued

31 December 2015

	Consolidated		Commission	
	2015	2014	2015	2014
	P'000	P'000	P'000	P'000
13. TRADE AND OTHER RECEIVABLES				
Trade receivables	145,627	215,345	137,241	213,682
Less: Allowance for doubtful debts	(18,492)	(34,108)	(18,427)	(34,082)
Trade receivables - net	127,135	181,237	118,814	179,600
Prepayments	14,039	11 431	9,146	10,893
Value added tax	5,408	3 574	5,408	3,546
Receivable from the Government of Botswana for financing the losses of the Francistown abattoir	-	22,900	-	22,900
Other receivables	1,302	6,122	1,133	5,694
	147,884	225,264	134,501	222,633

Movement in the allowance for doubtful debts

Balance at beginning of year	34,108	22,552	34,082	22,240
Current year provision	7,662	11,556	7,623	11,842
Amounts written off	(23,278)	-	(23,278)	-
Balance at end of year	18,492	34,108	18,427	34,082

In determining the recoverability of a trade receivable, the Group and Commission consider 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 allowance required in excess of the allowance for doubtful debts recognised in the statement of financial position. There are no significant debtors past the due date that have not been impaired. The average credit period is 30 days (2014: 65 days).

Receivables are pledged as security on the Standard Chartered Bank Botswana Limited trade finance facility as disclosed in Note 15.1.

14. CASH AND CASH EQUIVALENTS

Cash at bank and in hand	36,085	17,791	12,256	2,171
Short-term deposits	122,729	6,376	122,729	1,033
	158,814	24,167	134,985	3,204

Notes To The Consolidated And Separate Financial Statements | Continued

31 December 2015

	Consolidated		Commission	
	2015 P'000	2014 P'000	2015 P'000	2014 P'000
15. BORROWINGS AND BANK OVERDRAFTS				
15.1 Current				
Bank overdrafts	75,977	324,479	75,977	322,672
	75,977	324,479	75,977	322,672
Current portion of Government of the Republic of Botswana loans	49,428	31,909	49,428	31,909
Current portion of African Banking Corporation of Botswana Limited (t/a Banc ABC) long term loan	6,483	6,057	6,483	6,057
Current portion of First National Bank of Botswana Limited and Rand Merchant Bank long term loan	29,740	59,747	29,740	59,747
	85,651	97,713	85,651	97,713

Notes To The Consolidated And Separate Financial Statements | Continued

31 December 2015

	Consolidated		Commission	
	2015	2014	2015	2014
	P'000	P'000	P'000	P'000
BORROWINGS | CONTINUED				
Bank overdrafts comprise:				
Trade finance	53,242	263,723	53,242	263,723
Standard Chartered Bank Botswana Limited	53,242	263 ,723	53,242	263,723
Current account overdraft	22,735	60,756	22,735	58,949
Standard Chartered Bank Botswana Limited	22,556	29,163	22,556	29,163
First National Bank of Botswana Limited	-	27,283	-	27,283
Bank Gaborone Limited	179	2,503	179	2,503
Standard Bank South Africa Limited	-	1,807	-	-
	75,977	324,479	75,977	322,672
Overdraft/trade finance facilities limits				
Amount utilised	75,977	324,479	75,977	322,672
Amount available	252,639	32,128	249,023	29,828
Total facility	328,616	356,607	325,000	352,500
The bank overdrafts and trade finance facilities are denominated in BWP and ZAR with limits as follows:				
Botswana pula denominated (thousand)	BWP325,000	BWP352,500	BWP325,000	BWP352,500
South African Rand denominated (thousand)	ZAR 5 000	ZAR 5 000	ZAR 0	ZAR 0

The trade finance facility received from Standard Chartered Bank Botswana Limited can be drawn in various currencies although the limit is set in Botswana Pula. It bears interest at 3-month LIBOR+2.5% for all amounts drawn in British Pounds, 3-month EURIBOR+3% for all amounts drawn in Euro, JIBAR+3.5% for all amounts drawn in South African Rand and prime rate less 2.5% for all amounts drawn in Botswana Pula. The facility is secured through:

1. Assignment of receivables for all proceeds to liquidated maturing export invoice finance loans;
2. An irrevocable unconditional Government guarantee for BWP300 000 000; and"
3. Deed of hypothecation over moveable assets for BWP95 000 000.

Non-current
Government of the Republic of Botswana

	Consolidated 2015	Consolidated 2014	Commission 2015	Commission 2014
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.	162	162	162	162
Capital	150	150	150	150
Interest	12	12	12	12

Notes To The Consolidated And Separate Financial Statements | Continued

31 December 2015

	Consolidated		Commission	
	2015 P'000	2014 P'000	2015 P'000	2014 P'000
BORROWINGS | CONTINUED				
Non-current (continued)				
Interest free loan repayable in eight equal instalments which were scheduled to commence in August 2014, after a grace period of 3 years. However, the payments did not commence and the initial accumulated payment has been rescheduled to 2017.	157,609	131,875	157,609	131,875
Capital	191,850	191,850	191,850	191,850
Less short-term portion	-	(17,255)	-	(17,255)
Amortised cost adjustment - beginning of year	(42,720)	(52,808)	(42,720)	(52,808)
Amortised cost adjustment for the year	8,479	10,088	8,479	10,088
Interest free loan repayable in sixteen equal instalments over 8 years, which were scheduled to commence in February 2014, after a grace period of 2 years. However, the payments did not commence and the initial accumulated payment has been rescheduled to 2016.	60,496	62,790	60,496	62,790
Capital	104,000	104,000	104,000	104,000
Less short-term portion	(21,638)	(14,654)	(21,638)	(14 654)
Amortised cost adjustment - beginning of year	(26,556)	(29,624)	(26,556)	(29,624)
Amortised cost adjustment for the year	4,690	3,068	4,690	3,068
The loan is payable semi-annually over a period of 8 years commencing on 15 June 2016 and attracts interest at prime per annum. The Commission negotiated a 4 year grace period from date of first draw down - 15 June 2012. The interest is capitalised and attracts interest at the same rate as the principal amount.	262,893	280,276	262,893	280,276
Total Government of Botswana Loans	481,160	475,103	481,160	475,103
African Banking Corporation of Botswana Limited t/a Banc ABC - the loan had a moratorium for 7 months ended 31 March 2011. The repayments thereafter are over a 10 year period at an interest rate of prime, less 2.75%. The loan is secured by a guarantee from the Government of the Republic of Botswana.	21,285	28,466	21,285	28,466
Total non-current borrowings	502,445	503,569	502,445	503,569

Notes To The Consolidated And Separate Financial Statements | Continued

31 December 2015

	Consolidated		Commission	
	2015 P'000	2014 P'000	2015 P'000	2014 P'000
Total current borrowings (Note 15.1)	85,651	97,713	85,651	97,713
Total borrowings	588,096	601,282	588,096	601,282
Maturity of borrowings and overdrafts per agreements (including future interest payments)				
Up to 1 year	161,724	437,444	161,724	435,637
Between 2 and 5 years	378,202	329,479	378,202	329,479
Over 5 years	238,052	319,087	238,052	319,087
	777,978	1,086,010	777,978	1,084,203

Notes To The Consolidated And Separate Financial Statements | Continued

31 December 2015

16. PENSION FUND LIABILITY

The Commission operated a defined benefit pension plan for its eligible employees until 30 September 2014. The plan was converted to a defined contribution plan effective from 1 October 2014.

The final independent actuarial valuation of the defined benefit plan was performed at 30 September 2014 by AON Hewitt Limited (Mauritius).

	Consolidated	Commission
	2015	2014
	P'000	P'000
Amounts recognised in profit or loss in respect of the defined benefit plan are:		
Charge to the income statement:	-	10,014
Current service cost	-	7,314
Interest on obligation	-	11,005
Interest income on plan assets	-	(8,305)
Gain on conversion of fund to defined contribution fund	-	(143,286)
Past service cost	-	(103,968)
Settlement gain	-	(39,318)
	-	(133,272)
Amounts recognised in other comprehensive income in respect of the defined benefit plan are:	-	26,725
Net actuarial loss recognised in the year	-	26,725
Movements in the present value of the defined benefit obligations in the current period were as follows:		
Opening defined benefit obligation	-	289,029
Interest cost	-	11,005
Current service cost	-	7,314
Past service cost	-	(103,968)
Settlement gain	-	(39,318)
Benefits paid on settlement	-	(96,645)
Other benefits paid	-	(96,142)
Actuarial losses	-	28,725
Closing defined benefit obligation	-	-

Notes To The Consolidated And Separate Financial Statements | Continued

31 December 2015

	Consolidated	Commission
	2015	2014
	P'000	P'000

Movement in the present value of the plan assets in the current period were as follows:

Opening fair value of plan assets	-	177,687
Expected return on plan assets	-	8,305
Contributions	-	4,795
Benefits paid	-	(192,787)
Actuarial gains	-	2,000
Closing fair value of plan assets	-	-

The principal actuarial assumptions used were:		
- Inflation rate	-	5.40%
- Expected rate of remuneration growth	-	5.90%
- Discount rate	-	6.30%
- Expected pension increases	-	4.90%

Notes To The Consolidated And Separate Financial Statements | Continued

31 December 2015

	Consolidated		Commission	
	2015	2014	2015	2014
	P'000	P'000	P'000	P'000

17. DEFERRED TAXATION

Balance at beginning of year	13,147	5,113	-	-
Exchange differences	(2,433)	(134)	-	-
Income statement charge (note 7)	223	623	-	-
Charge to other comprehensive income	-	7,545	-	-
Balance at end of year	10,937	13,147	-	-

The major portion of the deferred tax liability relates to temporary differences in respect of revalued property, plant and equipment and fair valued investment property.

18. TRADE AND OTHER PAYABLES

Trade payables	66,052	81,349	60,932	78,665
Accrued expenses	26,096	33,797	20,140	27,722
Retrenchment provision	29,745	-	29,745	-
Payroll accruals	14,033	26,188	13,694	25,793
Value added tax	380	-	-	-
Advances from customers	11,761	-	11,761	-
Other payables	2,083	11,618	2,020	10,746
	150,150	152,952	138,292	142,926

The average credit period for trade payables is 30 days (2014: 30 days). No interest is charged on the trade payables. The Group and Commission have financial risk management policies in place to ensure that all payables are paid within a reasonable time of the agreed credit terms.

Notes To The Consolidated And Separate Financial Statements | Continued

31 December 2015

19. FINANCIAL INSTRUMENTS

The Commission and Group manage their capital to ensure that they continue 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 statements of changes in equity.

Gearing ratio

The Group's overall management 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.

	Consolidated		Commission	
	2015 P'000	2014 P'000	2015 P'000	2014 P'000
19.1 Capital risk management				
Debt (note 15)	664,073	601,282	664,073	923,954
Cash and cash equivalents (note 14)	(158,814)	(24,167)	(134,985)	(3,204)
Net debt (i)	505,259	577,115	529,088	920,750
Reserves (ii)	212,362	(113,132)	66,896	(252,283)
Net debt to reserves ratio	238%	510%	791%	365%

- Debt is defined as borrowings and overdrafts, as disclosed in note 15.
- Reserves comprises reserves as disclosed in the statement of changes in reserves.

	Consolidated 2015 P'000	Consolidated 2014 P'000	Commission 2015 P'000	Commission 2014 P'000
19.2 Categories of financial instruments				
Financial assets				
Loans and receivables at amortised cost	287,251	234,426	282,212	229,888
Financial liabilities				
Other liabilities at amortised cost	758,304	695,513	826,436	1,107,840
Finance costs				
Financial liabilities at amortised cost	34,095	30,871	37,431	33,436
Finance income				
Loans and receivables	2,894	280	2,842	236

The Commissioners consider that the carrying values of the financial instruments reported in the statement of financial position approximate their fair values.

	Consolidated		Commission	
	2015	2014	2015	2014
	P'000	P'000	P'000	P'000

FINANCIAL INSTRUMENTS | CONTINUED

19.3 Foreign currency risk management

The Commission undertakes transactions denominated in foreign currencies. Foreign 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:

	Consolidated 2015 P'000	Consolidated 2014 P'000	Commission 2015 P'000	Commission 2014 P'000
South African Rand trade payables	16,048	8,441	16,048	8,441
United States Dollar trade payables	1,490	7,556	1,490	7,556
Great Britain Pound trade payables	6,217	161	6,217	161
Great Britain Pound payables (related parties)	-	-	22,856	19,453
United States Dollar payables (related parties)	-	-	39,656	31,175
South African Rand payables (related parties)	-	-	10,700	10,478
	23,755	16,158	96,967	77,264
South African Rand trade receivables	16,363	60,114	16,363	60,114
British Pound trade receivables	6,352	27,714	6,352	27,714
United States Dollar trade receivables	12,768	24,785	12,768	24,785
Euro trade receivables	55,931	64,670	55,931	64,670
South African Rand receivables (related parties)	-	-	13,864	-
British Pound receivables (related parties)	-	-	13,416	18,490
	91,414	177,283	118,694	195,773
Net Assets of Table Bay Cold Storage South Africa (ZAR)	69,092	79,428	-	-
Net Assets of Botswana Meat Commission Guernsey (GBP)	29,268	25,520	-	-
Net Assets Of Botswana Meat Commission United Kingdom (GBP)	10,786	4,691	-	-
Net Assets of Allied Meat Insurance Cayman Islands (GBP)	96,885	80,640	-	-
	206,031	190,279	-	-

Notes To The Consolidated And Separate Financial Statements | Continued

31 December 2015

	Consolidated		Commission	
	2015 P'000	2014 P'000	2015 P'000	2014 P'000

Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 5% increase or decrease in Botswana Pula rate against the currencies the Group is exposed to. 5% is the most likely change in exchange rates as assessed by the Commission's management. A positive number below indicates a increase in profit/decrease in loss 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/loss and the balances below would be negative.

Profit or loss	3,383	8,056	1,086	5,925
Equity	10,302	9,514	-	-

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 increase 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.

Profit or loss	1,122	4,116	1,407	4,098

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 allowance for doubtful debts.

The gross maximum exposure to credit risk is as follows:

Bank balances	158,814	24,167	134,985	3,204
Trade receivables	127,135	181,237	118,814	179,600
Receivables from the Government of Botswana	-	22,900	-	22,900
Amounts due from group companies	-	-	27,280	18,490
Other receivables	1,302	6,122	1,133	5,694
	287,251	234,426	282,212	229,888

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 cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 15 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.

The expected undiscounted cash outflows related to borrowings are disclosed in note 15.2. The rest of the Group's financial liabilities are short term and expected to be settled at their book value within the next financial year.

	Commission	
	2015 P'000	2014 P'000

20. RELATED PARTY TRANSACTIONS AND BALANCES

The related parties of the Commission are the Government of Botswana, its subsidiaries as disclosed in Note 10 and the Commissioners and senior management.
The following related party transactions were entered into:

The gross maximum exposure to credit risk is as follows:

	2015 P'000	2014 P'000
20.1 Services charges		
Management fees - Botswana Meat Commission (UK) Holdings Limited	(4,342)	(5,008)
Storage expenses - Table Bay Cold Storage (Proprietary) Limited	(7,714)	(5,054)
Management fees - Table Bay Cold Storage (Proprietary) Limited	(2,728)	(2,178)
Management fees - Mainline Carriers Botswana (Proprietary) Limited	260	240
	(14,524)	(12,000)
20.2 Interest paid		
Allied Meat Insurance Company Limited, Cayman Islands	(3,036)	(1,829)
BMC UK Holdings Limited	(390)	(810)
	(3,426)	(2,639)

Notes To The Consolidated And Separate Financial Statements | Continued

31 December 2015

	Commission	
	2015	2014
	P'000	P'000
20.3 Amounts due from group companies		
BMC UK Holdings Limited	13,416	18,490
Table Bay Cold Storage (Proprietary) Limited	3,513	-
BMC Meat Importers and Exporters (Proprietary) Limited	10,351	-
	27,280	18,490
20.4 Amounts due to group companies		
BMC Meat Importers Limited, Guernsey	16,200	13,527
Allied Meat Insurance Company Limited, Cayman Islands	39,656	31,175
BMC UK Holdings Limited	6,656	5,926
Table Bay Cold Storage (Proprietary) Limited	10,700	10,478
Mainline Carriers (Proprietary) Limited	5,898	5,486
Lobatse Leathers (Proprietary) Limited	161	161
	79,271	66,753
20.5 Related party balances included in receivables		
Government of the Republic of Botswana (Commission and consolidated)	20,988	29,464
Table Bay Cold Storage (Proprietary) Limited	1,337	-
	22,325	29,464
Transactions related to board members		
Producer payments (Commission and consolidated)	1,850	863
Remuneration of key management personnel		
Short term benefits (Commission and consolidated)	5,108	5,156
20.6 Sales of finished goods		
GPS Norway (Commission and consolidated)	132,220	65,398
Government of the Republic of Botswana (Commission and consolidated)	46,509	56,590
	178,729	121,988

Notes To The Consolidated And Separate Financial Statements | Continued

31 December 2015

	Consolidated		Commission	
	2015	2014	2015	2014
	P'000	P'000	P'000	P'000
21. NOTES TO THE STATEMENTS OF CASH FLOWS				
21.1 Cash used in operations				
Operating surplus	361,550	33,163	359,022	27,747
Adjustments for:				
Depreciation of property, plant and equipment	57,093	30,508	51,809	29,766
Depreciation of investment property	191	29	-	-
Impairment of property, plant and equipment	-	8,344	-	8,344
Fair value adjustment for biological assets	(22,194)	(4,758)	(22,194)	(4,758)
Loss on disposal of property, plant and equipment	34	1,068	34	1,090
Other movements in reserves	-	-	-	(167)
Government financing obtained	(600,000)	-	(600,000)	-
Share of profit of associates	(1,413)	-	-	-
Pension fund obligation income	-	(138,067)	-	(138,067)
	(204,739)	(69,713)	(211,329)	(76,0456)
Movements in working capital				
Decrease/(increase) in biological assets	17,381	(54,069)	17,381	(54,069)
Decrease in inventories	17,883	35,915	17,977	35,915
(Increase)/decrease in amounts due from group companies	-	-	(8,790)	15,620
Decrease/(increase) in trade and other receivables	12,800	(52,926)	23,552	(73,423)
(Decrease)/increase in trade and other payables	(2,802)	70,817	(4,634)	76,972
Increase in amounts due to group companies	-	-	12,518	8,672
	45,263	(262)	58,004	9,687
Cash used in operations	(159,476)	(69,975)	(153,325)	(66,358)

Notes To The Consolidated And Separate Financial Statements | Continued

31 December 2015

	Consolidated		Commission	
	2015	2014	2015	2014
	P'000	P'000	P'000	P'000

NOTES TO THE STATEMENTS OF CASH FLOWS | Continued

21.2 Proceeds on disposal of property, plant and equipment

	Consolidated 2015 P'000	Consolidated 2014 P'000	Commission 2015 P'000	Commission 2014 P'000
Cost	1,553	9,894	1,553	9,599
Accumulated depreciation	(737)	(8,092)	(737)	(8,046)
Net carrying amount	816	1,802	816	1,553
Loss on disposal of property, plant and equipment	(34)	(1,068)	(34)	(1,090)
Proceeds on disposal	782	734	782	463

21.3 Effects of changes in foreign exchange rates

	Consolidated 2015 P'000	Consolidated 2014 P'000	Commission 2015 P'000	Commission 2014 P'000
Property, plant and equipment	11,139	1,274	-	-
Reserves	1,440	(2,255)	-	-
Investments	(22)	-	-	-
Deferred tax	(2,433)	(134)	-	-
	10,124	(1,115)	-	-

22. CONTINGENT LIABILITIES AND ASSETS

22.1 Contingent liabilities

	Consolidated 2015 P'000	Consolidated 2014 P'000	Commission 2015 P'000	Commission 2014 P'000
Claims instituted by Feedmaster Botswana for damages and interest at the rate of 10% per annum for alleged breach of Commission's obligations	9,898	36,349	9,898	36,349
Claims instituted by Northern Ranching Botswana for damages due to alleged breach of Commission's obligations	-	10,485	-	10,485
Bond of surety covering outstanding liabilities under the	-	1,346	-	1,346
BMC Staff Motor Vehicle Advance scheme	-	5,085	-	5,085
Guarantees in respect of home loan advances	14,160	13,704	14,160	13,704
Guarantees from Standard Chartered Bank Botswana Limited				
Guarantee by Standard Chartered Bank of Botswana Limited	37,060	37,060	37,060	37,060
in favour of Standard Chartered Bank London	752	821	-	-
Guarantee in favour of Transnet	-	894	-	-
Guarantee in favour of Skilpadshek	-	1,130	-	-
Guarantee in favour of Ramatlabama customs office	362	448	-	-
Customs and excise guarantee in South Aftica	2,175	251	-	-
Guarantee to South African Revenue Services	-	193	-	-
Other guarantees	64,407	107,766	61,118	104,029

Notes To The Consolidated And Separate Financial Statements | Continued

31 December 2015

	Consolidated		Commission	
	2015 P'000	2014 P'000	2015 P'000	2014 P'000
NOTES TO THE STATEMENTS OF CASH FLOWS | Continued				
22.2. Contingent assets				
Tax relief not yet received	-	72,495	-	72,495
Refund by Government of losses incurred by Francistown	82,176	-	82,176	-
abattoir	95,886	51,216	95,886	51,216
Counter claim by BMC on the Feedmaster Botswana case	18,379	18,379	18,379	18,379
	196,441	142,090	196,441	142,090
23. COMMITMENTS				
23.1 Future capital expenditure				
Authorised but not yet contracted for	49,821	42,415	49,821	42,040
Capital expenditure will be funded from internally generated funds and external funding as necessary.				
23.2 Operating lease commitments (payments)				
Future minmum lease payments:				
Not later than one year	1,808	1,610	-	-
Between one and five years	5,080	687	-	-
	6,888	2,297	-	-
23.3 Operating lease commitments (receipts)				
Future minmum lease receipts:				
Not later than one year	605	1,668	-	-
Between one and five years	-	1,017	-	-
	605	2,685	-	-

24. EVENTS AFTER THE REPORTING DATE

There are no material events that occurred after the financial year end to the date of approval of the financial statements that require additional disclosure in the financial statements.

Notes To The Consolidated And Separate Financial Statements | Continued

31 December 2015

	Consolidated		Commission	
	2015	2014	2015	2014
	P'000	P'000	P'000	P'000

25. GOING CONCERN

The Group and the Commission reported a total deficit for the year of P263 million (2014: P180 million) and P268 million (2014: P187 million), respectively, after eliminating the effect of funding received from Government of P600 million (2014: P23 million) and recognition of a gain of Pnil million (2014: P143 million) on conversion of the defined benefit fund to a defined contribution fund. The accumulated losses of the Group and Commission amount to P639 million (2014: P889 million) and P649 million (2014: P893 million), respectively. These conditions indicate the existence of a material uncertainty that casts significant doubt on the Group's and Commission's ability to continue as a going concern and to continue realising its assets and discharging its liabilities in the normal course of business.

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 is the commitment by the Government of the Republic of Botswana to continue its financial support to the Commission. In the current year, the Government of Botswana provided the entity with unconditional financial aid of P600 000 000 aimed at improving the Commission's financial situation. The Commission's going concern is also dependent on obtaining trade facilities and commercial loans from financial institutions.

The following initiatives have been undertaken by the Commission in order to improve its financial performance:

- Development of a three year strategy (2014 - 2017) to enhance the value chain of the Commission;
- Establishment of regional markets; and
- Increasing supply into the European Union market.

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

The Commission reported a surplus of P275 million for 2015 financial year (2014: a deficit of P21 million) and has accumulated losses of P649 million (2014: P893 million). 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.

Notes

LOBATSE OFFICE

Private Bag 4, Lobatse, Botswana Tel: (+267) 5330321 / 5340000
Fax: (+267) 5332228 email: communications@bmc.bw

FRANCISTOWN OFFICE

Private Bag 119, Francistown, Botswana,

Tel: (+267) 2414499 Fax: (+267) 2414427

MAUN OFFICE

Private Bag 8, Maun, Botswana

Tel: (+267) 6862782 Fax: (+267) 6863562

CAPETOWN OFFICE

Table Bay Cold Storage

6 Acuckland Street, Paarden Eiland, Cape Town

UK OFFICE

BMC (UK) Holdings Ltd

Stuart House, Queensgate, Britannia Road

Waltham Cross, Hertfordshire, England EN8 7TF

Tel: +44(0)1992 807950 Fax: +44(0)1992 807951

2015