

BOTSWANA MEAT COMMISSION

**AUDITED CONSOLIDATED AND SEPARATE
FINANCIAL STATEMENTS**

31 DECEMBER 2017

**BOTSWANA MEAT COMMISSION
GENERAL INFORMATION
31 DECEMBER 2017**

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 (subsidiary) in South Africa with marketing subsidiaries in the United Kingdom, Germany and South Africa.

COMMISSIONERS

Dr T Matsheka	Chairperson
L Morakaladi	Member since 31 March 2018
B Khumomathlare	Member Since 11 January 2018
L Serema	Member Since 29 January 2018
O Kgotlafela	Member
G Mosimaneotsile	Member
M Mokgosana	Member
D Mmile	Member
M Dube	Member
T Masire	Member since 31 March 2018

EXECUTIVE MANAGEMENT

Dr Akolang Tombale	Chief Executive Officer Since 16 September 2018
S Goteti	Chief Financial Officer
Mr Brian Dioka	Manager Strategy, Projects and Innovation
R D Makati	EXCO, Human Capital
Dr Mogome-Maseko	EXCO, Compliance
K Makubate	EXCO, Livestock Procurement
L Letshola	Board Secretary

REGISTERED OFFICE

Plot 621
1 Khama Avenue
Lobatse

AUDITORS

Ernst & Young
P O Box 41015
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
CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
31 DECEMBER 2017**

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**BOTSWANA MEAT COMMISSION
COMMISSIONERS' RESPONSIBILITY STATEMENT AND APPROVAL OF THE FINANCIAL STATEMENTS
31 DECEMBER 2017**

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 2017, 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.

The Group and Commission have reported a total Loss of P472 million and P464 million, respectively (2016: a Loss of P223 million and P204 million, respectively), and their accumulated losses amounted to P1,031 million and P1,051 million, respectively (2016: P785 million and P770 million respectively). The going concern of the Group and Commission is dependent on the initiatives disclosed in note 28 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

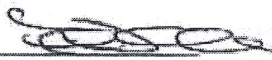
The Commissioner has taken all the steps that he/she ought to have taken as a Commissioner to make himself/herself aware of any relevant audit information and to establish that the Commission's auditor is aware of that information.

Commissioners' Approval of the Financial Statements

The consolidated and separate financial statements set out on pages 6 to 56, which have been prepared on the going concern basis, were approved by the Board on 15 October 2018 and are signed on its behalf by:



Commissioner



Commissioner

Independent Auditor's Report

To the Commissioner's Botswana Meat Commission

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of Botswana Meat Commission set out on pages 6 to 56 which comprise the consolidated and separate statements of financial position as at 31 December 2017, and the consolidated and separate statements of profit or loss and other comprehensive income, the statements of changes in equity attributable to the Botswana Meat Commission Group and statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements give a true and fair view of the financial position of Botswana Meat Commission Group as at 31 December 2017, and its financial performance and cash flows for the year then ended 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 consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated and separate Financial Statements section of our report. We are independent of the commission in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and other independence requirements applicable to performing audits of Botswana Meat Commission. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code, and in accordance with other ethical requirements applicable to performing the audit of Botswana Meat Commission. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

We draw attention to Note 28 of the consolidated and separate financial statements, which indicate that the Commission reported a total deficit for the year of P242 million (2016: P204 million loss). The accumulated losses of the Commission amounted to P1, 050 million (2016: P 770million). 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. Our opinion is not modified in respect of this matter

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 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 29 in the consolidated and separate financial statements.

Other Information

The Commissioners are responsible for the other information. The other information comprises the Commissioners Report. The other information does not include the consolidated and separate financial statements and our auditor's report thereon. Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



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When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate these to those charged with governance.

Responsibilities of the Commissioners for the Consolidated and Separate Financial Statements

The Commissioners of Botswana Meat Commission are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and in the manner required by the Botswana Meat Commission Act (Chapter 74:04) and for such internal control as the Commissioners determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

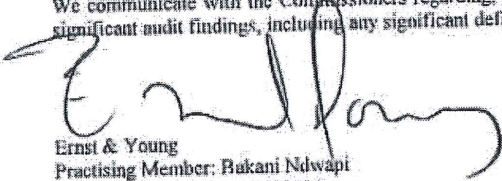
Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance,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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the group and commission audit. We remain solely responsible for our audit opinion.

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


Ernst & Young
Practising Member: Bakani Ndwapu
Membership Number: 19980026
Certified Auditor

17/10/2018

BOTSWANA MEAT COMMISSION
STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	<u>NOTES</u>	<u>Consolidated</u>		<u>Commission</u>	
		<u>2017</u> <u>P'000</u>	<u>2016</u> <u>P'000</u>	<u>2017</u> <u>P'000</u>	<u>2016</u> <u>P'000</u>
REVENUE	1	1,052,400	1,161,275	1,022,937	1,139,445
Freight, storage and other selling expenses		(84,794)	(110,465)	(67,555)	(93,681)
Livestock and meat costs		(768,569)	(852,092)	(768,569)	(852,092)
		<u>199,037</u>	<u>198,718</u>	<u>186,813</u>	<u>193,672</u>
Fair Value Loss on biological assets	13	(1,728)	(24,482)	(1,728)	(24,482)
Fair Value Gain on investment property	10	74	3,720		
Production and administration costs		(397,096)	(375,012)	(381,985)	(357,063)
Loss on renegotiation on government loan	17.1	(10,655)	(5,955)	(10,655)	(5,955)
Other Costs	2	(10,867)	(13,979)	(8,708)	9,600
Other income		7,247	8,327	4,843	6,277
Share of profit of associates	11	1,788	1,773	-	-
OPERATING DEFICIT		<u>(212,201)</u>	<u>(206,891)</u>	<u>(211,420)</u>	<u>(177,951)</u>
Finance costs	5	(27,902)	(23,781)	(30,969)	(27,151)
Finance income	6	2,468	1,096	240	1,057
DEFICIT BEFORE TAXATION		<u>(237,635)</u>	<u>(229,576)</u>	<u>(242,149)</u>	<u>(204,045)</u>
Taxation	8	(841)	(111)	-	-
DEFICIT FOR THE YEAR		<u>(238,476)</u>	<u>(229,687)</u>	<u>(242,149)</u>	<u>(204,046)</u>
Other comprehensive (loss)/income					
Items that will not be reclassified subsequently to profit or loss:					
Revaluation of Property, Plant & Machinery		(220,382)		(222,283)	
Items that will be reclassified subsequently to profit or loss:					
Foreign Currency Translation Reserve Reserves		(13,095)	7,169	-	-
Other comprehensive (loss)/income		<u>(233,478)</u>	<u>7,169</u>	<u>(222,283)</u>	<u>-</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		<u>(471,954)</u>	<u>(222,517)</u>	<u>(464,432)</u>	<u>(204,046)</u>

BOTSWANA MEAT COMMISSION
STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	<u>Notes</u>	<u>Consolidated</u>		<u>Commission</u>	
		<u>2017</u> <u>P'000</u>	<u>2016</u> <u>P'000</u>	<u>2017</u> <u>P'000</u>	<u>2016</u> <u>P'000</u>
ASSETS					
Non-current assets					
Property, plant and equipment	9	266,692	536,144	183,993	451,239
Investment property	10	9,774	9,700	-	-
Investments in Subsidiaries and Associates	11	1,954	1,962	7,484	7,484
		<u>278,420</u>	<u>547,806</u>	<u>191,477</u>	<u>458,723</u>
Current assets					
Biological assets	13	18,878	29,880	18,878	29,880
Inventories	14	86,053	97,460	85,333	97,332
Trade and other receivables	15	80,851	63,880	102,276	98,470
Prepayments	15	6,159	6,568	4,585	5,642
Amounts due from group companies	22.3			4,208	9,463
Cash and cash equivalents	16	30,555	28,208	7,290	2,137
		<u>222,497</u>	<u>225,996</u>	<u>222,571</u>	<u>242,924</u>
Total assets		<u>500,916</u>	<u>773,802</u>	<u>414,048</u>	<u>701,650</u>
RESERVES AND LIABILITIES					
RESERVES					
Capital reserves		116,257	109,815	68,144	68,144
Loan redemption reserve		255,063	225,063	255,066	225,063
Development reserve		3,256	3,015	3,256	3,015
Stabilisation reserve		390	390	390	390
Foreign Currency Translation Reserve		(17,591)	7,169	-	-
Foreign exchange stabilisation reserve		19,294	17,976	-	-
Asset revaluation reserve		182,876	411,153	122,874	345,157
Accumulated deficit		(1,030,691)	(784,723)	(1,050,485)	(770,123)
Total reserves/(deficit)		<u>(471,146)</u>	<u>(10,142)</u>	<u>(600,756)</u>	<u>(128,354)</u>
LIABILITIES					
Non-current liabilities					
Borrowings	17	471,503	524,516	471,503	524,516
Deferred tax liability	19	12,655	11,971	-	-
		<u>484,158</u>	<u>536,487</u>	<u>471,503</u>	<u>524,516</u>
Current liabilities					
Taxation payable	8	1,230	389	-	-
Trade and other payables	20	137,112	77,981	128,965	73,018
Amounts due to group companies	22.4	-	-	65,027	63,383
Bank overdrafts	17.1	213,618	113,351	213,366	113,351
Borrowings	17.1	135,942	55,737	135,942	55,737
		<u>487,903</u>	<u>247,458</u>	<u>543,300</u>	<u>305,489</u>
Total liabilities		<u>972,061</u>	<u>783,945</u>	<u>1,014,804</u>	<u>830,005</u>
Total reserves and liabilities		<u>500,916</u>	<u>773,802</u>	<u>414,048</u>	<u>701,650</u>

**BOTSWANA MEAT COMMISSION
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017**

	<u>Notes</u>	<u>Consolidated</u>		<u>Commission</u>	
		2017 P'000	2016 P'000	2017 P'000	2016 P'000
CASH FLOWS USED IN OPERATING ACTIVITIES					
Cash used in operations	23	(113,815)	(103,612)	(95,141)	(108,918)
Interest paid		(27,487)	(5,347)	(42,269)	(7,500)
Taxation paid	8	-	(749)	-	-
Net cash used in operating activities		<u>(141,302)</u>	<u>(109,709)</u>	<u>(137,410)</u>	<u>(116,417)</u>
CASH FLOWS USED IN INVESTING ACTIVITIES					
Purchase of property, plant and equipment		(10,532)	(23,887)	(9,326)	(19,271)
Proceeds on disposal of property, plant and equipment		99	138	17	-
Finance income	6	2,468	1,096	240	1,057
Net cash used in investing activities		<u>(7,965)</u>	<u>(22,653)</u>	<u>(9,069)</u>	<u>(18,214)</u>
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES					
Borrowings repaid	18	(20,458)	(35,592)	(20,458)	(35,592)
Borrowings received	18	72,076		72,076	
Net cash generated from/(used in) financing activities		<u>51,618</u>	<u>(35,592)</u>	<u>51,618</u>	<u>(35,592)</u>
Net increase/(decrease) in cash and cash equivalents		(97,648)	(167,954)	(94,861)	(170,223)
Net Foreign Exchange difference		(274)	(27)		-
Cash and cash equivalents at beginning of year		<u>(85,144)</u>	<u>82,837</u>	<u>(111,215)</u>	<u>59,008</u>
Cash and cash equivalents at end of year		<u><u>(183,066)</u></u>	<u><u>(85,144)</u></u>	<u><u>(206,076)</u></u>	<u><u>(111,215)</u></u>
Comprising:					
Cash and cash equivalents	16	30,555	28,208	7,290	2,137
Bank overdrafts	17	<u>(213,618)</u>	<u>(113,352)</u>	<u>(213,366)</u>	<u>(113,352)</u>
		<u><u>(183,066)</u></u>	<u><u>(85,144)</u></u>	<u><u>(206,076)</u></u>	<u><u>(111,215)</u></u>

**BOTSWANA MEAT COMMISSION
STATEMENTS OF CHANGES IN RESERVES
FOR THE YEAR ENDED 31 DECEMBER 2017**

<u>Consolidated</u>	Total P'000	Capital reserves P'000	Loan redemption reserve P'000	Development reserve P'000	Stabilisation reserve P'000	Foreign Currency Translation Reserve P'000	Foreign exchange stabilisation reserve P'000	Asset revaluation reserve P'000	Accumulated Surplus (deficit) P'000
Balance at 1 January 2016	192,536	109,815	195,063	2,734	390	(11,665)	17,976	403,258	(525,035)
Deficit For the year	(229,688)	-	-	-	-	-	-	-	(229,688)
Other Comprehensive Income	7,169	-	-	-	-	7,169	-	-	-
Transfers Between Reserves	-	-	30,000	-	-	-	-	-	(30,000)
Balance at 31 December 2016	(29,983)	109,815	225,063	2,734	390	(4,496)	17,976	403,258	(784,723)
Deficit for the year	(238,476)	-	-	-	-	-	-	-	(238,476)
Other comprehensive Income	(233,477)	-	-	-	-	(13,095)	-	(220,382)	-
Transfers Between Reserves	30,790	6,442	30,000	522	-	-	1,318	-	(7,492)
Balance at 31 December 2017	(471,146)	116,257	255,063	3,256	390	(17,591)	19,294	182,876	(1,030,691)

**BOTSWANA MEAT COMMISSION
STATEMENTS OF CHANGES IN RESERVES (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017**

Commission	Total P'000	Capital reserves P'000	Loan redemption reserve P'000	Development reserve P'000	Stabilisation reserve P'000	Asset revaluation reserve P'000	Accumulated Surplus/(deficit) P'000
Balance at 1 January 2016	66,896	58,666	195,063	2,734	390	345,157	(535,114)
Deficit for the year	(204,046)	-	-	-	-	-	(204,046)
Adjustment on Conversion of Defined Benefi	(683)	-	-	-	-	-	(683)
Capital Grant	9,478	9,478	-	-	-	-	-
Transfers Between Reserves	-	-	30,000	281	-	-	(30,281)
Balance at 31 December 2016	(128,355)	68,144	225,063	3,015	390	345,157	(770,123)
Deficit for the year	(242,149)	-	-	-	-	-	(242,149)
Other Comprehensive income	(222,283)	-	-	-	-	(222,283)	-
Transfers Between Reserves	(7,969)	-	30,003	241	-	-	(38,213)
Balance at 31 December 2017	(600,756)	68,144	255,066	3,256	390	122,874	(1,050,485)

NOTE: The capital grant disclosed in reserves represent a capital grant provided by the government for capital expenditure.

Capital Reserves Capital reserves represents mounts of Grants given by the shareholder for the upgrade and refurbishment of its various abattoirs being Lobatse Francistown and Maun

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 Translation 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 (2016: GBP250 000) and US\$1 500 000 (2016: 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.

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.

**BOTSWANA MEAT COMMISSION
GROUP ACCOUNTING POLICIES (CONTINUED)
31 DECEMBER 2017**

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

Investments in 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. These are measured at cost. The cost of an acquisition is measured as the fair value of the assets given and the amount of any non controlling interest in the acquiree. 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.

Investment in 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 Profit and Loss Statement and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

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.

Distributions received from the investee reduce the carrying amount of the investment. Adjustments to the carrying amount may also be required arising from changes in the investee's other comprehensive income that have not been included in profit or loss.

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.

**BOTSWANA MEAT COMMISSION
GROUP ACCOUNTING POLICIES (CONTINUED)
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FOREIGN CURRENCY TRANSLATION (continued)

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 Profit/Loss and other comprehensive income are translated at average exchange rates; and
- All resulting exchange differences are recognised as Other comprehensive Income in a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are recognised as other comprehensive income. 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.

1.1 Statement of Compliance

The Group and Commission financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS). The financial statements have been prepared under the historical cost convention as modified by certain assets and liabilities at fair value. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. These areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Group's financial statements are disclosed in the "Critical estimates and assumptions" section of the financial statements. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Standards, amendments and interpretations.

The Group and commission applied for the first time certain amendments to the standards, which are effective for annual periods beginning on or after 1 January 2017. The Group and Commission has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

The nature and the impact of each amendment is described below:

Standards Adopted

IAS 7 Statement of Cash flows

IAS 7.18 allows entities to report cash flows from operating activities using either the direct method or the indirect method. The Group and Commission presents its cash flows using the direct method. The Group has reconciled profit before tax to net cash flows from operating activities. However, reconciliation from profit after tax is also acceptable under IAS 7 Statement of Cash Flows.

IAS 7.33 permits interest paid to be shown as operating or financing activities and interest received to be shown as operating or investing activities, as deemed relevant for the entity. The Group and Commission has elected to classify interest received and interest paid as cash flows from operating activities

Certain working capital adjustments and other adjustments included in the statement of cash flows, reflect the change in balances between 2017 and 2016,

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The Group has provided the information for both the current and the comparative period in Note 21.

IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealized Losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of deductible temporary difference related to unrealized losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The Group applied amendments retrospectively. However, their application has no effect on the Group's financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

IFRS 12 Disclosure of Interests in Other Entities:

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10– B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. As at 31 December 2017 the Group had no investments in subsidiaries, joint ventures or associates that are classified as held for sale, hence no impact on the Group.

Standards, Amendments & interpretations issued but not effective.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to re-measure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the re-measurement of the lease liability as an adjustment to the right-of-use of the asset.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

In 2018, the Group will continue to assess the potential effect of IFRS 16 on its consolidated financial Statements.

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Standards, amendments and interpretations to existing standards but not effective for 31 December 2017 year-end and have not been early adopted by the Group and Company: (continued):

Transfers of Investment Property — Amendments to IAS 40

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. Entities should apply the amendments prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at that date and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application in accordance with IAS 8 is only permitted if it is possible without the use of hindsight. Effective for annual periods beginning on or after 1 January 2018. Early application of the amendments is permitted and must be disclosed. The Group will apply amendments when they become effective. However, since Group's current practice is in line with the clarifications issued, the Group does not expect any effect on its consolidated financial statements.

IAS 23: Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Borrowing Costs Eligible for Capitalization

The borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are those borrowing costs that would have been avoided if the expenditure on the qualifying asset had not been made. When an entity borrows funds specifically for the purpose of obtaining a particular qualifying asset, the borrowing costs that directly relate to that qualifying asset should be disclosed.

Conceptual Framework

Status and purpose of the Conceptual Framework

As a reminder, the Conceptual Framework is not a standard, and none of the concepts override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the Board in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The IASB issued the revised *Conceptual Framework for Financial Reporting* (the revised Conceptual Framework) on 29 March 2018.

- The Conceptual Framework sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards.
- The changes to the Conceptual Framework may affect the application of IFRS in situations where no standard applies to a particular transaction or event.
- The revised Conceptual Framework is effective immediately for the IASB and the IFRS Interpretations Committee. For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after 1 January 2020.

**BOTSWANA MEAT COMMISSION
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Standards, amendments and interpretations to existing standards but not effective for 31 December 2017 year-end and have not been early adopted by the Group and Company: (continued):

Conceptual Framework (Continued)

The previous Conceptual Framework (the 2010 Conceptual Framework) was criticized for its lack of clarity, the exclusion of certain important concepts and for being outdated in terms of the IASB's current thinking. Following the IASB's agenda consultation in 2011, the Conceptual Framework project was added to the IASB's work plan in September 2012. Since then, the IASB has issued a discussion paper in July 2013 and an exposure draft in June 2015.

In revising the Conceptual Framework, the Board was looking to underpin high level concepts with sufficient detail for it to set standards and to help others to better understand and interpret the standards.

The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

The highlights of the changes in the Framework can be summarized as follows;

1. The Board reintroduced stewardship and clarified the resulting information need. This is after users concerns that their need to assess management accountability was neglected.
2. Useful information must be relevant and must faithfully represent the substance of the financial information. The Board observed, during its outreach process, that users understand 'prudence' to mean different things, and the removal of the concept from the 2010 Conceptual Framework had led to further confusion amongst users. The Board believes that prudence supports neutrality of information and therefore describes prudence as 'the exercise of caution when making judgments under conditions of uncertainty.'
3. A reporting entity is an entity that chooses, or is required, to prepare financial statements, and is not necessarily a legal entity. The Board acknowledged that it does not have authority to determine who must or should prepare financial statements, but it provides general guidance what a reporting entity is.
4. The definition of an assets and a liability has been revised and provides two exemptions for applying the revised definitions of both assets and liabilities.
5. New guidance has been provided on de-recognition of assets and liabilities.

De recognition - is 'the removal of all or part of a recognized asset of liability from an entity's statement of financial position'. It goes on to say that de-recognition normally occurs:

- For an asset, when the entity loses control of all or part of the recognized asset.
- For a liability, when the entity no longer has a present obligation for all or part of the recognized liability.

De-recognition should aim to faithfully represent those assets and liabilities retained after the transaction, if any, and any change in assets and liabilities as a result of the transaction that led to the de-recognition.

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Standards, amendments and interpretations to existing standards but not effective for 31 December 2017 year-end and have not been early adopted by the Group and Company: (continued):

Conceptual Framework (Continued)

6. Consideration of different factors is likely to result in different measurement bases for different assets, liabilities, income and expenses.

In developing the revised Conceptual Framework, the Board considered whether a single measurement basis should be mandated. However, it concluded that different measurement bases could provide useful information to users in different circumstances. Therefore, two categories of measurement basis were identified:

- Historical cost measurement basis
- Current value measurement basis

Historical cost measures provide information about elements that is derived from the historical price of the transaction or event that gave rise to the item being considered for measurement; so, for an asset, this would be the cost incurred in acquiring/creating the asset. For a liability, this would be the value of the consideration received to incur/take on the liability. The historical cost of both an asset and a liability will be updated over time to depict, for example, any consumption of the asset or fulfilment of the liability, or the impact of any events that cause the asset to become impaired or the liability onerous.

Current value measures provide monetary information about elements, using information updated to reflect conditions at the measurement date. Measurement bases may include fair value, value in use, fulfilment value and current cost. The description of fair value in the revised Conceptual Framework is in line with IFRS 13 *Fair Value Measurement*, and the descriptions of value in use and fulfilment value are derived from IAS 36 *Impairment of Assets*.

7. In principle, all income and expenses should be included in the statement of profit or loss.

Annual Improvements 2014-2016 Cycle (issued in December 2016)

These improvements include:

IFRS 1 First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters

Short-term exemptions in paragraphs E3–E7 of IFRS 1 were deleted because they have now served their intended purpose. The amendment is effective from 1 January 2018. This amendment is not applicable to the Group as the Group is not adopting IFRS for the first time.

IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

The amendments clarify that:

- An entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss.
- If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

The amendments should be applied retrospectively and are effective from 1 January 2018, with earlier application permitted. If an entity applies those amendments for an earlier period, it must disclose that fact.

These amendments are not applicable to the Group as the Group measures its associate using the equity method

Standards, amendments and interpretations to existing standards but not effective for 31 December 2017 year-end and have not been early adopted by the Group and Company: (continued):

IFRIC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the de-recognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the transaction date for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the Interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after:

(i) The beginning of the reporting period in which the entity first applies the interpretation

Or

(ii) The beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

The Interpretation is effective for annual periods beginning on or after 1 January 2018. Early application of interpretation is permitted and must be disclosed. However, since the Group's current practice is in line with the Interpretation, the Group does not expect any effect on its consolidated financial statements.

IFRIC Interpretation 23 *Uncertainty over Income Tax Treatment*

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Group will apply interpretation from its effective date. Since the Group operates in a complex multinational tax environment, applying the Interpretation may affect its consolidated financial statements and the required disclosures. In addition, the Group may need to establish processes and procedures to obtain information that is necessary to apply the Interpretation on a timely basis.

An entity is to assume that a taxation authority with the right to examine any amounts reported to it will examine those amounts and will have full knowledge of all relevant information when doing so.

The Interpretation may be applied retrospectively with the cumulative effect of the initial application recognized as an adjustment to equity on the date of initial application. In this approach, comparative information is not restated. The date of initial application is the beginning of the annual reporting period in which an entity first applies this Interpretation. Management is still in the process of making an assessment of the impact of the interpretation on its group financial statements.

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Standards, amendments and interpretations to existing standards but not effective for 31 December 2017 year-end and have not been early adopted by the Group and Company: (continued):

IFRS 9 *Financial Instruments*

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments*, which replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group plans to adopt the new standard on the required effective date and will not restate comparative information. During 2017, the Group has performed a detailed impact assessment of all three aspects of IFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in 2018 when the Group will adopt IFRS 9. Overall, the Group expects no significant impact on its statement of financial position and equity except for the effect of applying the impairment requirements of IFRS 9. IFRS 9 has moved from an incurred loss model to an expected credit losses model. The objective of the impairment requirements is to recognise lifetime expected credit losses for all financial instruments for which there have been significant increases in credit risk since initial recognition — whether assessed on an individual or collective basis — considering all reasonable and supportable information, including that which is forward-looking.

12 month expected credit losses are recognised in the scenario where at the reporting date the credit risk on a financial instrument has not increased significantly since initial recognition. The Group expects an increase in the loss allowance resulting in a negative impact on equity as discussed below. In addition, the Group will implement changes in classification of certain financial instruments.

(a) Classification and measurement

The Group does expect an impact on its balance sheet or equity on applying the classification and measurement requirements of IFRS 9. For example, Change in category from “Loans and receivables” (as per IAS 39) to “Amortised cost” (as per IFRS 9).

This applied to cash and bank and trade and other receivables. There is no change in treatment, only new category based on new IFRS and the business model in to hold and collect contractual cash flows of principle and interest. “Interest” in this case being a profit margin. The commission’s business model is to collect cost and profit margin on goods sold with a 15 to 30 days credit period offered by the commission. This meets the business model to collect contractual cash flows on specified dates after sale and consist of payments of principal and interest. (Principal being cost & interest being profit margin). The impact is on emphasising the conditions on amortised cost that need to be met.

The commission has no equity instruments, No financial liabilities that are held for trading, no derivatives, no available for sale financial assets and the commission does not apply hedge accounting. All financial liabilities are at amortised cost.

(b) Impairment

IFRS 9 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group will apply the simplified approach and record lifetime expected losses on all trade receivables and use a three stage model on intercompany loans receivables as these are collectible over a period more than 12 months.

Standards, amendments and interpretations to existing standards but not effective for 31 December 2017 year-end and have not been early adopted by the Group and Company: (continued):

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014, and amended in April 2016, and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date and apply it retrospectively. During 2017, the Group performed a detailed assessment of IFRS 15. The adoption of IFRS 15 is not expected to impact the reported revenue and the revenues are expected to be reported as it was reported under IAS 18. Interest income and dividends have been scoped out of the revenue standard. However, the adoption of IFRS 15 is expected to affect the revenue recognition policy as a result of the principles and guidance surrounding IFRS 15 which will culminate in a new accounting policy on revenue. The disclosure requirements have been expanded and the new standards now gives more guidance on disclosures.

The group earns its revenue from selling meat and its by-products and offers cold storage and shipping services. The meat and by products and services are sold both on their own in separate identified contracts with customers. The adoption of IFRS 15 is not expected to impact the reported revenue and the revenues are expected to be reported as it was reported under IAS 18. However, the adoption of IFRS 15 is expected to affect the revenue recognition policy as a result of the principles and guidance surrounding IFRS 15 and the disclosure requirements of IFRS 15.

Revenue arises mainly from the sale of beef and allied beef products which consist of the following product lines Chilled, frozen, carcasses, canned, by-products, hides, offal's and live cattle.

To determine whether to recognise revenue, the Commission follows a 5-step process;

Identify a contract with a customer

Identifying the performance obligations

Determining the transaction prices

Allocating the transaction price to the performance obligations

Recognising revenue when/as performance obligation(s) are satisfied

The Commission often enters into transactions involving a range of Commission's products and services, for example "beef and allied beef products" and "cold storage and shipping fees". In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised either at a point in time when (or as) the Commission satisfies performance obligations by transferring the promised goods or services to its customers.

The Commission recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as "Contract Liabilities" (under trade and other payables) in the statement of financial position. Similarly, if the Commission satisfies a performance obligation before it receives the consideration, the Commission recognises "Contract receivables/Contract assets" (under trade and other receivables) in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

Beef and allied beef products

Revenue from the sale of beef and beef related products for a fixed fee is recognised when or as the Commission transfers control of the assets to the customer. Invoices for goods or services transferred are due between 14 to 30 days upon receipt by the customer. For stand-alone sales of beef and beef related products that are supplied directly to the customer, without passing first through subsidiary control transfers at the point in time the customer takes delivery of the goods.

Cold storage fees and shipping fees

The Commission's cold storage point in Cape Town operates a cold storage facility and offers shipping services. The cold storage facility and shipping services are considered to be a separate performance obligation as they provide customers with a material right to store and ship their products under controlled conditions they would not have received otherwise. The Commission allocates the transaction price between the material right to store and ship as a performance obligations identified in a contract on a relative stand-alone selling price basis. Revenue from the cold storage is recognised on a daily basis and revenue from shipping is recognised at a point goods are dispatched from the cold storage. The storage facility acts as clearing and shipping agent to the different entities they provide services to.

Advances received from customers

Generally, the Group receives only short-term advances from its customers. They are presented as part of *Trade and other payables*. These advances are held as security deposits in the customer accounts and offsets against sales as and when the customer buys.

**BOTSWANA MEAT COMMISSION
GROUP ACCOUNTING POLICIES (CONTINUED)
31 DECEMBER 2017**

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.

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 values 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 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

**BOTSWANA MEAT COMMISSION
GROUP ACCOUNTING POLICIES (CONTINUED)
31 DECEMBER 2017**

PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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.

A revaluation surplus is recorded in OCI and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit and loss. A revaluation deficit is recognised in the statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation surplus.

There is no annual transfer from the asset revaluation surplus to retained earnings for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Upon disposal, no revaluation surplus relating to the particular asset being sold is transferred to retained earnings.

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 at the end of each reporting period. The fair value gain/loss is recognised in the statement of profit/Loss . The fair value of the property is determined every year by an external qualified valuer contracted by the group.

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

**BOTSWANA MEAT COMMISSION
GROUP ACCOUNTING POLICIES (CONTINUED)
31 DECEMBER 2017**

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.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

The commission made an assessment for impairment on its cash generating units for the 2017 financial year. In assessing the impairment, the reasonability of the discount rate used for discounted cash flows and sensitivity analysis of key drivers was checked as per management calculations by an independent technical team. The team further assumed there were no contingencies that could affect the commission valuation

3. A change from the prior year forecasts and current year expectation is the share of sales to EU vs Non-EU. In prior forecasts, EU sales have accounted for c.90% of sales from Lobatse. The current forecasts as at 31 Dec 2017 indicate that EU sales account for c.82% of sales. Indications suggest that sales to EU will reduce in relative proportion due to changes in rules around the quota to EU. We have performed a sensitivity analysis to assess the impact of EU sales accounting for 60% of sales from Lobatse. The results of the sensitivity indicate an impairment of BWP40m for the consolidated equity valuation.

**BOTSWANA MEAT COMMISSION
GROUP ACCOUNTING POLICIES (CONTINUED)
31 DECEMBER 2017**

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.

The Group and Commission as a lessee

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.

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.

Pension obligations

A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Provisions, contingent assets and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of 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. The expense relating to a provision is presented in profit or loss net of any reimbursement.

BIOLOGICAL ASSETS

Biological assets are measured 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.

GOVERNMENT GRANTS

Government grants from the Republic of Botswana are recognised where there is reasonable assurance that the grant will be received and all conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

Government awards Botswana Meat Commission interest free loans. The benefit of a government loan at a below market rate of interest is treated as a government grant. The loan is recognised and measured in accordance with IAS 39 Financial Instruments: Recognition and Measurement. The benefit of the below market rate of interest is measured as the difference between the initial carrying value of the loan determined in accordance with IAS 39 and the proceeds received. The benefit is accounted as a government grant.

**BOTSWANA MEAT COMMISSION
GROUP ACCOUNTING POLICIES (CONTINUED)
31 DECEMBER 2017**

FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value plus transaction costs that are attributable to the acquisition of the financial asset, loans and receivables, held-to-maturity investments, AFS financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at fair value through profit or loss
- Loans and receivables
- Held-to-maturity investments
- AFS financial assets

De-recognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

-The rights to receive cash flows from the asset have expired

Or

-The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. Any impairment in the asset is recognised in the statement of profit or loss.

FINANCIAL INSTRUMENTS (CONTINUED)

Financial assets carried at amortized cost

For financial assets carried at amortized cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original Effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in profit or loss. Interest income (recorded as finance income in the statement of profit or loss and other comprehensive income) continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans, together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the statement of profit or loss and other comprehensive income.

De- recognition

A financial liability is de-recognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

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.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the Effective interest rate method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The Effective interest rate amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

**BOTSWANA MEAT COMMISSION
GROUP ACCOUNTING POLICIES (CONTINUED)
31 DECEMBER 2017**

FINANCIAL INSTRUMENTS (CONTINUED)

De-recognition of financial assets

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

Financial Liabilities and Equity instruments

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.

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.

Financial liabilities and equity instruments

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.

Loans and Receivables including Debentures

These are held at amortised cost using the effective interest rate method.

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 and are measured at amortised cost.

TRADE AND OTHER 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.

LOANS AND BORROWINGS

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the Effective Interest rate Method. Gains and losses are recognized in profit or loss when the liabilities are de-recognized as well as through the effective interest rate amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the Effective interest rate. The Effective interest rate amortization is included as finance costs in the statement of profit or loss and other comprehensive income.

This category generally applies to interest-bearing loans and borrowings.

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at a mortised 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.

**BOTSWANA MEAT COMMISSION
GROUP ACCOUNTING POLICIES (CONTINUED)
31 DECEMBER 2017**

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.

Restructuring provisions

Restructuring provisions are recognised only when the Group has a constructive obligation, which is when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs, and an appropriate timeline, and the employees affected have been notified of the plan's main features.

REVENUE RECOGNITION

Revenue comprises the value of the sale of beef which are in terms of these product lines, chilled, frozen, carcasses, canned, by-products, hides, offals, Live Cattle and other products, rebates and discounts, and after eliminating sales within the Group. Revenue is recognised as follows:

Revenue from the sale of chilled products, frozen, hides, offals, Live Cattle and other products is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer.

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.

Revenue is recognised when the Group's right to receive the payment is established, which is generally when shareholders approve the Dividend. The right to receive payment is the date of declaration.

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 including close members of their families.

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

**BOTSWANA MEAT COMMISSION
GROUP ACCOUNTING POLICIES (CONTINUED)
31 DECEMBER 2017**

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.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

**BOTSWANA MEAT COMMISSION
GROUP ACCOUNTING POLICIES (CONTINUED)
31 DECEMBER 2017**

TAXATION (continued)

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

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 (in other comprehensive income or equity as appropriate), 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.

In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

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.

**BOTSWANA MEAT COMMISSION
GROUP ACCOUNTING POLICIES (CONTINUED)
31 DECEMBER 2017**

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.

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Useful lives and residual values for property, plant and equipment

Property, plant and equipment are depreciated over its useful life taking into account residual values where appropriate. The actual useful lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset useful lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

The residual value of an asset is determined by estimating the amount that the entity would currently obtain from the disposal of the asset after deducting the estimated cost of disposal, if the asset were already of age and in the condition expected at the end of its useful life. The estimation of the useful life and residual value of an asset is a matter of judgement based on the past experience of the commission with similar assets and the intention of management.

Debtors Impairment

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION OF UNCERTAINTY (CONTINUED)

FAIR VALUE MEASUREMENT

A number of assets and liabilities included in the Group's financial statements require measurement at, and /or disclosure of, fair value. The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "fair value hierarchy"):

Level 1: Quoted prices in active markets for identical items (unadjusted).

Level 2: Observable direct or indirect inputs other than Level 1 inputs.

Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group measure a number of items at fair value.

- Investment Property
- Property, Plant and Machinery
- Biological Assets.

Fair values of biological assets

Biological assets are measured 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.

Amortised cost of interest -free loans

For all financial instruments measured at amortised cost and interest-bearing financial assets classified as AFS, interest income is recorded using the effective interest rate (EIR). The EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in finance income in the statement of profit or loss. The judgment on the interest -free loan is that you use market interest rates. The market interest rate impacts the movement as either a change in an estimate or a derecognition of the loan and recognition of a new loan.

CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION OF UNCERTAINTY

Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

In the process of applying the Group's accounting policies, management has made various judgements. Those which management has assessed to have the most significant effect on the amounts recognised in the consolidated financial statements have been discussed in the individual notes of the related financial statement line items.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also described in the individual notes of the related financial statement line items below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a Discounted Cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the Discounted Cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION OF UNCERTAINTY

Significant accounting judgements, estimates and assumptions (Continued)

IMPAIRMENT OF DEBTORS

An impairment analysis is performed at each reporting date on an individual basis for major clients. In addition, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on actual incurred historical data. The group has made provision for debtors that has been deemed to be doubtful based on the period the debtors has been outstanding. Debtors over 120 days and more are provided for in full whereas partial provision is made for debtors 90 days or less using the estimated loss incurred method.

INVENTORY VALUATION

The group values its inventory of finished costs as the lower of cost or net realisable value. The cost of production is estimated as all relevant costs of producing the inventory including costs of procuring the animals, costs of slaughter and costs of packaging. The group considers this to be a reasonable basis for estimating the value of the inventory.

Property Plant And Equipment Fair Valuation

Under IAS 16.31, the revalued amount of an item of property, plant and equipment is its fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of reporting period. Due to significant volatility of the fair value of office properties in Euroland during 2017 the Group performed a revaluation as at 31 December 2017.

Fair value was determined using the market comparable method. This means that valuations performed by the valuer are based on prices of transactions involving properties of a similar nature, location and condition. Since this valuation was performed using a significant non-observable input, the fair value was classified as a Level 3 measurement.

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.

BOTSWANA MEAT COMMISSION
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
31 DECEMBER 2017

	<u>Consolidated</u>		<u>Commission</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	<u>P'000</u>	<u>P'000</u>	<u>P'000</u>	<u>P'000</u>
1 REVENUE				
Sale of meat and allied meat products	1,022,937	1,139,445	1,022,937	1,139,445
Shipping from Cold store	29,463	21,830	-	-
	<u>1,052,400</u>	<u>1,161,275</u>	<u>1,022,937</u>	<u>1,139,445</u>
2 OTHER COSTS				
Net exchange (losses)/gains	(10,859)	(13,955)	(8,700)	9,625
Profit/(Loss) on disposal of property, plant and equipment	(8)	(25)	(8)	(25)
	<u>(10,867)</u>	<u>(13,979)</u>	<u>(8,708)</u>	<u>9,600</u>
OTHER INCOME				
Sundry income	7,247	8,327	4,603	6,037
Income from related parties - Management Fees	-	-	240	240
	<u>7,247</u>	<u>8,327</u>	<u>4,843</u>	<u>6,277</u>
Sundry Income comprises of slaughter fees and insurance claims				
3 OPERATING SURPLUS				
Operating surplus is stated after taking the following into account:				
Depreciation of property, plant and equipment	51,175	54,909	46,733	49,511
Fair value gain from valuation of biological assets	1,728	24,482	1,728	24,482
Fair value loss of investment property	74	3,720	-	-
Auditor's remuneration	3,137	799	2,716	2,716
- current	1,801	(581)	1,380	1,336
- prior year	1,336	1,380	1,336	1,380
Commissioners				
- Fees and emoluments	2,295	49	2,295	49
- Expenses		24	-	24
Operating lease payments	2,187	1,147	-	-
Staff costs (note 4)	148,481	147,736	136,215	135,219
	<u>148,481</u>	<u>147,736</u>	<u>136,215</u>	<u>135,219</u>
4 STAFF COSTS				
Wages and salaries	99,263	102,735	87,851	91,079
Pension fund costs (All pension fund costs relate to a defined contribution plan)	8,852	8,944	7,998	8,083
Staff allowances and other staff costs	40,366	36,057	40,366	36,057
	<u>148,481</u>	<u>147,736</u>	<u>136,215</u>	<u>135,219</u>
5 FINANCE COSTS				
Bank overdraft	1,299	1,416	1,223	1,348
Borrowings	26,603	22,365	26,603	22,365
Related parties	-	-	3,143	3,438
	<u>27,902</u>	<u>23,781</u>	<u>30,969</u>	<u>27,151</u>
6 Finance Income				
Income received on Call Account	2,468	1,096	240	1,057

BOTSWANA MEAT COMMISSION

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2017

	<u>Consolidated</u>		<u>Commission</u>	
	2017	2016	2017	2016
	P'000	P'000	P'000	P'000
7 GOVERNMENT GRANT				
At 1 January 2016	-	3,905	-	3,905
Received during the Year	-	-	-	-
Released to Profit or Loss	-	(3,905)	-	(3,905)
At 31 December 2017	-	-	-	-
Current				
Non Current				

There were no government grants received in 2017.

	<u>Consolidated</u>		<u>Commission</u>	
	2017	2016	2017	2016
	P'000	P'000	P'000	P'000
8 TAXATION				
Botswana taxation:				
- current year	83	40	-	-
- prior years tax relief	-	-	-	-
	83	40	-	-
Foreign taxation:				
- current taxation	74	(1,448)	-	-
- deferred taxation	684	1,519	-	-
	758	71	-	-
Total taxation	841	111	-	-

The commission is exempt from Tax whereas the subsidiaries are taxed based on the tax laws of their jurisdictions.

Balance payable at beginning of year	389	2,546	-	-
Current tax charge	841	(1,408)	-	-
Tax (paid)/received	-	(749)	-	-
Balance payable at end of year	1,230	389	-	-

Disclosed in the statements of financial position as:

Taxation payable	1,230	389	-	-
	1,230	389	-	-

Tax Rate Reconciliation

Income tax	%	%	%	%
Standard Rate	0	0	-	-
Foreign Tax	-0.35%	0%	-	-
Effective Tax Rate	-0.35%	0%	-	-

The foreign taxes relate to the two foreign subsidiaries Table Bay and BMC UK.

BOTSWANA MEAT COMMISSION
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2017

9	PROPERTY, PLANT AND EQUIPMENT	FV Freehold Land and Buildings P'000	Leasehold Land and Buildings P'000	FV Plant and Machinery P'000	Cost Motor Vehicles P'000	Cost Furniture and Equipment P'000	Cost Computer Equipment P'000	Capital Work in Progress P'000	Total Cost/FV P'000
9.1	Consolidated								
	Year ended 31 December 2017								
	Opening carrying amount	320,979	3	198,984	1,836	5,643	8,566	177	536,188
	Assets Revaluation	(116,478)		(103,904)			-		(220,382)
	Impairment				(605)	(2,848)	(4,100)	-	(7,552)
	Exchange differences	6		(106)	-	2	(19)	10	(107)
	Additions	396	-	6,661	223	1,463	1,092	697	10,532
	Disposals	-	-	(700)	-	-	(33)		(733)
	Depreciation charge	(14,474)		(31,807)	(1,002)	(1,327)	(2,565)	-	(51,175)
	Depreciation on disposals	-	-	(76)	-	-	(2)	-	(78)
	Closing carrying amount	190,429	3	69,053	452	2,934	2,937	883	266,692
	At 31 December 2017						7,072		
	Cost/valuation	250,506	4,595	186,367	20,537	17,780	36,174	884	516,840
	Accumulated depreciation and impairment	(60,077)	(4,592)	(117,314)	(20,085)	(14,846)	(33,236)	-	(250,149)
	Carrying amount	190,429	3	69,053	452	2,934	2,938	884	266,692
	Year ended 31 December 2016								
	Opening carrying amount	329,131	10	213,146	3,160	5,672	7,498	2,071	560,688
	Exchange differences	4,053	(1)	2,478	-	57	4	4	6,595
	Additions	1,554	-	18,152	288	1,152	2,571	-	23,716
	Transfers from WIP	2,020	-	-	-	-	-	(1,852)	168
	Disposals	(28)	-	(50)	-	10	-	(46)	(114)
	Depreciation	(15,751)	(6)	(34,742)	(1,656)	(1,248)	(1,508)	-	(54,909)
	Closing carrying amount	320,979	3	198,984	1,792	5,643	8,566	177	536,145
	At 31 December 2016								
	Cost/valuation	366,582	4,595	284,415	20,270	16,315	35,134	177	727,488
	Accumulated depreciation and impairment	(45,603)	(4,592)	(85,431)	(18,478)	(10,672)	(26,569)	-	(191,343)
	Carrying amount	320,979	3	198,984	1,792	5,643	8,566	177	536,144

BOTSWANA MEAT COMMISSION
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2017

9 PROPERTY PLANT AND EQUIPMENT (CONTINUED)	FV Freehold Land and Buildings P'000	Leasehold Land and Buildings P'000	FV Plant and Machinery P'000	Cost Motor Vehicles P'000	Cost Furniture and Equipment P'000	Cost Computer Equipment P'000	Capital Work in Progress P'000	Total P'000
9.2 Commission								
Year ended 31 December 2017								
Opening carrying amount	266,149	3	169,604	1,792	4,988	8,570	168	451,274
Assets Revaluation	(116,478)		(105,805)				-	(222,283)
Impairment				(605)	(2,848)	(4,100)		(7,552)
Additions	127	-	6,550	223	1,079	1,092	254	9,326
Depreciation charge	(14,474)	-	(27,631)	(974)	(1,089)	(2,565)	-	(46,733)
Disposals	-	-	-	-	-	(33)	-	(33)
Depreciation on disposals	-	-	-	-	-	(2)	-	(2)
Closing carrying amount	135,324	3	42,718	436	2,130	2,962	422	183,993
At 31 December 2017								
Cost/valuation	195,401	4,548	139,675	18,485	14,343	35,530	422	408,403
Accumulated depreciation and impairment	(60,077)	(4,545)	(96,957)	(18,049)	(12,212)	(32,532)	-	(224,410)
Carrying amount	135,324	3	42,718	436	2,130	2,962	422	183,993
Year ended 31 December 2016								
Opening carrying amount	278,898	3	182,795	3,160	4,943	7,472	2,020	479,291
Additions	982	-	16,384	288	1,077	2,561	-	21,291
Transfers from WIP	2,020	-	-	-	-	-	(1,852)	-
Depreciation charge	(15,751)	-	(29,575)	(1,656)	(1,032)	(1,498)	-	(49,511)
Closing carrying amount	266,149	3	169,604	1,792	4,988	8,535	168	451,239
At 31 December 2016								
Cost/valuation	311,752	4,548	238,930	18,262	13,264	34,402	168	621,325
Accumulated depreciation and impairment	(45,603)	(4,545)	(69,326)	(16,470)	(8,276)	(25,867)	-	(170,086)
Carrying amount	266,149	3	169,604	1,792	4,988	8,535	168	451,239

Note: The amount of P1,852 shown in Work in progress represent the net amount of the transfer of P2,020 to Freehold land and buildings and an addition of P168 to Work in progress

**BOTSWANA MEAT COMMISSION
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2017**

PROPERTY PLANT AND EQUIPMENT (CONTINUED)

Reconciliation of carrying amount

Carrying amount as at 1 January 2017	451,270
Additions	9,326
Depreciation charge	(46,733)
Impairment	(7,552)
Revaluation	(222,283)
Disposal	(33)
Depreciation on Disposal	(2)
Carrying amount and fair value as at 31 December 2017	183,993
Carrying amount as at 1 January 2016	479,291
Additions	21,291
Depreciation charge	(49,480)
Work in Progress	168
Carrying amount and fair value as at 31 December 2016	<u>451,270</u>

NB: The BWP 222,283 million is made up of impairment of BWP 254,000 million and a revaluation gain of BWP 24 million on land and buildings revaluation

The fair value of the Property, Plant and Equipment is determined by an independent valuer with appropriate qualifications and experience in the valuations of the property, plant and equipment of the Commission. The fair values are estimated using level 3 inputs. Level 3 inputs are unobservable inputs for the asset.

Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair values at the end of the reporting period. Fair value is determined using the depreciated replacement cost method supplemented by the value in use valuation.

The following main input factors were used in the depreciated replacement cost 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.

Refer to Note 9.2 for value in use considerations.

BOTSWANA MEAT COMMISSION
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2017

IMPAIRMENT

BMC operates in the cattle industry which is subject to unpredictable factors. Historically, the business has been negatively impacted by drought due to lack of rain. This has affected the throughput required by the business therefore less meat available for sale resulting in losses. The Ngamiland part of the business was also impacted by cattle diseases resulting in the closure of the plant which hampered production output and resultant financial performance. In certain regions, BMC has experienced cattle supply shortages as a result of competition from local abattoirs resulting in erratic supply which is not sustainable.

The Group assessed, as at 31 December 2017, whether there is an indication that an asset may be impaired. The Discounted Cash Flow methodology ("DCF") was used for the purpose of determining the equity value of the company. This has been compared to the underlying group Net Asset Value ("NAV") for the purposes of impairment testing. The business currently operates through five CGU's, being the three factories (slaughter houses), one cannery and the head-office. Management determined the enterprise value of the CGUs by applying their estimate of the Weighted Average Cost of Capital ("WACC") to the forecast cash flows. The equity values were then calculated by deducting the debt and adding back the cash balances in those CGUs. The equity value of the group was calculated using both the "sum-of-the-parts" approach ("bottom-up") and a consolidated group valuation ("top-down"). Management has determined the recoverable amount on a post-tax basis. This has been consistent across all the impairment calculations and is in line with preferred methodology. The recoverable amount of the asset is at fair value less cost of disposal. Since depreciated replacement cost was applied, the fair value is limited to value in use. The level of the fair value hierarchy within which the fair value measurement of the asset (cash generating units) is categorized is level 3. The valuation technique used is depreciated replacement cost complimented by discounted cash flows. The discount rate used was 13.4 % and the inflation rate of 3.7%

All these conditions have resulted in an impairment of BWP 254,000 Thousand of which BWP 7,552 Thousand was recognised in production and Administration costs and BWP 246,448 Thousand was recognised against revaluation reserve.

BOTSWANA MEAT COMMISSION
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2017

	<u>Consolidated</u>	
	2017	2016
	P'000	P'000
10 INVESTMENT PROPERTY		
Opening carrying amount	9,700	5,980
Fair Value adjustment	74	3,720
Closing carrying amount	<u>9,774</u>	<u>9,700</u>
Fair value	<u>9,774</u>	<u>9,700</u>

The fair value of the investment property was determined as at 31 December 2017 by Apex Properties Botswana (Proprietary) Limited, an independent valuer with appropriate qualifications and experience in the valuation of the properties in the relevant location. For investment properties, a valuation methodology based on a Discounted Cash flow model was used.

Using the DCF method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a real property interest. To this projected cash flow series, a market-derived discount rate is applied to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related re-letting, redevelopment, or refurbishment. The appropriate duration is typically driven by market behaviour that is a characteristic of the class of real property. Periodic cash flow is typically estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance cost, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

Significant increases (decreases) in estimated rental value and rent growth per annum in isolation would result in a significantly higher (lower) fair value of the properties. Significant increases (decreases) in the long-term vacancy rate would result in a significantly lower (higher) fair value. This is true for vacancy rate, but not for discount rate and exit yield.

Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rent growth per annum and discount rate (and exit yield), and an opposite change in the long term vacancy rate.

The Group uses the following hierarchy for determining and disclosing the Fair value of items measured or disclosed at Fair value:

Level 1: Quoted (Unadjusted) prices in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices within level 1 that are observable for the asset or liability, either directly (Prices) or indirectly (that is, derived from prices)

Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

The inputs used in the table below are level 3.

The size of the investment property is 8885.00 Metres squared.

	Valuation technique	Significant unobservable Inputs Range	(weighted average)	
			2017	2016
			P'0000	P'000
Caltex filling station	DCF method	Estimated rental value per month	42.33	38.41
		Rent growth p.a.	9%	8%
		Long-term vacancy rate	0-100%	0-100%
		Discount rate	8%	8.3%
			2017	2016
			P'0000	P'000
Rental Income			508	461
Expenses on properties on which rental income is earned			<u>240</u>	<u>240</u>
Profit/ (Loss)Loss on investment Property			<u>268</u>	<u>221</u>

BOTSWANA MEAT COMMISSION
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2017

	% Equity held	<u>Consolidated</u>		<u>Commission</u>	
		2017 P'000	2016 P'000	2017 P'000	2016 P'000
11 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	152	152	-	-
Effect of foreign exchange rates		3	27	-	-
Share of the profit of GPS Food Group AS		1,788	1,773	-	-
		1,944	1,953	-	-
		1,944	1,953	7,474	7,474

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

Investments in subsidiaries and associates are measured at cost at commission level

BOTSWANA MEAT COMMISSION
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2017

	<u>Consolidated</u>		<u>Commission</u>	
	2017 P'000	2016 P'000	2017 P'000	2016 P'000
12 BIOLOGICAL ASSETS				
Balance at beginning of year	29,880	82,110	29,880	82,110
Purchases	124,183	135,037	124,183	135,037
Slaughters	(131,340)	(159,161)	(131,340)	(159,161)
Deaths and sales to butcheries	(1,984)	(3,609)	(1,984)	(3,609)
Field losses and transport losses	(131)	(15)	(131)	(15)
Fair value (Loss)/gain	(1,728)	(24,482)	(1,728)	(24,482)
Balance at end of year	<u>18,878</u>	<u>29,880</u>	<u>18,878</u>	<u>29,880</u>

The fair value of livestock held for slaughter are determined based on:
 expected weights of the cattle at reporting dates.
 sale price obtainable from abattoirs per cold dress mass. The cold dressed mass
 is based on the same rates paid by the commission to the private farmers
 The Commissioners consider this to be a reliable estimate of the fair value of
 Cattle at the reporting dates. The model adopted has been consistently applied.
 This is a methodology that market participants would use to determine the sales price
 of the cattle ready for slaughter. In determining the valuation model used two key determinants
 are weight and price. An increase in either price or weight will increase the fair valuation of the cattle.
 A decrease on the other hand will decrease or reduce the fair valuation of the cattle.

The Group uses the following hierarchy for determining and disclosing the Fair value
 of items measured or disclosed at Fair value:
 Level 1: Quoted (Unadjusted) prices in active markets for identical assets or liabilities.
 Level 2: Inputs other than quoted prices within level 1 that are observable for the asset or
 liability, either directly (Prices) or indirectly (that is, derived from prices)
 Level 3: Inputs for the asset or liability that are not based on observable
 market data (that is, unobservable inputs)

The fair value measurement hierarchy used for biological assets is level 3 as significant observable inputs
 does not exist in the market.

	<u>Significant unobservable</u>		2017	2016
	Date of Valuation	Inputs Range		
Biological Assets	31-Dec-17	CDM Prices and weights		
		Prime weight range (KG)	CDM Price (Pula)	CDM Price (Pula)
		0-179	18.1	18.1
		180-199	30.6	30.6
		200-219	32.1	32.1
		220-239	32.2	32.2
		240-259	33	33
		260-269	33	33
		270+	33	33
		Average Daily Gain	1.6	1.4

13 INVENTORIES

Finished goods	62,157	63,743	61,437	63,615
Stores	<u>23,897</u>	<u>33,717</u>	<u>23,897</u>	<u>33,717</u>
Stores - net	<u>23,897</u>	<u>33,717</u>	<u>23,896</u>	<u>33,717</u>
	<u>86,053</u>	<u>97,460</u>	<u>85,333</u>	<u>97,332</u>

During 2017, P5,007,594 (2016: P313,168) was recognised as an expense for inventories carried at net
 realisable value.

BOTSWANA MEAT COMMISSION
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2017

	Consolidated		Commission	
	2017	2016	2017	2016
14 TRADE AND OTHER RECEIVABLES	P'000	P'000	P'000	P'000
Trade receivables	98,620	82,072	123,363	116,540
Less: Allowance for doubtful debts	(28,307)	(25,049)	(28,307)	(24,984)
Trade receivables - net	70,312	57,023	95,057	91,556
Prepayments	6,159	6,568	4,585	5,642
Value added tax	6,890	6,854	6,890	6,854
Other receivables	3,649	3	329	60
	<u>87,010</u>	<u>70,448</u>	<u>106,861</u>	<u>104,112</u>

Movement in the allowance for doubtful debts

Balance at beginning of year	25,049	18,492	24,984	18,427
Additional Amounts raised	10,489	10,645	10,554	10,645
Amounts Utilised	(7,231)	(4,088)	(7,231)	(4,088)
Balance at end of year	<u>28,307</u>	<u>25,049</u>	<u>28,307</u>	<u>24,984</u>

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. There is low credit risk relating to trade receivables due to the customer base being large and unrelated. All sales are to wholesalers 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. The average credit period is 30 days (2016: 30 days).

As at 31 December, the age analysis of Trade receivables is as follows

Consolidated	Total	Past due but not impaired			
		Current	1-30 Days	31-60 Days	61-90 Days
2017	70,345	14,705	13,781	10,843	31,016
2016	57,027	23,047	23,038	1,322	9,621

The Receivables are split by regions and markets as follows;

Europe	P45,687
South Africa	P48,746
Local	P27,696

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored and any shipments to major customers are generally covered by letters of credit or other forms of credit insurance. The Group evaluates the concentration of risk with respect to trade receivables as low as the customers are spread across the regions. Credit risk is more concentrated in South African Market which has

15 CASH AND CASH EQUIVALENTS

Cash at bank and in hand	18,274	20,802	965	679
Short-term deposits	12,281	7,406	6,326	1,458
	<u>30,555</u>	<u>28,208</u>	<u>7,290</u>	<u>2,138</u>

16 BORROWINGS AND BANK OVERDRAFTS

Current				
Bank overdrafts	213,618	113,352	213,366	113,352
	<u>213,618</u>	<u>113,352</u>	<u>213,366</u>	<u>113,352</u>

BOTSWANA MEAT COMMISSION
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2017

17 BORROWINGS (CONTINUED)	<u>Consolidated</u>		<u>Commission</u>	
	2017 P'000	2016 P'000	2017 P'000	2016 P'000
Bank overdrafts comprise:				
<i>Trade finance</i>	164,288	104,221	164,288	104,221
<i>Bank ABC</i>	18,526		18,526	
Standard Chartered Bank Botswana Limited	145,762	104,221	145,762	104,221
<i>Current account overdraft</i>	49,330	9,130	49,077	9,130
Standard Chartered Bank Botswana Limited	21,531	7,979	21,531	7,979
Bank Gaborone Limited	-	1,152	-	1,152
Standard Bank	254			
Barclays Bank	84		84	
NED Bank	1,118		1,118	
Bank ABC	26,345	-	26,345	-
	<u>213,618</u>	<u>113,352</u>	<u>213,366</u>	<u>113,352</u>
Overdraft/trade finance facilities limits				
Amount utilised	213,618	113,352	213,366	113,352
Amount available	178,958	211,648	176,634	211,648
Total facility	<u>392,576</u>	<u>325,000</u>	<u>390,000</u>	<u>325,000</u>

The bank overdrafts and trade finance facilities are denominated in BWP and ZAR with limits as follows:

Botswana pula denominated (thousand)	BWP390 000	BWP352 500	BWP390 000	BWP352 500
South African Rand denominated- Held with Standard Bank (thousand)	ZAR 5,000	ZAR 5,000	ZAR 0	ZAR 0

The trade finance facility received from Standard Chartered Bank Botswana Limited is drawn in Botswana Pula

1. An irrevocable unconditional Government guarantee for BWP300 000 000. This is held as security for the facility should the commission no be able to pay, the bank will call on the guarantee.

BOTSWANA MEAT COMMISSION
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2017

	<u>Consolidated</u>		<u>Commission</u>	
	2017 P'000	2016 P'000	2017 P'000	2016 P'000
17 BORROWINGS (CONTINUED)				
17.1 Non-current - Unsecured (continued)				
Loan is repayable at a rate not exceeding 8% per annum.	162	162	162	162
Capital	150	150	150	150
Interest	12	12	12	12
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 2018.	175,040	168,435	175,040	168,435
Capital	191,850	191,850	191,850	191,850
Amortised Cost adjustment	(16,810)	(23,415)	(16,810)	(23,415)
Catch up amortised cost adjustment	6,693	6,790	6,693	6,790
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 2018.	90,243	86,280	90,243	86,280
Capital	104,000	104,000	104,000	104,000
Amortised Cost adjustment	(13,757)	(17,720)	(13,757)	(17,720)
Catch up amortised cost adjustment	3,962	4,689	3,962	4,689
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.	326,163	275,911	326,163	275,911
Total Government of Botswana Loans	591,608	530,788	591,608	530,788
Long Term	462,246	508,367	462,246	508,367
Current Portion of Government Loans	129,362	22,421	129,362	22,421
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 (7%), less 2.75%. The loan is secured by a guarantee from the Government of the Republic of Botswana.	9,257	16,137	9,257	16,137
Total non-current borrowings	471,503	524,504	471,503	524,504
Current Portion of Bank ABC Loan	6,580	5,816	6,580	5,816
Total current borrowings	135,942	28,237	135,942	28,237
Total borrowings Excluding Overdrafts	607,446	552,741	607,446	552,741

BOTSWANA MEAT COMMISSION
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)
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18 CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

Group	1-Jan-17		Foreign	Changes in	31-Dec-17
	Cash flow:	Cash flow:	Exchange	Fair Value	
	P'000	P'000	Movement	P'000	P'000
Current Interest bearing loans					
Government Loan of P 150,000	150				150
Term Loan - African Banking Corporation	21,953	(6,115)		-	15,837
Govt loan P104mn in 2012	86,280	-		3,962	90,243
Govt loan P250mn in 2012	214,747	-		-	214,747
Govt. Loan P240MN interest free	168,347	-		6,693	175,040
Non Current Interest bearing Loan	-	-		-	-
Standard Chartered Facility - Slaughter	61,684	53,914		-	115,598
Standard Chartered Facility - Direct Purchas	41,939	(14,343)		-	27,596
BancABC F/town Facility	-	18,162		-	18,162
Total Liabilities from Financing	595,100	51,618	-	10,655	657,373

	1-Jan-16		Foreign	Changes in	31-Dec-16
	Cash flow:	Cash flow:	Exchange	Fair Value	
	P'000	P'000	Movement	P'000	P'000
Current Interest bearing loans					
Government Loan of P 150,000	150				150
Term Loan - First National Bank	29,398	(29,398)			-
Term Loan - African Banking Corporation	27,768	(5,816)			21,953
Govt loan P104mn in 2012	82,133			4,147	86,280
Govt loan P250mn in 2012	214,747				214,747
Govt. Loan P240MN interest free	157,609			10,738	168,347
Non Current Interest bearing Loan					-
Stanchart Cattle Purchase Facil	52,096	9,589			61,684
Standard Chartered Facility - Slaughter	-	41,939			41,939
Standard Chartered Facility - Direct Purchas	-				-
Total Liabilities from Financing	563,900	16,314	-	14,886	595,100

BOTSWANA MEAT COMMISSION
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2017

	<u>Consolidated</u>		<u>Commission</u>	
	2017 P'000	2016 P'000	2017 P'000	2016 P'000
19 DEFERRED TAXATION				
Balance at beginning of year	11,971	10,937	-	-
Other comprehensive Income Charge	684	1,034		
Balance at end of year	<u>12,655</u>	<u>11,971</u>	<u>-</u>	<u>-</u>

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

20 TRADE AND OTHER PAYABLES

Trade payables	85,653	26,197	80,185	23,024
Accrued expenses	27,270	27,860	24,672	26,681
Payroll accruals	12,806	14,658	12,806	14,126
Value added tax	7,577		7,577	-
Withholding tax payable		5,653		5,653
Advances from customers	1,578	1,952	1,578	1,952
Other payables	2,228	1,661	2,147	1,582
	<u>137,112</u>	<u>77,981</u>	<u>128,965</u>	<u>73,018</u>

The average credit period for trade payables is 30 days (2016: 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 as per the group policies.

BOTSWANA MEAT COMMISSION
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)
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21 FINANCIAL INSTRUMENTS

21.1 Capital risk management

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. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. The Group monitors capital using a gearing ratio, which is net debt divided by total

	<u>Consolidated</u>		<u>Commission</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	<u>P'000</u>	<u>P'000</u>	<u>P'000</u>	<u>P'000</u>
Debt	821,064	693,604	820,812	693,604
Cash and cash equivalents (note 14)	(30,555)	(28,208)	(7,290)	(2,137)
Net debt (i)	<u>790,510</u>	<u>665,396</u>	<u>813,521</u>	<u>691,467</u>
Reserves (ii)	<u>(471,146)</u>	<u>(10,142)</u>	<u>(600,756)</u>	<u>(128,355)</u>

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

21.2 Categories of financial instruments

Financial assets

Loans and receivables				
at amortised cost	104,516	85,234	106,885	103,216
Debentures in Cliffton School	10	10	10	10

Financial liabilities

Other liabilities at amortised cost	<u>695,327</u>	<u>749,322</u>	<u>885,838</u>	<u>808,273</u>
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Finance costs

Financial liabilities at amortised cost	<u>27,902</u>	<u>34,095</u>	<u>30,969</u>	<u>27,151</u>
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Finance income

Loans and receivables	<u>2,468</u>	<u>1,096</u>	<u>240</u>	<u>1,057</u>
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BOTSWANA MEAT COMMISSION
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2017

21.3 Credit risk

Credit risk arising from the inability of a counterparty to meet the terms of the Group's financial instrument contracts is generally limited to the amounts, if any, by which the counterparty's obligations exceed the obligations of the Group. It is the Group's policy to enter into financial instruments with a diversity of creditworthy counterparties. Therefore, the Group does not expect to incur material credit losses on its risk management or other financial instruments.

The following table summarises the maximum exposures to credit risk.

	Consolidated		Commission	
	2017	2016	2017	2016
	P'000	P'000	P'000	P'000
Total credit risk comprises:				
Trade and other receivables	80,851	63,880	102,276	98,470
Prepayments	6,159	6,568	4,585	5,642
Cash and Bank	30,555	28,208	7,290	2,137
Total maximum exposure	<u>117,565</u>	<u>98,656</u>	<u>114,152</u>	<u>106,249</u>

As at 31 December 2017, trade receivables with an initial carrying value of P28,307 (2016: P24,984) were impaired and fully provided for.

	Consolidated		Commission	
	2017	2016	2017	2016
	P'000	P'000	P'000	P'000
Balance at beginning of year	25,049	18,492	24,984	18,427
Additional Amounts raised	10,489	10,645	10,554	10,645
Amounts Utilised	(7,231)	(4,088)	(7,231)	(4,088)
Balance at end of year	<u>28,307</u>	<u>25,049</u>	<u>28,307</u>	<u>24,984</u>

21.4 Fair value hierarchy of financial instruments

The table below analyses financial instruments carried at amortised costs, by valuation method at 31 December 2017. This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).

Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).

Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3)

Commission	Level 1	Level 2	Level 3	Total
	P'000	P'000	P'000	'000
At 31 December 2017				
Borrowings Current	-	(135,942)	-	
Borrowings Non-Current	-	(471,503)	-	
Cash and Cash Equivalents	-	7,290	-	
Bank Overdraft	-	(213,366)	-	
	-	<u>(813,521)</u>	-	
At 31 December 2016				
Borrowings Current	-	(61,007)	-	
Borrowings Non-Current	-	(519,615)	-	
Cash and Cash Equivalents	-	2,138	-	
Bank Overdraft	-	(113,350)	-	
	-	<u>(691,834)</u>	-	

BOTSWANA MEAT COMMISSION
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2017

	<u>Consolidated</u>		<u>Commission</u>	
	2017	2016	2017	2016
	P'000	P'000	P'000	P'000

21 FINANCIAL INSTRUMENTS (CONTINUED)

21.5 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:

South African Rand trade payables	4,184	510	4,184	510
United States Dollar trade payables	176	199	176	199
Great Britain Pound trade payables	107	430	107	430
Great Britain Pound payables (related parties)	-	-	19,103	18,434
United States Dollar payables (related parties)	-	-	37,810	38,647
South African Rand payables (related parties)	-	-	1,545	-
	<u>4,467</u>	<u>1,139</u>	<u>62,925</u>	<u>58,220</u>
South African Rand trade receivables	29,187	20,809	29,187	20,809
Great Britain Pound trade receivables	280	8,461	280	8,461
United States Dollar trade receivables	87	83	87	83
Euro trade receivables	45,687	23,732	45,687	23,732
South African Rand receivables (related parties)	-	-	-	23
Great Britain Pound receivables (related parties)	-	-	4,208	9,440
	<u>75,241</u>	<u>53,085</u>	<u>79,449</u>	<u>62,548</u>

Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 5% increase or decrease in Botswana Pula rate against the 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 profit/loss and the balances below would be negative.

The following table demonstrates the sensitivity to a reasonably possible change in exchange rates, with all other variables held constant, of the Group's Profit or loss

	Increase/decrease in exchange rate	Effect on profit before tax	
		Pula '000	Pula '000
		2017	2016
GBP	+5%	9	402
USD	+5%	(4)	(6)
ZAR	+5%	1,250	1,015
EURO	+5%	2,284	1,187
GBP	-5%	(9)	(402)
USD	-5%	4	6
ZAR	-5%	(1,250)	(1,015)
EURO	-5%	(2,284)	(1,187)

BOTSWANA MEAT COMMISSION
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2017

	<u>Consolidated</u>		<u>Commission</u>	
	2017 P'000	2016 P'000	2017 P'000	2016 P'000

21 FINANCIAL INSTRUMENTS (CONTINUED)

21.6 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 profit/loss and the balances would be negative.

Profit or loss	2,136	1,134	2,134	1,134
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21.7 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. 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.

2017

COMMISSION	<u>Within 1 year</u>	<u>2-5 years</u>	<u>Over 5 years</u>	<u>Total</u>
Interest bearing loans and borrowing:	159,817	367,608	119,895	647,320
Trade Facilities	164,288			164,288
Bank Overdraft	49,330			49,330

GROUP	<u>Within 1 year</u>	<u>2-5 years</u>	<u>Over 5 years</u>	<u>Total</u>
Interest bearing loans and borrowing:	159,817	367,608	119,895	647,320
Trade Facilities	164,288			164,288
Bank Overdraft	49,077			49,077

2016

COMMISSION	<u>Within 1 year</u>	<u>2-5 years</u>	<u>Over 5 years</u>	<u>Total</u>
Interest bearing loans and borrowing:	171,724	388,202	71,684	631,610
Trade Facilities	150,000			150,000
Bank Overdraft	30,000			30,000

GROUP	<u>Within 1 year</u>	<u>2-5 years</u>	<u>Over 5 years</u>	<u>Total</u>
Interest bearing loans and borrowing:	171,724	388,202	71,684	631,610
Trade Facilities	150,000			150,000
Bank Overdraft	30,000			30,000

22 RELATED PARTY TRANSACTIONS AND BALANCES

<u>Commission</u>	
2017	2016
P'000	P'000

The related parties of the Commission are the Government of Botswana refer note 17, its subsidiaries as disclosed in Note 11 and the Commissioners and senior management. The following related party transactions were entered into:

22.1 Services charges

Management fees Payable - Botswana Meat Commission (UK) Holdings Limited (subsidiary)	2,510	4,047
Storage expenses Payable - Table Bay Cold Storage (Proprietary) Limited (subsidiary)	5,804	5,003
Management fees Payable - Table Bay Cold Storage (Proprietary) Limited (subsidiary)	1,030	891
Management fees Receivable - Mainline Carriers Botswana (Proprietary) Limited (subsidiary)	(240)	(240)
	9,104	9,701

22.2 Interest paid

Allied Meat Insurance Company Limited, Cayman Islands (subsidiary)	(2,773)	(3,030)
BMC UK Holdings Limited (Subsidiary)	(370)	(408)
	(3,143)	(3,438)

BOTSWANA MEAT COMMISSION
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2017

	Commission	
	2017	2016
	P'000	P'000
22 RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)		
22.3 Amounts due from group companies		
BMC UK Holdings Limited (Subsidiary)	4,208	9,440
Table Bay Cold Storage (Proprietary) Limited (subsidiary)		23
	<u>4,208</u>	<u>9,463</u>
22.4 Amounts due to group companies		
BMC Meat Importers Limited, Guernsey (subsidiary)	13,791	13,205
Allied Meat Insurance Company Limited, Cayman Islands (subsidiary)	37,810	38,648
BMC UK Holdings Limited (subsidiary)	5,312	5,229
Table Bay Cold Storage (Proprietary) Limited (subsidiary)	1,545	-
Mainline Carriers (Proprietary) Limited (subsidiary)	6,408	6,139
Lobatse Leathers (Proprietary) Limited (subsidiary)	161	161
	<u>65,027</u>	<u>63,383</u>
22.5 Related party balances included in receivables		
Government of the Republic of Botswana (Commission and consolidated)	6,529	13,783
Table Bay Cold Storage (Proprietary) Limited (subsidiary)	1,524	510
	<u>8,053</u>	<u>14,293</u>
Transactions related to board members		
Producer payments (Commission and consolidated)	<u>2,096</u>	<u>55</u>
Remuneration of key management personnel		
Short term benefits (Commission and consolidated)	<u>7,472</u>	<u>5,345</u>

23 NOTES TO THE STATEMENTS OF CASH FLOWS

	Consolidated		Commission	
	2017	2016	2017	2016
	P'000	P'000	P'000	P'000
23.1 Cash used in operations				
Operating surplus/loss	(212,201)	(206,892)	(211,420)	(177,952)
Adjustments for:				
Depreciation of property, plant and equipment Including Impairment	24,656	54,909	24,164	50,615
Fair value adjustment for biological assets	1,728	24,482	1,728	24,482
Fair value gain on investment Property	(77)	(3,720)		
(Gain)/Loss on disposal of property, plant and equipment	(525)	(25)	(8)	(25)
Effects of changes in foreign exchange rates	10,867	21,553	8,700	
Renegotiation of Government Loans Adjustment	10,655	(12,322)	10,655	(3,514)
Share of profit of associates	(1,788)	(1,773)	-	-
	<u>(166,684)</u>	<u>(123,788)</u>	<u>(166,180)</u>	<u>(106,394)</u>
Movements in working capital				
Decrease/(increase) in biological assets		27,749		27,749
Decrease/(Increase)in inventories	11,407	(6,707)	11,999	(6,473)
(Increase)/decrease in amounts due from group companies	-	-	5,255	17,817
Decrease/(increase) in trade and other receivables	(17,668)	69,965	(3,806)	36,031
(Decrease)/increase in trade and other payables	59,131	(70,832)	55,947	(61,760)
Increase /(Decrease) in amounts due to group companies			1,644	(15,888)
	<u>52,870</u>	<u>20,175</u>	<u>71,040</u>	<u>(2,526)</u>
Cash used in operations	<u>(113,815)</u>	<u>(103,613)</u>	<u>(95,141)</u>	<u>(108,920)</u>

BOTSWANA MEAT COMMISSION
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2017

	<u>Consolidated</u>		<u>Commission</u>	
	2017 P'000	2016 P'000	2017 P'000	2016 P'000
23 NOTES TO THE CASH FLOW STATEMENT (CONTINUED)				
23.2 Proceeds on disposal of property, plant and equipment				
Cost	700	56	58	56
Accumulated depreciation	(76)	(23)	(33)	(23)
Net carrying amount	<u>624</u>	<u>33</u>	<u>25</u>	<u>33</u>
Loss on disposal of property, plant and equipment	(525)	25	(8)	25
Proceeds on disposal	<u>99</u>	<u>58</u>	<u>17</u>	<u>58</u>

24 CONTINGENT LIABILITIES AND ASSETS

24.1 Contingent liabilities

Claims instituted by Walgreen Botswana for damages and interest at the rate of 10% per annum for alleged breach of Commission's obligations.

*	-	-	-	-
**	14,160	14,160	14,160	14,160
**				
**	37,060	37,060	37,060	37,060
**	752	752	-	-
**	362	362	-	-
**	2,175	2,175	-	-
	<u>54,509</u>	<u>54,509</u>	<u>51,220</u>	<u>51,220</u>

* This related to feed master (a feed lotter) for damages and the case is still on going between the parties

** These are performance guarantees, which are guarantees on the performance of an obligation

24.2 Contingent assets

*	82,176	82,176	82,176	82,176
**	124,107	95,886	124,107	95,886
	<u>206,283</u>	<u>178,062</u>	<u>206,283</u>	<u>178,062</u>

* In 2015 the Botswana Unified Revenue Services used the Commission VAT refunds to recover income tax that was due to the Comrr. The Commissioner however claimed the VAT refundable as this was not procedural.

** Losses were being incurred at the Francistown abattoir so the government of Botswana set a directive to re-imburse the Commission for the losses made in Francis-town. Subsequently the government has issued a cabinet memo on the restructure of which include a re-imbursement of the losses.

25 COMMITMENTS

25.1 Future capital expenditure

Authorised but not yet contracted for	<u>48,723</u>	<u>49,316</u>	<u>48,723</u>	<u>49,316</u>
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Capital expenditure will be funded from internally generated funds and external funding as necessary.

25.2 Operating lease commitments (payments)

Future minimum lease payments:

Not later than one year	1,808	1,808	-	-
Between one and five years	5,080	5,080	-	-
	<u>6,888</u>	<u>6,888</u>	<u>-</u>	<u>-</u>

BOTSWANA MEAT COMMISSION
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2017

	<u>Consolidated</u>		<u>Commission</u>	
	2017 P'000	2016 P'000	2017 P'000	2016 P'000
26 COMMITMENTS (CONTINUED)				
26.3 Operating lease commitments (receipts)				
Future minimum lease receipts:				
Not later than one year	605	605	-	-
Between one and five years	-	-	-	-
	<u>605</u>	<u>605</u>	<u>-</u>	<u>-</u>

27 EVENTS AFTER THE REPORTING DATE

Subsequent to the year end, the commission assessed its assets for impairment and it was determined that the assets were impaired. An impairment loss of P254 million was recognised in profit and Loss.

Other than the impairment 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. There was however a cabinet memo that detailed the future of the commission going forward which includes closure of Francistown abattoir and privatisation of the Lobatse plant. The cabinet Memo made the following recommendations Botswana Meat Commission be converted to a limited liability company and be commercialized to achieve operational efficiencies with appropriate shareholding between farmers and Government.

3.2 All relevant legislative instruments relating to the livestock and meat industry be reviewed with a view to creating a regulatory framework.

3.3 The Maun abattoir be retained as a Government entity, and be supported with an annual budget of P20 million. This is meant to provide market for cattle in Ngami land and to guard against the spread of Foot and Mouth Disease (FMD) into the green zones. Such support can be reviewed and commercialization explored once the FMD status in the district has improved on a sustained basis.

3.4 A Livestock and Meat Industry Regulator be established for control of sale and movement of livestock, management of livestock traceability system and licensing of meat processors.

3.5 Francistown abattoir be placed under care and maintenance for 2 to 3 years to serve as a back-up facility for Lobatse abattoir which should be refurbished or constructed as a new plant , depending on the cost of two options . .

3.6 The cost of care and maintenance is estimated to be P5 million per year to be borne by Botswana Meat Commission.

3.6 Botswana Meat Commission employees at the Francistown abattoir be retrenched and that the retrenchment costs estimated at P35 million be paid through financial support from Government.

3.7 The Government loans to Botswana Meat Commission amounting to P641 million be converted to equity to improve the Commission' balance sheet. This will enhance the chances of Botswana Meat Commission in accessing funding from financial intuitions.

3.8 As per Presidential Directive 13/A of 2006 Government undertook to reimburse Botswana Meat Commission for losses associated with the operation of the Francistown abattoir. In terms of the audited accounts the losses from 2014 to 2016 amounting to P124 million should be reimbursed to Botswana Meat Commission.

Cabinet practically agreed with all of the recommendations as presented although in some cases with minor variations or request for clarifications. Clarifications sought on the nature of the company that should result from the restructuring (Recommendation 3.1). Furthermore, as regard to the future of the Lobate Plant an assessment should be presented to Cabinet on whether to refurbish the existing plant or built a new one and associated costs (Recommendation 3.5)

The clarifications sought are provided to Cabinet on 13th March 2018

1. The structure of the Company (legal entity) to be formed with Farmers (cattle producers cooperative) who jointly hold shares with Government of Botswana in the corporatized Botswana Meat Commission

2. Refurbishment cost versus the building a new plant as Green field project. The cost of refurbishment of Lobatse Plant is estimated

**BOTSWANA MEAT COMMISSION
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2017**

GOING CONCERN

The Group and the Commission reported a total deficit for the year of P472 million (2016: Deficit of P223 million) and P464 million (2016: profit P204 million), respectively. The accumulated losses of the Group and Commission amount to P1051 million (2016: P785 million) and P1031 million (2016: P770 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. 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, This strategy has been rolled over to 2018, and new developments has been announced on the restructure of the commission, which will see the Francistown abattoir being closed and kept under care and maintenance, Conversion of government loans into equity and Maun abattoir maintained by the government.
- Establishment of regional markets; and
- Increasing supply into the European Union market for the Lobatse Abattoir
- Addition of a new and additional deboning line to match slaughter with deboning and increase yields

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

The Commission reported a Deficit of P464 million for 2017 financial year (2016: a Deficit of P204 million) and has accumulated losses of P1031 million (2016: P770 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. Over the years there has been no implications, except that the commission has not been able to passback any bonuses to the farmers.