

**BOTSWANA MEAT COMMISSION**

**AUDITED CONSOLIDATED**

**AND**

**SEPARATE FINANCIAL STATEMENTS**

**31 DECEMBER 2018**

**BOTSWANA MEAT COMMISSION  
GENERAL INFORMATION  
31 DECEMBER 2018**

**COMMISSIONERS**

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

**EXECUTIVE MANAGEMENT**

Dr Akolang Tombale	Chief Executive Officer (Left 16 September 2018)
S Goteti	Chief Financial Officer (Left November 2018)
Dr Charles Olupot	Chief Technical Advisor
R D Makati	EXCO, Human Capital
Dr Mogome-Maseko	EXCO, Compliance (Acting Chief Executive Officer from 26/09/2018 to date)
K Makubate	EXCO, Livestock Procurement ( Left May 2018)
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 2018**

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**BOTSWANA MEAT COMMISSION  
COMMISSIONERS' RESPONSIBILITY STATEMENT AND APPROVAL OF THE FINANCIAL STATEMENTS  
31 DECEMBER 2018**

**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 2018, 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 P76.7 million and P90 million, respectively (2017: a Loss of P474million and P464 million, respectively), and their accumulated losses amounted to P1,146 million and P1,177 million, respectively (2017: P1,031 million and P1,050 million respectively). The going concern of the Group and Commission is dependent on the initiatives disclosed in note 31 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 and 5.

**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 54, which have been prepared on the going concern basis, were approved by the Board on 31/1/2020 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 54 which comprise the consolidated and separate statements of financial position as at 31 December 2018, 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 2018, 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 the going concern note of the consolidated and separate financial statements, which indicate that the Commission reported a total deficit for the year and accumulated losses. The Commission is unable to secure sufficient volumes of supply to produce sufficient revenues to cover costs and the Commission is therefore dependent on the Government of Botswana for ongoing support. These conditions, along with other facts noted in the Notes, 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.



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*Key Audit Matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities as described in the Auditor's Responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risk of material misstatements of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key Audit Matter	How the matter was addressed in the audit
<p><i>Assessment of impairment of receivables</i></p> <p>As at 31 December 2018 the Group and Commission elected to apply the simplified expected credit loss model based on the probability of default approach as permitted by IFRS 9. The application of the new standard requires management to exercise significant judgement in the determination of expected credit losses, including those relating to trade and other receivables. Management applies significant judgement in the determination of estimated future cash flows, probabilities of default and forward looking economic expectations. The Group and Commission has elected to apply the simplified expected credit loss model based on the probability of default approach as permitted by IFRS 9. The simplified impairment model is based on the provision underpinned by the debtors age analysis.</p> <p>Impairment losses under this model are computed as a product of historical probability of default (PD), loss given default (LGD), exposure at default (EAD) and adjusted for relevant forward looking macro-economic fundamentals such as GDP and unemployment rates.</p> <p>The allowance for ECLs on trade receivables was considered to be of most significance to the current year audit due to the 1<sup>st</sup> time adoption of the IFRS 9 requirements through application of the ECL modelling technique.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>• We obtained an understanding of management's processes over credit origination, credit monitoring and credit remediation;</li> <li>• We assessed the appropriateness of the accounting policies and impairment methodologies applied by comparing these to the requirements of IFRS 9: Financial Instruments;</li> <li>• We critically assessed the ECL models developed by management including the assessment of key judgements and assumptions applied in the calculation of allowances for impairment;</li> <li>• We tested the mathematical accuracy of the models used by management;</li> <li>• We assessed the reasonableness of forward-looking information incorporated into the credit loss calculations considering the multiple economic scenarios selected and the weighting applied to each scenario;</li> <li>• We challenged the parameters and significant assumptions applied in the calculation models;</li> </ul> <p>We also assessed the adequacy of the disclosures regarding the allowance for impairment of trade and other receivables in the financial statements to determine whether they were in accordance with IFRS;</p>



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<p>Consistent with IFRS 9 presumption, the Group and Commission considers debt that is 90 days past due to be in default. In calculating the overall PDs, the Group and Commission first computes the probability of debts moving from the previous aging bucket to the next on a month by month basis. The PD for a debt in over 90 days past due is 100% since 90% past due is considered a default.</p>	<p>Disclosure with respect to the application of IFRS9 in determining the allowance for ECLs are disclosed in;</p> <ul style="list-style-type: none"><li>• Accounting Policy Standards, Changes, amendments and Interpretations.</li><li>• Note 12 Trade and other receivables</li></ul>
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#### 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.

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:

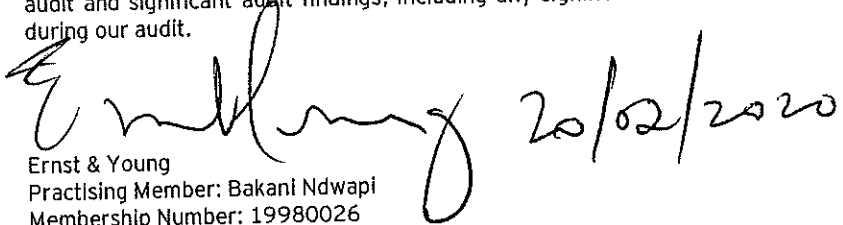
- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting



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- 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 Ndwapi  
Membership Number: 19980026  
Certified Auditor  
Gaborone

**BOTSWANA MEAT COMMISSION  
STATEMENTS OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2018**

	NOTES	Consolidated		Commission	
		2018 P'000	2017 P'000	2018 P'000	2017 P'000
REVENUE	1	996,107	1,052,400	967,083	1,022,937
Freight, storage and other selling expenses		(74,212)	(84,794)	(57,475)	(67,555)
Livestock and meat costs		(817,361)	(768,569)	(817,361)	(768,569)
		<u>104,535</u>	<u>199,037</u>	<u>92,246</u>	<u>186,813</u>
Fair Value Loss on biological assets	10	-	(1,728)	-	(1,728)
Fair Value Gain on investment property	8	426	74	-	-
Production and administration costs		(352,782)	(397,096)	(328,551)	(381,985)
Impairment of Trade and Other Receivables		(5,753)	-	(5,753)	-
Government Subvention		179,000	-	179,000	-
Loss on renegotiation on Government loan		-	(10,655)	-	(10,655)
Other costs	2	244	(10,867)	(17,502)	(8,708)
Other income	2	4,250	7,247	3,633	4,843
Share of profit of associates	9	-	1,788	-	-
Impairment of Investment in Associate		(159)	-	-	-
OPERATING DEFICIT		<u>(70,239)</u>	<u>(212,200)</u>	<u>(76,924)</u>	<u>(211,419)</u>
Finance costs	5	(10,392)	(27,902)	(13,438)	(30,969)
Finance income		338	2,468	298	240
DEFICIT BEFORE TAXATION		<u>(80,293)</u>	<u>(237,635)</u>	<u>(90,063)</u>	<u>(242,148)</u>
Taxation	6	(1,475)	(841)	-	-
DEFICIT FOR THE YEAR		<u>(81,769)</u>	<u>(238,475)</u>	<u>(90,063)</u>	<u>(242,148)</u>
<b>Other comprehensive Income/(loss)</b>					
Items that will not be reclassified subsequently to profit or loss:					
Revaluation of Property, Plant & Machinery	7	-	(222,034)	-	(222,034)
Items that will be reclassified subsequently to profit or loss:					
Foreign Currency Translation Reserve		4,976	(13,095)	-	-
Other comprehensive (loss)/income		<u>4,976</u>	<u>(235,130)</u>	<u>-</u>	<u>(222,034)</u>
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>		<u>(76,793)</u>	<u>(473,604)</u>	<u>(90,063)</u>	<u>(464,182)</u>

**BOTSWANA MEAT COMMISSION  
STATEMENTS OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2018**

	<u>Notes</u>	<u>Consolidated</u>		<u>Commission</u>	
		2018 P'000	2017 P'000	2018 P'000	2017 P'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	7	243,993	265,040	171,210	184,242
Investment property	8	10,200	9,774	-	-
Investments in Subsidiaries and Associates	9	10	1,954	7,484	7,484
		<u>254,202</u>	<u>276,767</u>	<u>178,694</u>	<u>191,726</u>
<b>Current assets</b>					
Biological assets	10	-	18,878	-	18,878
Inventories	11	83,687	86,054	83,128	85,334
Trade and other receivables	12	81,149	80,851	64,517	102,276
Prepayments		5,593	6,159	4,869	4,585
Amounts due from group companies	24.1	-	-	22,776	4,208
Cash and cash equivalents	13	18,974	30,555	2,812	7,290
		<u>189,403</u>	<u>222,498</u>	<u>178,103</u>	<u>222,572</u>
<b>Total assets</b>		<u>443,606</u>	<u>499,264</u>	<u>356,797</u>	<u>414,298</u>
<b>RESERVES AND LIABILITIES</b>					
<b>RESERVES</b>					
Capital reserves		707,853	116,257	659,740	68,144
Loan redemption reserve		285,066	255,063	285,066	255,066
Development reserve		3,462	3,256	3,462	3,256
Stabilisation reserve		390	390	390	390
Foreign Currency Translation Reserve		(12,615)	(17,591)	-	-
Foreign exchange stabilisation reserve		19,294	19,294	-	-
Asset revaluation reserve		181,224	181,224	123,123	123,123
Accumulated deficit		<u>(1,148,929)</u>	<u>(1,030,691)</u>	<u>(1,177,014)</u>	<u>(1,050,485)</u>
<b>Total reserves/(deficit)</b>		<u>35,745</u>	<u>(472,798)</u>	<u>(105,234)</u>	<u>(600,508)</u>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Borrowings	15	32,700	471,503	32,700	471,503
Deferred tax liability	16	10,742	12,655	-	-
		<u>43,442</u>	<u>484,158</u>	<u>32,700</u>	<u>471,503</u>
<b>Current liabilities</b>					
Taxation payable	6	990	1,230	-	-
Trade and other payables	17	312,034	137,112	309,061	128,965
Amounts due to group companies	24.2	-	-	71,617	65,027
Bank overdrafts	14	42,282	213,618	39,537	213,366
Borrowings	15	9,112	135,942	9,112	135,942
		<u>364,418</u>	<u>487,902</u>	<u>429,327</u>	<u>543,300</u>
<b>Total liabilities</b>		<u>407,860</u>	<u>972,062</u>	<u>462,027</u>	<u>1,014,803</u>
<b>Total reserves and liabilities</b>		<u>443,606</u>	<u>499,264</u>	<u>356,797</u>	<u>414,298</u>

**BOTSWANA MEAT COMMISSION  
STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Consolidated		Commission	
	2018 P'000	2017 P'000	2018 P'000	2017 P'000
<b>CASH FLOWS GENERATED IN OPERATING ACTIVITIES</b>				
Cash used in operations	142,168	(68,234)	161,256	(49,577)
Interest paid	(10,392)	(27,902)	(13,433)	(30,969)
Taxation paid	(1,715)	-	-	-
Net cash used in operating activities	<u>130,060</u>	<u>(96,136)</u>	<u>147,824</u>	<u>(80,546)</u>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>				
Purchase of property, plant and equipment	(6,364)	(10,532)	(4,758)	(9,326)
Proceeds on disposal of property, plant and equipment	15	17	15	17
Finance income	338	2,468	298	240
Net cash used in investing activities	<u>(6,010)</u>	<u>(8,047)</u>	<u>(4,445)</u>	<u>(9,070)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Borrowings repaid	(6,726)	(5,245)	(6,726)	(5,245)
Borrowings received	32,700	-	32,700	-
Government Subvention	-	-	-	-
Net cash generated from/(used in) financing activities	<u>25,975</u>	<u>(5,245)</u>	<u>25,974</u>	<u>(5,245)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	150,025	(109,428)	169,353	(94,861)
<b>Net Foreign Exchange difference on cash and cash equivalents</b>	9,731	11,506	-	-
<b>Cash and cash equivalents at beginning of year</b>	<u>(183,066)</u>	<u>(85,144)</u>	<u>(206,076)</u>	<u>(111,215)</u>
<b>Cash and cash equivalents at end of year</b>	<u>(23,307)</u>	<u>(183,066)</u>	<u>(36,724)</u>	<u>(206,076)</u>
<b>Comprising:</b>				
Cash and cash equivalents	18,974	30,555	2,812	7,290
Bank overdrafts	<u>(42,282)</u>	<u>(213,618)</u>	<u>(39,537)</u>	<u>(213,366)</u>
	<u>(23,307)</u>	<u>(183,066)</u>	<u>(36,724)</u>	<u>(206,076)</u>

Notes

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**BOTSWANA MEAT COMMISSION  
STATEMENTS OF CHANGES IN RESERVES  
FOR THE YEAR ENDED 31 DECEMBER 2018**

	<u>Notes</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
<b>Consolidated</b>										
Balance at 1 January 2017		806	109,815	225,063	2,734	390	(4,496)	17,976	403,258	(753,934)
Deficit For the year		(238,475)	-	-	-	-	-	-	-	(238,475)
Other Comprehensive Income		(235,129)	-	-	-	-	(13,095)	-	(222,034)	-
Transfers Between Reserves		-	6,442	30,000	522	-	-	1,318	-	(38,282)
		(472,798)	116,257	255,063	3,256	390	(17,591)	19,294	181,224	(1,030,691)
Adjustment as a result of Adopting IFRS 9	12	(6,259)	-	-	-	-	-	-	-	(6,259)
Balance at 31 December 2017		(479,057)	116,257	255,063	3,256	390	(17,591)	19,294	181,224	(1,036,950)
Deficit for the year		(81,789)	-	-	-	-	-	-	-	(81,789)
Asset Revaluation Reserve		-	591,596	-	-	-	-	-	-	-
Conversion of loans into Equity	15.1	4,976	-	-	-	-	4,976	-	-	-
FX effect		-	-	30,003	206	-	-	-	-	(30,209)
Transfers Between Reserves		-	-	285,066	3,462	390	(12,615)	19,294	181,224	(1,148,929)
Balance at 31 December 2018		35,746	707,853	285,066	3,462	390	(12,615)	19,294	181,224	(1,148,929)

**BOTSWANA MEAT COMMISSION  
STATEMENTS OF CHANGES IN RESERVES (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2018**

<u>Commission</u>	<u>Notes</u>	<u>Total</u> P'000	<u>Capital</u> <u>reserves</u> P'000	<u>Loan</u> <u>redemption</u> <u>reserve</u> P'000	<u>Development</u> <u>reserve</u> P'000	<u>Stabilisation</u> <u>reserve</u> P'000	<u>Asset</u> <u>revaluation</u> <u>reserve</u> P'000	<u>Accumulated</u> <u>Surplus/(deficit)</u> P'000
Balance at 1 January 2017		(136,324)	68,144	225,063	3,015	390	345,157	(778,092)
Deficit for the year		(242,149)	-	-	-	-	-	(242,149)
Other Comprehensive income		(222,034)	-	-	-	-	(222,034)	-
Movement in Reserves		-	-	30,003	241	-	-	(30,244)
Balance at 31 December 2017		(600,507)	68,144	255,066	3,256	390	123,123	(1,050,485)
Adjust as a result of Adopting IFRS 9	12	(6,256)	-	-	-	-	-	(6,256)
Deficit for the year		(90,063)	-	-	-	-	-	(90,063)
Conversion of Loans into equity	15.1	591,596	591,596	-	-	-	-	-
Asset Revaluation Reserve		-	-	30,000	206	-	-	(30,206)
Movement in Reserves		-	-	285,066	3,462	390	123,123	(1,177,014)
Balance at 31 December 2018		(105,234)	659,740	285,066	3,462	390	123,123	(1,177,014)

NB: There was an immaterial understatement of asset revaluation reserves of P249K which has been adjusted for under 2017 comparatives figures.

**Capital Reserves**

Capital reserves represents amounts 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: US\$1 500 000) 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

**BOTSWANA MEAT COMMISSION  
GROUP ACCOUNTING POLICIES (CONTINUED)  
31 DECEMBER 2018**

**1. GENERAL INFORMATION**

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 and South Africa.

**2. 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".

**3. 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.

**4. BASIS OF CONSOLIDATION**

**a) 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. At a commission level the subsidiaries are measured at cost.

The acquisition of subsidiaries is accounted for using the purchase method. These are measured at cost at company level. 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 acquire. 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.

**b) 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 at company level. Under the equity method, the Group's share of the post-acquisition profits or losses of associates is recognised in Profit and Loss 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. The associate is measured at cost.

**BOTSWANA MEAT COMMISSION  
GROUP ACCOUNTING POLICIES (CONTINUED)  
31 DECEMBER 2018**

**INVESTMENT IN ASSOCIATE (CONTINUED)**

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

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.

**5. FOREIGN CURRENCY TRANSACTIONS**

**a) 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.

**b) 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.

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.

**6. 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 Profit/Loss item are translated at average exchange rates; and
- All resulting exchange differences are recognised as Other comprehensive Income in a separate component of equity in the foreign currency translation reserve.

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.

## **7. INVENTORIES**

### **a) 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; and
- 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.

### **b) Consumable stores**

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

## **8. PROPERTY, PLANT AND EQUIPMENT**

All categories of property, plant and equipment except for land and buildings and plant and machinery are stated at historical cost less accumulated depreciation and impairments. Historical cost includes expenditure that is directly attributable to the acquisition of items. Land and buildings and plant and machinery are carried at a revalued amount, being the fair value at the date of revaluation less subsequent depreciation and impairment. The fair values are determined by independent valuers every 3 to 5 years. Capital work in progress is stated at cost net of impairment losses if any. Work in progress will not be depreciated until the asset is placed under use.

Subsequent costs are included in the asset's 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. Repair 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.

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; and
Computer equipment	3-5 years.

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

### **IMPAIRMENT OF NON FINANCIAL ASSETS**

The Commission assess at the end of each reporting period whether there is an indication that an asset may be impaired. If such indication exists, the Commission estimates the recoverable amount of the asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash generating unit to which the asset belongs to is determined.

The recoverable amount of an asset is the higher of its fair value less cost to sell and its value in use. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

The Commission assesses at each reporting date whether there is an indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amounts of an asset attributable to a reversal of an impairment loss is limited to the carrying amount that would have been determined had no impairment loss been recognised for the assets in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation is recognised immediately in the statement of

## PROPERTY, PLANT AND EQUIPMENT (Continued)

Gains or losses on disposals are determined by comparing proceeds with the carrying amount. Such gains or losses are included in profit or loss. An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

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, any revaluation surplus relating to the particular asset being sold is transferred to retained earnings.

### 9. 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.

#### a) 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.

### 10. IAS 17 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.

#### a) 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.

#### b) 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.

#### c) 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.

**Sale and leaseback transactions:**

In the event of a sale and leaseback transaction, the requirements of IFRS 15 are applied to consider whether a performance obligation is satisfied to determine whether the transfer of the asset is accounted for as the sale of an asset; If the transfer meets the requirements to be recognised as a sale, the seller-lessee must measure the new Right-of-Use asset at the proportion of the previous carrying amount of the asset that relates to the right-of-use retained. The buyer-lessor accounts for the purchase by applying applicable standards and for the lease by applying IFRS 16; If the fair value of consideration for the sale is not equal to the fair value of the asset, then IFRS 16 requires adjustments to be made to the sale proceeds. When the transfer of the asset is not a sale, then the seller-lessee continues to recognise the transferred asset and recognises a financial liability equal to the transfer proceeds. The buyer-lessor recognises a financial asset equal to the transfer. The effective date of the standard is for financial years beginning on or after 01 January 2019. The BMC expects to adopt the standard for the first time on 1 January 2019. BMC is unable to reliably estimate the impact of the standard on the financial statement.

**11.EMPLOYEE BENEFITS**

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

**a) 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.

**b) 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. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

**c) 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.

**12.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 fair value of livestock after slaughter are determined based on: actual 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 the animals at the reporting date. The commission did not have any Biological assets as at year end as Management made a decision to discontinue feedlotting and procure cattle directly for slaughter. This was on the basis that cashflows were tied in the Biological assets due to the duration in which the cattle had to be kept to mature at 90 days.

**13.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 is accounted as a government grant. Government grants for 2018 to the Commission totalled P179 Million. These funds were for payment of farmers.

**BOTSWANA MEAT COMMISSION  
GROUP ACCOUNTING POLICIES (CONTINUED)  
31 DECEMBER 2018**

**14. INVESTMENT PROPERTY**

The investment property, comprising a filling station, warehouse, workshop and ancillary offices all located in the same place owned by a subsidiary of the Commission, is held for long-term rental yields and is not occupied by the Group. These are located at Gaborone, Botswana Plot 21982 Block 10. The Investment Property is measured initially at cost plus transaction costs. 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 and it covers the filling station, warehouse, workshop and ancillary offices.

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.

**15. 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.

**16. TAXATION**

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

**a) Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in profit or loss 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.

**b) 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.

**BOTSWANA MEAT COMMISSION  
GROUP ACCOUNTING POLICIES (CONTINUED)  
31 DECEMBER 2018**

**TAXATION - CONTINUED**

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.

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 tax assets and current tax liabilities are offset if a legally enforceable right exists to set off the recognised amounts, and the Group intends to settle current tax assets and current tax liabilities on a net basis.

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.

**c) Current and deferred tax for the period**

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.

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; and
- 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.

**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.

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.

**17. 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.

**18. 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; and
- Biological Assets.

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

**19. Amortised cost of interest -free loans**

For all financial instruments measured at amortised cost and interest-bearing financial assets classified as fair value through other comprehensive income. 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 and OCI. 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. All the interest free loans were obtained from government and the loans have all been converted to equity as at year end. This was a move taken by government as part of its support in transforming BMC into a profitable organisation.

**20. Measurement of the expected credit loss allowance**

The measurement of the expected credit loss allowance for financial assets are measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:  
Choosing appropriate models and assumptions for the measurement of ECL;  
Establishing groups of similar financial assets for the purposes of measuring ECL.

**21. Debtors impairment**

The adoption of IFRS 9 has changed the group accounting for impairment losses for financial assets by replacing IAS 39's incurred loss model with a forward looking expected credit loss (ECL) model. IFRS 9 requires the group to recognise an allowance for ECL'S for all debt instruments not held at fair value through profit or loss and contracts assets. The group applied the simplified approach model to determine its impairment for debtors using historical data.

The idea behind a provision matrix is to estimate expected credit losses (ECLs) based on the 'age' of receivables.

**a) Determining the probability of default rate**

To determine the historic rate, we obtained detailed payment listing for all credit sales that occurred in the last financial year. Aged the payment listing into the different buckets as an indicator for default e.g., paid within 30 days, between 30-60 days, etc. We Determined the outstanding debtors based on the payment profile and determined the actual amount of bad debts on credit sales that occurred during the last financial year. The historical default rate is bad debts as a percentage of aging debtors age band. The process is detailed below:

1. Short term receivables are firstly grouped by region .
2. A minimum of 12 months summarized aged analysis of data is required (Debtors payments are allocated before the debtors aged analysis is generated.
3. The summarized aged analysis is then used to calculate a Probability of Default (PD) for each aged bucket in order to develop a provision matrix used to calculate the Expected Credit Loss (ECL) under IFRS 9, the simplified model.  
The Net Flow Rate Analysis is based on a markov chain process, the states of the process being the days past due buckets of the debt outstanding. By characterizing several buckets as an indicator for a default, a PD can be calculated as the probability of an outstanding debt to end up in such a bucket.
4. To incorporate the future looking forward information as required by the standard, the ,GROSS DOMESTIC PRODUCT (GDP) is used as the macro economic factor.

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

**22. 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.

**23. 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.

**24. 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 31.

**BOTSWANA MEAT COMMISSION  
GROUP ACCOUNTING POLICIES (CONTINUED)  
31 DECEMBER 2018**

**25. Standards, Changes, amendments and interpretations.**

**a) Standards, Amendments adopted by the Organisation for the first time in 2018**

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 2018. The Group and Commission has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

Standard/ Interpretation	Title	Details
IFRS 9	Financial Instruments	IFRS 9 replaced IAS 39, Financial Instruments – Recognition and Measurement and is effective for years beginning on or after January 1, 2018. The Commission does not have the option of delaying implementation until 2021 because this option is only reserved for entities whose predominate activities are insurance related. IFRS 9: Financial Instruments fundamentally rewrites the accounting rules for financial instruments. It introduces a new approach for financial asset classification; a more forward-looking expected loss model and major new requirements on hedge accounting. The impact on BMC is the early recognition of impairment losses on receivables and loans including trade receivables as an impairment has to be recognised even on current receivables. There are also some significant new disclosure requirements.
IFRS 15	Revenue from Contracts with Customers	IFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise. The core principle in that framework is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. IFRS 15 has had a minimal impact on BMC revenue recognition as BMC does not have any long term contacts with its customers. The impact is on the disclosures.

Standards, Changes, amendments and interpretations

26. IFRS 15 Revenue from Contracts with Customers - Effective for Periods beginning 1 January 2018

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 superseded 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 has adopted the new standard on the required effective date and applied it retrospectively. During 2017, the Group performed a detailed assessment of IFRS 15. The adoption of IFRS 15 did not impact on the reported revenue and the revenues are 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 has affected the disclosure of the accounting 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 has not impacted the reported revenue and the revenues are reported as it was reported under IAS 18. However, the adoption of IFRS 15 has not affected 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; and
- 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.

a) 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.

b) 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 and this is when control passes. The storage facility acts as clearing and shipping agent to the different entities they provide services to.

c) 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.

d) Revenue from Contracts with Customers

If the customer has an option to purchase a warranty separately (for example, because a warranty is priced or negotiated separately), the warranty is a distinctive service because the entity promises to provide the service to the customer in addition to the product that has the functionality described in the contract. In those circumstances, an entity shall account for the promised warranty as a performance obligation and allocate a portion of the transaction price to the performance obligation in accordance with paragraph 73-86.

If a customer does not have the option to purchase a warranty separately, an entity shall account for the warranty in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets under the promised warranty, or a part of the promised warranty, provides the customer with a service in addition to the assurance that the product complies with the agreed upon specifications.

The standard distinguishes between warranty providing assurance that a product meets agreed upon specifications (accounted for as a cost provision) and a warranty providing for additional service (for which revenue will be deferred). Consideration of factors such as whether the warranty is required by law, the length of warranty coverage period and the nature of tasks the entity promises to perform will be necessary to determine which type of warranty exist. If a customer can choose whether or not to purchase a warranty as an optional extra, that warranty will always be treated as a separate service. Where a warranty is determined to include both elements (assurance and service), the transaction price is allocated to the product and service in a reasonable manner. (If this is not possible, the whole warranty is treated as a service. It is common for a warranty to include both elements.

The new provisions do not have an impact on the Commission. The sales contracts for the Commission at the moment does not give rise to a warranty that provide additional service.

**BOTSWANA MEAT COMMISSION  
GROUP ACCOUNTING POLICIES (CONTINUED)  
31 DECEMBER 2018**

**Standards, Changes, amendments and interpretations (Continued)**

**27. IAS 18- Revenue Recognition - Effective for periods prior to 1 January 2018**

Revenue comprises the value of the sale of goods and services, including property rentals and insurance premiums net of value-added tax, rebates and discounts, and after eliminating sales within the Group. Revenue is recognised as follows: Revenue from the sale of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer.

Revenue from rendering of services is based on the stage of completion determined by reference to services performed to date as a percentage of total services to be performed.

Interest income is recognised on a time proportion basis, taking account of the principal outstanding and the effective interest rate over the period to maturity, when it is determined that such income will accrue to the Group. Dividends are recognised when the right to receive payment is established being the declaration of the dividend.

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

**a) Accounting for Warranties**

**b) Under IAS 18: Revenue** - There is no specific guidance for the accounting of warranties. The provisions for warranties are recognised at the date of the sale of the relevant product, using the best estimate of expenditure the Commission required to settle the obligation of the group.

**28. Amendment to IAS 1 & IAS 8 - Amendment to definition of Materiality**

The International Accounting Standards Board (IASB) has issued 'Definition of Material (Amendments to IAS 1 and IAS 8)' to clarify the definition of 'material' and to align the definition used in the Conceptual Framework and the standards themselves. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

Three new aspects of the new definition should especially be noted:

**Obscuring.** The existing definition only focused on omitting or misstating information, however, the Board concluded that obscuring material information with information that can be omitted can have a similar effect could reasonably be expected to influence. The existing definition referred to 'could influence' which the Board felt might be understood as requiring too much information as almost anything 'could' influence the decisions of some users even if the possibility is remote. **Primary users.** The existing definition referred only to 'users' which again the Board feared might be understood too broadly as requiring to consider all possible users of financial statements when deciding what information to disclose.

**a) The amendments stress especially five ways material information can be obscured:**

if the language regarding a material item, transaction or other event is vague or unclear;  
if information regarding a material item, transaction or other event is scattered in different places in the financial statements;  
if dissimilar items, transactions or other events are inappropriately aggregated;  
if similar items, transactions or other events are inappropriately disaggregated; and  
if material information is hidden by immaterial information to the extent that it becomes unclear what information is material.

**c) Effective date**

The amendments are effective for annual reporting periods beginning on or after 1 January 2020. Earlier application is permitted.

Standards, Changes, amendments and Interpretations (Continued)

29. IFRS 9 FINANCIAL INSTRUMENTS - (Effective for periods beginning 1 January 2018)

The Group has adopted IFRS 9 as issued by the IASB in July 2014 with a transition date of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. The Group did not early adopt any of IFRS 9 in previous periods.

As permitted by the transitional provisions of the standard, the Group elected not to restate comparative figures. The comparative period notes disclosures repeat those of disclosures made in the prior period. Any adjustments to the carrying amounts of financial assets at the date of transition were recognised in the opening retained earnings. The Group does not hedge its financial risks and therefore hedge accounting is not relevant. The adoption of IFRS 9 has resulted in changes in our accounting policies for recognition, classification and measurement of financial assets and impairment of financial assets. Set out below are disclosures relating to the impact of adoption of IFRS 9 on the Group.

The following explains how applying the new classification and measurement requirements of IFRS 9 led to changes in classification and measurement of certain financial assets held by the Group.

**Area and Potential Impact of IFRS 9: Financial Instruments – Recognition & Measurement**  
[Classification & Measurement impact explained as at 1 January 2018 date of initial application]

**Cash & cash equivalent:** These financial asset are classified as loans & receivables and measured at amortised cost under IAS 39. Under IFRS 9, these assets continue to be measured at amortised cost because they satisfy the solely payments of principal and interest (SPPI) and business model test for classification as amortised cost. Cash & cash equivalent are subject to impairment under both IAS 39 and IFRS 9. As at 31 December 2017, the impairment provision under IAS 39 was nil as there was no objective evidence of impairment.

The Group has elected to the apply the simplified approach for impairment of cash & cash equivalent because the of lifespan of these assets is less than 12 months. The Commission has adopted the provision matrix contained in implementation guidance to IFRS 9 as its impairment methodology.

Historical default rates on deposits held in banks is nil. The review of relevant forward looking macro-economic factors does not suggest possible defaults on bank deposits and consequently no provision has been raised on adoption of IFRS 9 and at the year end.

**Trade & other receivables:** The Commission has elected to the apply the simplified approach for impairment of cash & cash equivalent because the of lifespan of these assets is less than 12 months. The Group has adopted the provision matrix contained in implementation guidance to IFRS 9 as its impairment methodology. For purposes of measuring the expected credit loss (ECL), trade receivables have been segmented by customer type to reflect similar credit risk. The impairment allowance has increased by P6 million on 1 January 2018 as result of adopting IFRS 9. The increase reflects a high probability of default on the basis of historical credit risk information across all customer profiles. In the short-term, we do not expect the macro-economic factors such as the GDP to affect expected default rates. The defaults rates applied in the calculation of expected credit losses are based on historical credit risk information of customers and GDP as basis of incorporating forward looking information into the model.

**Financial Liabilities:** IFRS 9 does not have an impact on financial liabilities as they were previously held at amortised cost and will continue to be recognised at amortised cost.

a) Financial assets and liabilities

Measurement methods

**Amortised cost and effective interest rate**

Financial instruments are initially measured at FairValue and subsequently at amortised cost. The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees.

When the Group revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

Standards, Changes, amendments and interpretations (Continued)

IFRS 9 FINANCIAL INSTRUMENTS - (Effective for periods beginning 1 January 2018 - Continued)

**b) Interest income**

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets and recognised on an accrual basis.

**c) Initial recognition and measurement**

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the Group recognises the difference as follows:

- (a) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.
- (b) In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

**d) Financial assets**

**Classification and subsequent measurement**

From 1 January 2018, the Group has applied IFRS 9 and classifies its financial assets as amortised cost. An example of BMC's financial assets held at amortised cost are, Cash and cash equivalents, Trade and other receivables and amounts due from group companies. The classification requirements for asset measured at amortised cost are described below:

**e) Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured using the simplified expected loss model. Interest income from these financial assets is included in 'Interest and similar income' using the effective interest rate method.

**f) Business model:** the business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVPL. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

**BOTSWANA MEAT COMMISSION  
GROUP ACCOUNTING POLICIES (CONTINUED)  
31 DECEMBER 2018**

**Standards, Changes, amendments and Interpretations (Continued)  
IFRS 9 FINANCIAL INSTRUMENTS - (Effective for periods beginning 1 January 2018 - Continued)**

**SPPi:** Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPi test'). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

The Group reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

**g) Cash and Cash Equivalent**

Cash and cash equivalent comprise cash on hand, demand deposits and short-term, highly liquid investments readily convertible to cash and subject to insignificant risk of loss of value. Cash and cash equivalent are measured at amortised cost.

**h) Impairment of financial assets**

The Group recognises a loss allowance for expected credit losses (ECL) on investments in debt instruments that are measured at amortised cost which include lease receivables, trade receivables and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Group considers debt that is 90 days past due to be in default consistent with the presumption in the basis for conclusion to IFRS 9.

The Group always recognises lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using simplified ECL model based on the provision matrix. The ECL model takes into account the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

**i) Derecognition of financial assets**

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

**j) Financial liabilities**

All financial liabilities are measured subsequently at amortised cost using the effective interest method. 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 (including all fees and 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 financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability. Financial liabilities held at amortised cost are: Trade payables, Borrowings, Amounts due to group companies and bank overdrafts..

**k) Derecognition of financial liabilities**

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

BOTSWANA MEAT COMMISSION  
 NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)  
 31 DECEMBER 2018

FINANCIAL INSTRUMENTS (CONTINUED)

Standards, Changes, amendments and Interpretations (Continued)

IFRS 9 Financial Instruments - Effective for periods beginning 1 January 2018

The Group has adopted IFRS 9 as issued by the IASB in July 2014 with a transition date of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. The Group did not early adopt any of IFRS 9 in previous periods. As permitted by the transitional provisions of the standard, the Group elected not to restate comparative figures. The comparative period notes disclosures repeat those of disclosures made in the prior period. Any adjustments to the carrying amounts of financial assets at the date of transition were recognised in the opening retained earnings. The Group does not hedge its financial risks and therefore hedge accounting is not relevant. The adoption of IFRS 9 has resulted in changes in our accounting policies for recognition, classification and measurement of financial assets and impairment of financial assets. Set out below are disclosures relating to the impact of adoption of IFRS 9 on the Group.

CONSOLIDATION

	IAS 39 Measurement Category	IFRS 9 Measuring Category	Published IAS 39 carrying amount 2017	IFRS 9 Impairment change	IFRS 9 carrying amount 1 January 2018
<b>Financial Asset</b>					
Cash & cash equivalent	Amortised Cost (Loans & Receivables)	Amortised Cost	30,555	-	30,555
Trade and other receivables	Amortised Cost (Loans & Receivables)	Amortised Cost	73,961	6,259	67,702
<b>Total Assets</b>			<b>104,516</b>	<b>6,259</b>	<b>98,257</b>
<b>Financial Liabilities</b>					
Short term borrowings	Amortised Cost (Loans & Receivables)	Amortised Cost	135,942	-	135,942
Long term borrowings	Amortised Cost (Loans & Receivables)	Amortised Cost	471,503	-	471,503
Trade and other payables	Amortised Cost (Loans & Receivables)	Amortised Cost	112,923	-	112,923
Bank Overdrafts	Amortise Cost (Loan Receivable)	Amortised Cost	213,618	-	213,618
<b>Total Liabilities</b>			<b>933,986</b>	<b>-</b>	<b>933,986</b>

Amounts due to and from group companies have remained at amortised cost.

**BOTSWANA MEAT COMMISSION  
GROUP ACCOUNTING POLICIES (CONTINUED)  
31 DECEMBER 2018  
Standards, Changes, amendments and interpretations (Continued)**

**30. IAS 39 - FINANCIAL INSTRUMENTS (Effective for Periods Prior to January 2018)**

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.

**a) 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; and
- 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; and

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.

**b) 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

## Standards, Changes, amendments and interpretations (Continued)

### 31. IAS 39 - FINANCIAL INSTRUMENTS (Effective for Periods Prior to January 2018) - Continued

#### a) 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.

#### b) Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method. 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 (including all fees and 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 financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

#### *Derecognition of financial liabilities*

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

### 32. 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 'Amortised cost'. Amortised Costs are measured at 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.

### 33. LOANS AND BORROWINGS

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the Effective Interest Rate Method. Gains and losses are recognised in profit or loss when the liabilities are de-recognised as well as through the effective interest rate amortization process. 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 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 amortised cost using the effective yield method. Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time when the assets are substantially ready for their intended use or sale.

**BOTSWANA MEAT COMMISSION  
GROUP ACCOUNTING POLICIES (CONTINUED)  
31 DECEMBER 2018**

**Standards, Changes, amendments and interpretations (Continued)**

**IAS 39 - FINANCIAL INSTRUMENTS (Effective for Periods Prior to January 2018) - Continued**

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 profit and loss 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.

**34. Amendments to IAS 40 Transfers of Investment Property**

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. These amendments do not have any impact on the Group's consolidated financial statements as there was no transfer of investment property as at reporting date.

Standards, amendments and interpretations to existing standards but not effective for 31 December 2018 year-end and have not been early adopted by the Group and Company:

### 35. Conceptual Framework

#### a) 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.

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 summarised 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 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; and
5. New guidance has been provided on de-recognition of assets and liabilities.

De recognition - is 'the removal of all or part of a recognised asset or 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 recognised asset; and
- For a liability, when the entity no longer has a present obligation for all or part of the recognised 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.

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*.

Standards, amendments and interpretations to existing standards but not effective for 31 December 2018 year-end and have not been early adopted by the Group and Company: (continued):

#### 36. 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; and
- 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.

#### 37. IAS 23 AMMENDMENTS

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for intended use or sale are complete.

Any entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with the early adoption permitted. Since the Commission's current practice is in line with these amendments, the Commission does not expect any effect on its consolidated statements.

**IFRS 16 Leases Amendments**

IFRS 16 Leases is a new standard which replaces IAS 17 Leases, and introduces a single lessee accounting model. The group plans to adopt IFRS 16 on the required effective date. The group has performed an assessment of IFRS 16 on its processes. 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 2019 when the Group will adopt IFRS 16. Given the prospective nature of application of this standard, the exact impact cannot be fully modelled at this time. The main changes arising from the issue of IFRS 16 which are likely to impact the Group are as follows:

**a) BMC as a lessee:**

Lessees are required to recognise a right-of-use asset and a lease liability for all leases, except short term leases or leases where the underlying asset has a low value, which are expensed on a straight line or other systematic basis;

The cost of the right-of-use asset includes, where appropriate, the initial amount of the lease liability; lease payments made prior to commencement of the lease less incentives received; initial direct costs of the lessee; and an estimate for any provision for dismantling, restoration and removal related to the underlying asset;

The lease liability takes into consideration, where appropriate, fixed and variable lease payments; residual value guarantees to be made by the lessee; exercise price of purchase options; and payments of penalties for terminating the lease;

The right-of-use asset is subsequently measured on the cost model at cost less accumulated depreciation and impairment and adjusted for any re-measurement of the lease liability. However, right-of-use assets are measured at fair value when they meet the definition of investment property and all other investment property is accounted for on the fair value model. If a right-of-use asset relates to a class of property, plant and equipment which is measured on the revaluation model, then that right-of-use asset may be measured on the revaluation model;

The lease liability is subsequently increased by interest, reduced by lease payments and re-measured for reassessments or modifications;

Re-measurements of lease liabilities are affected against right-of-use assets, unless the assets have been reduced to nil, in which case further adjustments are recognised in profit or loss;

The lease liability is re-measured by discounting revised payments at a revised rate when there is a change in the lease term or a change in the assessment of an option to purchase the underlying asset;

The lease liability is re-measured by discounting revised lease payments at the original discount rate when there is a change in the amounts expected to be paid in a residual value guarantee or when there is a change in future payments because of a change in index or rate used to determine those payments;

Certain lease modifications are accounted for as separate leases. When lease modifications which decrease the scope of the lease are not required to be accounted for as separate leases, then the lessee re-measures the lease liability by decreasing the carrying amount of the right of use of an asset to reflect the full or partial termination of the lease. Any gain or loss relating to the full or partial termination of the lease is recognised in profit or loss. For all other lease modifications which are not required to be accounted for as separate leases, the lessee re-measures the lease liability by making a corresponding adjustment to the right-of-use asset; and

Right-of-use assets and lease liabilities should be presented separately from other assets and liabilities. If not, then the line item in which they are included must be disclosed. This does not apply to right-of-use assets meeting the definition of investment property which must be presented within investment property. IFRS 16 contains different disclosure requirements compared to IAS 17 leases.

**b) BMC as lessor:**

Accounting for leases by lessors remains similar to the provisions of IAS 17 in that leases are classified as either finance leases or operating leases. Lease classification is reassessed only if there has been a modification;

A modification is required to be accounted for as a separate lease if it both increases the scope of the lease by adding the right to use one or more underlying assets; and the increase in consideration is commensurate to the stand alone price of the increase in scope;

If a finance lease is modified, and the modification would not qualify as a separate lease, but the lease would have been an operating lease if the modification was in effect from inception, then the modification is accounted for as a separate lease. In addition, the carrying amount of the underlying asset shall be measured as the net investment in the lease immediately before the effective date of the modification. IFRS 9 is applied to all other modifications not required to be treated as a separate lease; and

Modifications to operating leases are required to be accounted for as new leases from the effective date of the modification. Changes have also been made to the disclosure requirements of leases in the lessor's financial statements.

**BOTSWANA MEAT COMMISSION**  
**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS**  
**31 DECEMBER 2018**

	<u>Consolidated</u>		<u>Commission</u>	
	2018 P'000	2017 P'000	2018 P'000	2017 P'000
<b>1 REVENUE</b>				
Sale of meat and allied meat products	967,083	1,022,937	967,083	1,022,937
Shipping from Cold store	29,024	29,463	-	-
	<u>996,107</u>	<u>1,052,400</u>	<u>967,083</u>	<u>1,022,937</u>

The Commission's revenue disaggregated by primary geographical markets is as follows

	For the year Ended 31 December 2018		
	Beef and Allied Meat Products	Cold storage and shipping fees	Total
Norway, Europe and United Kingdom	515,624	-	515,624
RSA and other SADC countries	302,567	29,024	331,591
Botswana	148,892	-	148,892
<b>Total</b>	<u>967,083</u>	<u>29,024</u>	<u>996,107</u>

	For the year Ended 31 December 2017		
	Beef and Allied Meat Products	Cold storage and shipping fees	Total
Norway, Europe and United Kingdom	553,265	-	553,265
RSA and other SADC countries	332,839	29,463	362,302
Botswana	136,833	-	136,833
<b>Total</b>	<u>1,022,937</u>	<u>29,463</u>	<u>1,052,400</u>

<b>2 OTHER COSTS</b>				
Net exchange (losses)/gains	231	(10,859)	(17,514)	(8,700)
Profit/(Loss) on disposal of property, plant and equipment	13	(8)	13	(8)
	<u>244</u>	<u>(10,867)</u>	<u>(17,502)</u>	<u>(8,708)</u>

<b>OTHER INCOME</b>				
Sundry income	4,250	7,247	3,393	4,603
Income from related parties - Management Fees	-	-	240	240
	<u>4,250</u>	<u>7,247</u>	<u>3,633</u>	<u>4,843</u>

Sundry income comprises of slaughter fees and insurance claims

<b>3 OPERATING SURPLUS</b>				
Operating surplus is stated after taking the following into account:				
Depreciation of property, plant and equipment	22,869	51,175	17,521	46,733
Fair value gain from valuation of biological assets	-	1,728	-	1,728
Fair value loss of investment property	426	74	-	-
Auditor's remuneration	4,116	3,137	3,205	2,716
- current	2,736	1,801	1,825	1,380
- prior year	1,380	1,336	1,380	1,336
Commissioners				
- Fees and emoluments	161	2,295	161	2,295
- Expenses	2,216	2,187	-	-
Operating lease payments	167,473	148,481	153,869	136,216
Staff costs (note 4)				

<b>4 STAFF COSTS</b>				
Wages and salaries	98,560	99,263	85,595	87,851
Pension fund costs (All pension fund costs relate to a defined contribution plan)	8,916	8,852	8,277	7,998
Staff allowances and other staff costs	59,997	40,366	59,997	40,366
	<u>167,473</u>	<u>148,481</u>	<u>153,869</u>	<u>136,215</u>

<b>5 FINANCE COSTS</b>				
Bank overdraft	1,872	1,299	1,706	1,223
Borrowings	8,521	26,603	8,521	26,603
Related parties	-	-	3,211	3,143
	<u>10,392</u>	<u>27,902</u>	<u>13,438</u>	<u>30,969</u>

**BOTSWANA MEAT COMMISSION**  
**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)**  
**31 DECEMBER 2018**

	<u>Consolidated</u>		<u>Commission</u>	
	2018 P'000	2017 P'000	2018 P'000	2017 P'000
<b>6 TAXATION</b>				
Botswana taxation:				
- current year	84	83	-	-
- prior years tax relief	-	-	-	-
	<u>84</u>	<u>83</u>	<u>-</u>	<u>-</u>
Foreign taxation:				
- current taxation	2,072	74	-	-
- deferred taxation	(681)	684	-	-
	<u>1,391</u>	<u>758</u>	<u>-</u>	<u>-</u>
Total taxation	<u>1,475</u>	<u>841</u>	<u>-</u>	<u>-</u>

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	1,230	389	-	-
Current tax charge	1,475	841	-	-
Tax (paid)/received	(1,715)	-	-	-
Balance payable at end of year	<u>990</u>	<u>1,230</u>	<u>-</u>	<u>-</u>

Disclosed in the statements of financial position as:

Taxation payable	990	1,230	-	-
	<u>990</u>	<u>1,230</u>	<u>-</u>	<u>-</u>

**Tax Rate Reconciliation**

	%	%	%	%
Income tax				
Foreign Tax	-1.84%	-0.35%	-	-
Effective Tax Rate	-1.84%	-0.35%	-	-

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 2018**

**7 PROPERTY, PLANT AND EQUIPMENT**

**7.1 Consolidated**

	FV Freehold Land and Buildings P'000	FV 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
<b>Year ended 31 December 2018</b>								
Opening carrying amount	190,429	3	67,400	452	2,934	2,938	886	265,042
Exchange differences	(3,704)	-	(720)	-	(31)	(23)	(53)	(4,531)
Additions	1,751	-	4,471	-	336	397	(591)	6,364
Disposals	-	-	-	-	-	(17)	-	(17)
Depreciation charge	(5,138)	-	(14,946)	(293)	(1,182)	(1,300)	-	(22,860)
Depreciation on disposals	-	-	-	-	-	(15)	-	(15)
Closing carrying amount	<b>183,337</b>	<b>3</b>	<b>56,205</b>	<b>159</b>	<b>2,057</b>	<b>1,979</b>	<b>241</b>	<b>243,993</b>
<b>At 31 December 2018</b>								
Cost/valuation	248,553	4,595	190,118	20,537	18,085	36,531	240	518,658
Accumulated depreciation and impairment	(55,215)	(4,592)	(133,913)	(20,377)	(16,029)	(34,552)	-	(274,678)
Carrying amount	<b>183,338</b>	<b>3</b>	<b>56,205</b>	<b>159</b>	<b>2,057</b>	<b>1,979</b>	<b>240</b>	<b>243,992</b>
<b>Year ended 31 December 2017</b>								
Opening carrying amount	320,979	3	198,984	1,836	5,643	8,566	177	536,187
Assets Revaluation	(116,478)	-	(105,556)	-	-	-	-	(222,034)
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	(14,474)	-	(31,807)	(1,002)	(1,327)	(2,565)	-	(51,175)
Depreciation charge on disposals	-	-	(76)	-	-	(2)	-	(78)
Closing carrying amount	<b>190,429</b>	<b>3</b>	<b>67,400</b>	<b>452</b>	<b>2,934</b>	<b>2,938</b>	<b>884</b>	<b>265,040</b>
<b>At 31 December 2017</b>								
Cost/valuation	250,506	4,595	186,367	20,537	17,780	36,174	884	516,841
Accumulated depreciation and impairment	(60,077)	(4,592)	(118,967)	(20,085)	(14,846)	(33,237)	-	(251,803)
Carrying amount	<b>190,429</b>	<b>3</b>	<b>67,400</b>	<b>452</b>	<b>2,934</b>	<b>2,938</b>	<b>884</b>	<b>265,040</b>

BOTSWANA MEAT COMMISSION  
 NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)  
 31 DECEMBER 2018

7 PROPERTY PLANT AND EQUIPMENT (CONTINUED)

7.2 Commission

	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
<b>Year ended 31 December 2018</b>								
Opening carrying amount	135,324	3	42,967	436	2,130	2,956	422	184,242
Additions	1,449	-	3,082	-	252	397	(422)	4,758
Depreciation charge	(5,141)	-	(9,796)	(293)	(1,206)	(1,315)	-	(17,751)
Disposals	-	-	-	-	-	(17)	-	(17)
Depreciation on disposals	-	-	-	-	-	(15)	-	(15)
Closing carrying amount	131,631	3	36,253	144	1,176	2,006	-	171,210
<b>At 31 December 2018</b>								
Cost/valuation	196,849	4,548	142,757	18,887	14,595	35,962	-	414,003
Accumulated depreciation and impairment	(65,218)	(4,545)	(106,504)	(18,745)	(13,419)	(33,957)	-	(242,668)
Carrying amount	131,631	3	36,253	142	1,176	1,970	-	171,334
<b>Year ended 31 December 2017</b>								
Opening carrying amount	266,149	3	169,604	1,792	4,988	8,570	168	451,274
Assets Revaluation	(116,478)	-	(105,556)	-	-	-	-	(222,034)
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	-	-	-	-	-	(8)	-	(8)
Closing carrying amount	135,324	3	42,967	436	2,130	2,956	422	184,242
<b>At 31 December 2017</b>								
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)	(96,708)	(18,049)	(12,213)	(32,574)	-	(224,165)
Carrying amount	135,324	3	42,967	436	2,130	2,956	422	184,242

**BOTSWANA MEAT COMMISSION**  
**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)**  
**31 DECEMBER 2018**

**PROPERTY PLANT AND EQUIPMENT (CONTINUED),**

Reconciliation of carrying amount	Group P'000	Commission P'000
Carrying amount as at 1 January 2018	265,040	184,242
Additions	6,364	4,758
Depreciation charge	(22,860)	(17,751)
Exchange differences	(4,531)	0
Disposal	(17)	(17)
Depreciation on Disposal	(15)	(15)
<b>Carrying amount and fair value as at 31 December 2018</b>	<b><u>243,993</u></b>	<b><u>171,210</u></b>
Carrying amount as at 1 January 2017	536,187	451,275
Additions	10,532	9,326
Depreciation charge	(51,175)	(46,733)
Exchange differences	(107)	
Impairment	(7,552)	(7,552)
Revaluation	(222,034)	(222,034)
Disposal	(733)	(33)
Depreciation on Disposal	(78)	(8)
<b>Carrying amount and fair value as at 31 December 2017</b>	<b><u>265,040</u></b>	<b><u>184,242</u></b>

**NB: The BWP 222,034 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 assets.

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 is depreciated replacement cost complimented by discounted cash flows.

The discount rate is 13.4% and the discount rate is 3.7%.

Refer to Note 9.2 for value in use considerations.

#### 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 pre-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%

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	<u>Consolidated</u>	
	2018	2017
	P'000	P'000
<b>8 INVESTMENT PROPERTY</b>		
Opening carrying amount	9,774	9,700
Fair Value adjustment	426	74
Closing carrying amount	<u>10,200</u>	<u>9,774</u>
Fair value	<u>10,200</u>	<u>9,774</u>

The fair value of the investment property was determined as at 31 December 2018 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. The valuation covers filling station, warehouse, workshop and ancillary offices as they located in the same place .

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)	
		2018	2017
		P'000	P'000
Caltex filling station DCF method	Estimated rental value per month	42.75	42.33
	Rent growth p.a.	9%	9%
	Long-term vacancy rate	0-100%	0-100%
Discount rate		8%	8%
		<u>2018</u>	<u>2017</u>
		P'000	P'000
Rental Income		513	508
Expenses on properties on which rental income is earned		<u>240</u>	<u>240</u>
Profit/ (Loss)Loss on investment Property		<u>273</u>	<u>268</u>

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	% Equity held	<u>Consolidated</u>		<u>Commission</u>	
		2018 P'000	2017 P'000	2018 P'000	2017 P'000
<b>9 INVESTMENTS</b>					
<b>Subsidiary companies:</b>					
Botswana Meat Commission (UK) Holdings Limited - UK London					
Shares at cost	100	-	-	2,866	2,866
Lobatse Leathers (Proprietary) Limited - Botswana					
Shares at cost	100	-	-	300	300
Mainline Carriers (Botswana) (Proprietary) Limited - Botswana					
Shares at cost	100	-	-	4,308	4,308
Debentures in Clifton School		10	10	10	10
		<u>10</u>	<u>10</u>	<u>7,484</u>	<u>7,484</u>
<b>Debentures in Clifton School</b>					
These are debentures held at amortised cost and they carry no interest and no fixed maturity date.					
<b>Associates: GPS Norway</b>					
GPS Food Group AS - shares at cost	33	152	152	-	-
Effect of foreign exchange rates		7	3	-	-
Share of the profit of GPS Food Group AS		-	1,788	-	-
		<u>159</u>	<u>1,944</u>	<u>-</u>	<u>-</u>
Impairment		-159			
		<u>10</u>	<u>1,954</u>	<u>7,484</u>	<u>7,484</u>

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

Investments in subsidiaries are measured at cost at Commission level and associates are measured at cost at Group level. GPS food Group AS is a wholesaler of meat and meat products situated in Norway Oslo Professor Birkelands vei 28a.

	2018	2017
<b>KEY FINANCIALS</b>		
Sales Revenue	371,198	337,753
Profit Before Tax	8,508	7,317
Profit After Tax	7,861	5,419
Interest Income	59	14
Total Operating Expenses	362,690	330,436
Depreciation	25	-
Income tax Expense	846	1,898
Current Liabilities	39,175	47,675
Current Assets	49,487	55,090
Cash and Cash Equivalents	1,647	24,478
Non Current Assets	165	46
Non Current Liabilities	-	-
Total Equity	10,477	6,409

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	<u>Consolidated</u>		<u>Commission</u>	
	2018 P'000	2017 P'000	2018 P'000	2017 P'000
<b>10 BIOLOGICAL ASSETS</b>				
Balance at beginning of year	18,878	29,880	18,878	29,880
Purchases	51,223	124,183	51,223	124,183
Slaughters	(60,104)	(131,340)	(60,104)	(131,340)
Deaths and sales to butcheries	(1,513)	(1,984)	(1,513)	(1,984)
Field losses and transport losses	(8,484)	(131)	(8,483)	(131)
Fair value (Loss)/gain	-	(1,728)	-	(1,728)
Balance at end of year	-	18,878	-	18,878

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 fair value of livestock after slaughter are determined based on:  
 actual 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.

Date of Valuation	Significant unobservable Inputs Range	2018	2017
		CDM Price (Pula)	CDM Price (Pula)
Biological Assets	31-Dec-18 CDM Prices and weights		
	Prime weight range (KG)		
	0-179	-	18
	180-199	-	31
	200-219	-	32
	220-239	-	32
	240-259	-	33
	260-269	-	33
	270+	-	33
	Average Daily Gain	-	2

**11 INVENTORIES**

Finished goods	62,794	62,157	62,235	61,437
Stores	20,893	23,897	20,893	23,897
	<b>83,687</b>	<b>86,054</b>	<b>83,128</b>	<b>85,334</b>

**BREAK DOWN OF FINISHED GOODS**

Meat Stocks	5,891	11,269	5,331	10,548
Deboned Meat Stocks	51,833	42,641	51,833	42,641
By-products	5,071	8,247	5,071	8,247
<b>TOTALS</b>	<b>62,795</b>	<b>62,157</b>	<b>62,235</b>	<b>61,436</b>

During 2018, P2,025,595 (2017: P5,007,594) was recognised as an expense for inventories carried at net realisable value.

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	Consolidated		Commission	
	2018 P'000	2017 P'000	2018 P'000	2017 P'000
<b>12 TRADE AND OTHER RECEIVABLES</b>				
Trade receivables	87,184	98,820	74,121	123,363
Allowances for expected credit losses	(40,320)	(28,307)	(40,320)	(28,307)
Trade receivables - net	46,864	70,312	33,802	95,057
Value added tax	27,249	8,890	27,249	6,890
Other receivables	7,035	3,649	3,466	329
	<u>81,149</u>	<u>80,851</u>	<u>64,517</u>	<u>102,276</u>

**RECONCILIATION OF TRANSITION FROM IAS 39 IFRS 9**

Movement in the allowance for doubtful debts				
Amounts As at 31 December 2017- Calculated under IAS 39	(28,307)		(28,307)	
Opening Loss allowance as at 1- January - Calculated under IFRS 9	(6,259)		(6,259)	
Balance as at end of years	<u>(34,566)</u>	-	<u>(34,567)</u>	

**TRADE AND OTHER RECEIVABLES**

Trade and other receivables as at 1 January 2018 Calculated Under (IAS 39)	87,010	106,860
Impairment on Trade and other Receivables(Day 1 Adjustment of IFRS 9)	(6,259)	(6,259)
Trade and other receivables as at 1 January 2018 Calculated Under (IFRS 9)	<u>80,751</u>	<u>100,601</u>

**Movement in the allowance for doubtful debts**

Balance at beginning of year	28,307	24,984	28,307	24,984
Opening Loss allowance as at 1- January - Calculated under IFRS 9	6,259	-	6,259	-
Additional Amounts raised	5,753	3,323	5,753	3,323
Balance as at end of years	<u>40,320</u>	<u>28,307</u>	<u>40,320</u>	<u>28,307</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 (2017: 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
2018	73,525	29,055	7,022	4,178	33,270
2017	70,345	14,705	13,781	10,843	31,016

The Receivables are split by regions and markets as follows;

	2018	2017
Europe	P22,083	P23, 854
South Africa	P11,575	P11, 074
Local	P27,553	P26, 361
Other Markets	P12,314	P 9,056

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 a bigger amount for the receivables.

**13 CASH AND CASH EQUIVALENTS**

Cash at bank and in hand	11,728	18,274	1,322	965
Short-term deposits	7,246	12,281	1,491	6,326
	<u>18,974</u>	<u>30,555</u>	<u>2,812</u>	<u>7,290</u>

**14 BORROWINGS AND BANK OVERDRAFTS**

Current	42,282	213,618	39,537	213,366
Bank overdrafts	42,282	213,618	39,537	213,366

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15 BORROWINGS (CONTINUED)	Consolidated		Commission	
	2018 P'000	2017 P'000	2018 P'000	2017 P'000
<b>Bank overdrafts comprise:</b>				
<i>Trade finance</i>	11,402	164,288	11,402	164,288
<i>Bank ABC</i>	8,333	18,526	8,333	18,526
Standard Chartered Bank Botswana Limited	3,070	145,762	3,070	145,762
<i>Current account overdraft</i>	30,879	49,330	28,135	49,077
Standard Chartered Bank Botswana Limited	18,416	21,531	18,416	21,531
Standard Bank	2,745	254	-	-
Barclays Bank	-	84	-	84
NED Bank	-	1,118	-	1,118
Bank ABC	9,718	26,345	9,718	26,345
	<u>42,282</u>	<u>213,618</u>	<u>39,538</u>	<u>213,366</u>
<b>Overdraft/trade finance facilities limits</b>				
Amount utilised	42,282	213,618	39,538	213,366
Amount available	331,575	178,958	330,609	176,634
Total facility	<u>373,857</u>	<u>392,576</u>	<u>370,147</u>	<u>390,000</u>

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

	BWP370 000 ZAR 5,000	BWP390 000 ZAR 5,000	BWP370 000 ZAR 0	BWP390 000 ZAR 0
Botswana pula denominated (thousand)				
South African Rand denominated- Held with Standard Bank (thousand)				

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 not be able to pay, the bank will call on the guarantee.

**TOTAL BORROWINGS RECONCILIATION**

TOTAL BORROWINGS	41,812	607,446	41,812	607,445
Short Borrowings	-9,112	-135,942	-9,112	-135,942
Long Term Borrowings	<u>32,700</u>	<u>471,503</u>	<u>32,700</u>	<u>471,503</u>

**NB:**

Standard Chartered Bank Limited term loan. The loan has been provided for 24 months at prime rate payable at the last day of interest period. The loan amount is P32,700,000. The loan is secured by a guarantee from the Government of the Republic of Botswana. African Banking Corporation of Botswana Limited i/a BancABC. The loan of P9,112,000 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 bulk of BMC loans as compared between 2017 and 2018 were comprised mainly of Government loans. Government took a decision through a CAB Memorandum no 250 A(S) 4/2 /2 XXIV to convert the loans into equity which reduced significantly BMC borrowings from P607 Million to P41.8 million in 2018. The conversion was carried out at market value as the Government acted as a shareholder

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	Consolidated		Commission	
	2018	2017	2018	2017
	P'000	P'000	P'000	P'000

**15 BORROWINGS (CONTINUED)**

**15.1 Non-current - Unsecured (continued)**

Loan is repayable at a rate not exceeding 8% per annum.	-	162	-	162
Capital Interest	-	150	-	150
	-	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 for conversion in 2018.

Capital	-	175,040	-	175,040
Amortised Cost adjustment	-	191,850	-	191,850
	-	(16,810)	-	(16,810)

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 for conversion in 2018.

Capital	-	90,243	-	90,243
Amortised Cost adjustment	-	104,000	-	104,000
	-	(13,757)	-	(13,757)

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	-	326,163
	-	591,608	-	591,608
<b>Total Government of Botswana Loans</b>				
Long Term	462,246	-	462,246	-
Current Portion of Government Loans	128,350	-	128,350	-
Conversion of Government Loans into Equity	(591,596)	-	(591,596)	-
Government Loans at 31 December 2018	-	-	-	-

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	<u>Consolidated</u>		<u>Commission</u>	
	2018 P'000	2017 P'000	2018 P'000	2017 P'000
<b>16 DEFERRED TAXATION</b>				
Balance at beginning of year	12,655	11,971	-	-
Exchange differences	(1,232)	-	-	-
Profit and Loss	(681)	684	-	-
Balance at end of year	<u>10,742</u>	<u>12,655</u>	<u>-</u>	<u>-</u>
<b>17 TRADE AND OTHER PAYABLES</b>				
Trade payables	233,273	85,653	231,999	80,185
Accrued expenses	34,975	27,270	33,790	24,672
Payroll accruals	12,749	12,806	12,749	12,806
Value added tax	-	7,577	-	7,577
Withholding tax payable	26,730	-	26,256	-
Advances from customers	1,435	1,578	1,424	1,578
Other payables	2,871	2,228	2,842	2,147
	<u>312,034</u>	<u>137,112</u>	<u>309,061</u>	<u>128,965</u>

Note 7

The average credit period for trade payables is 30 days (2017: 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.

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**18 FINANCIAL INSTRUMENTS**

**18.1 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 shareholder 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. Although the act does not provide the value of the monies to be set aside, management determines every year how much funds to set aside for this course. The provision made in the books for 2018 is P30 Million. 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 capital plus net debt.

	<u>Consolidated</u>		<u>Commission</u>	
	2018 P'000	2017 P'000	2018 P'000	2017 P'000
Debt	84,094	821,064	81,349	820,811
Cash and cash equivalents (note 14)	(18,974)	(30,555)	(2,812)	(7,290)
Net debt (i)	<u>65,120</u>	<u>790,510</u>	<u>78,537</u>	<u>813,521</u>
Reserves (ii)	35,745	(471,146)	(105,234)	(600,756)
Gearing Ratio	0.83	2.57	(3.05)	3.86

• Debt is defined as borrowings and overdrafts, as disclosed in note 16-17.

• Reserves comprises reserves as disclosed in the statement of changes in reserves.

**18.2 Categories of financial instruments**

The Commission financial assets are classified and measured at amortised costs

**Financial assets**

Amortised cost	53,899	73,961	37,268	95,386
Trade receivables	-	-	22,776	4,208
Amounts due from Group Companies	-	-	2,812	7,290
Cash and Cash equivalents	18,974	30,555	62,856	106,885
Total	<u>72,874</u>	<u>104,516</u>		

**Financial liabilities**

Amortised cost	271,120	115,151	268,631	107,004
Trade payables	41,812	607,446	41,812	607,446
Borrowings	-	-	71,617	65,027
Amounts due to group companies	-	-	39,537	213,366
Bank Overdrafts	42,282	213,618	421,598	992,843
Total	<u>355,214</u>	<u>936,215</u>		

**Finance costs**

Financial liabilities at amortised cost	<u>10,392</u>	<u>27,902</u>	<u>13,438</u>	<u>30,969</u>
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**Finance income**

Loans and receivables	<u>338</u>	<u>2,468</u>	<u>298</u>	<u>240</u>
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**BOTSWANA MEAT COMMISSION**  
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**19 Credit risk**

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. As at 31 December, the Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

The following table summarises the maximum exposures to credit risk

	<u>Consolidated</u>		<u>Commission</u>	
	2018 P'000	2017 P'000	2018 P'000	2017 P'000
Total credit risk comprises:				
Cash and Bank	18,974	30,555	2,812	7,290
Amounts due From Group Companies			22,776	4,208
Trade and other receivables	53,899	73,981	37,268	95,386
Total maximum exposure	<u>72,874</u>	<u>104,516</u>	<u>62,856</u>	<u>106,884</u>

Set Out Below is information about the credit risk exposure on the Groups trade receivables assets using a provision matrix

2018	DAYS PAST DUE					TOTAL
	Current	1-30 Days	31-60 Days	61-90 Days	Over 90 days	
Expected Credit Loss Rate	41%	50%	74%	83%	95%	
Estimated Total Gross Carrying Amount at Default	5,568	7,478	1,258	11,214	25,463	50,979
Expected Credit Loss	2,273	3,713	926	9,326	24,082	40,320

**20 Fair value hierarchy of financial instruments**

The table below analyses financial instruments carried at amortised costs, by valuation method at 31 December 2018. 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)

Group	Level 1 P'000	Level 2 P'000	Level 3 P'000	Total P'000
<b>At 31 December 2018</b>				
Borrowings Current	-	(9,521)	-	(9,521)
Borrowings Non-Current	-	(34,960)	-	(34,960)
	-	(44,481)	-	(44,481)
<b>At 31 December 2017</b>				
Borrowings Current	-	(159,817)	-	(159,817)
Borrowings Non-Current	-	(487,503)	-	(487,503)
	-	(647,320)	-	(647,320)
<b>Commission</b>				
<b>At 31 December 2018</b>				
Borrowings Current	-	(9,521)	-	(9,521)
Borrowings Non-Current	-	(34,960)	-	(34,960)
	-	(44,481)	-	(44,481)
<b>At 31 December 2017</b>				
Borrowings Current	-	(159,817)	-	(159,817)
Borrowings Non-Current	-	(487,503)	-	(487,503)
	-	(647,320)	-	(647,320)

Valuation Techniques Applied:  
 Future Cash Flows are discounted using market - related interests rates, adjusted for credit inputs over the contractual period of the long term borrowing.

Significant inputs  
 Interest Rate 6.5%

**BOTSWANA MEAT COMMISSION**  
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	<u>Consolidated</u>		<u>Commission</u>	
	2018 P'000	2017 P'000	2018 P'000	2017 P'000
<b>21 FINANCIAL INSTRUMENTS (CONTINUED)</b>				
<b>21.1 Foreign currency risk management</b>				

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	3,789	4,184	3,789	4,184
United States Dollar trade payables	-	176	-	176
Great Britain Pound trade payables	-	107	-	107
Great Britain Pound payables (related parties)	-	-	20,166	19,103
United States Dollar payables (related parties)	-	-	43,276	37,810
South African Rand payables (related parties)	-	-	-	1,545
	<u>3,789</u>	<u>4,467</u>	<u>67,231</u>	<u>62,924</u>
South African Rand trade receivables	23,328	29,187	23,328	29,187
Great Britain Pound trade receivables	-	280	-	280
United States Dollar trade receivables	-	87	-	87
Euro trade receivables	45,687	45,687	22,083	45,687
South African Rand receivables (related parties)	-	-	-	-
Great Britain Pound receivables (related parties)	-	-	3,356	4,208
	<u>69,015</u>	<u>75,241</u>	<u>48,767</u>	<u>79,449</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
		2018	2017
GBP	+5%	-	9
USD	+5%	-	(4)
ZAR	+5%	977	1,250
EURO	+5%	2,284	2,284
GBP	-5%	-	(9)
USD	-5%	-	4
ZAR	-5%	(977)	(1,250)
EURO	-5%	(2,284)	(2,284)

**BOTSWANA MEAT COMMISSION**  
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	<u>Consolidated</u>		<u>Commission</u>	
	2018	2017	2018	2017
	P'000	P'000	P'000	P'000

**22 FINANCIAL INSTRUMENTS (CONTINUED)**

**22.1 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	<u>423</u>	<u>2,138</u>	<u>395</u>	<u>2,134</u>
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**22.2 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 below both for group and commission. The rest of the Group's financial liabilities are short term and disclosed in note 15-16, they expected to be settled at their book value within the next financial year.

	<u>2018</u>			
	<u>Within 1 year</u>	<u>2-5 years</u>	<u>Over 5 years</u>	<u>Total</u>
<b>COMMISSION</b>				
Interest bearing loans and borrowings	25,139	19,342	-	44,481
Trade Facilities	11,402	-	-	11,402
Bank Overdraft	28,135	-	-	28,135
Trade Payables	265,789	-	-	-
Amounts Due to Group Companies	71,617	-	-	-

	<u>2018</u>			
	<u>Within 1 year</u>	<u>2-5 years</u>	<u>Over 5 years</u>	<u>Total</u>
<b>GROUP</b>				
Interest bearing loans and borrowings	25,139	19,342	-	44,481
Trade Facilities	11,402	-	-	11,402
Bank Overdraft	30,879	-	-	30,879
Trade Payables	287,844	-	-	-
Amounts Due to Group Companies	-	-	-	-

	<u>2017</u>			
	<u>Within 1 year</u>	<u>2-5 years</u>	<u>Over 5 years</u>	<u>Total</u>
<b>COMMISSION</b>				
Interest bearing loans and borrowings	159,817	367,608	119,895	647,320
Trade Facilities	164,288	-	-	164,288
Bank Overdraft	49,330	-	-	49,330
Trade Payables	104,857	-	-	-
Amounts Due to Group Companies	65,027	-	-	-

	<u>2017</u>			
	<u>Within 1 year</u>	<u>2-5 years</u>	<u>Over 5 years</u>	<u>Total</u>
<b>GROUP</b>				
Interest bearing loans and borrowings	159,817	367,608	119,895	647,320
Trade Facilities	164,288	-	-	164,288
Bank Overdraft	49,077	-	-	49,077
Trade Payables	112,923	-	-	-
Amounts Due to Group Companies	-	-	-	-

**23 RELATED PARTY TRANSACTIONS AND BALANCES**

	<u>Commission</u>	
	2018	2017
	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:

<b>23.1 Services charges</b>		
Management fees Payable - Botswana Meat Commission (UK) Holdings Limited (subsidiary)	2,646	2,510
Storage expenses Payable - Table Bay Cold Storage (Proprietary) Limited (subsidiary)	3,789	5,804
Management fees Payable - Table Bay Cold Storage (Proprietary) Limited (subsidiary)	989	1,030
Management fees Receivable - Mainline Carriers Botswana (Proprietary) Limited (subsidiary)	(240)	(240)
	<u>7,184</u>	<u>9,104</u>
<b>23.2 Interest paid</b>		
Allied Meat Insurance Company Limited, Cayman Islands (subsidiary)	(2,898)	(2,773)
BMC UK Holdings Limited (Subsidiary)	(312)	(370)
	<u>(3,210)</u>	<u>(3,143)</u>
<b>23.3 Subventions received from Government</b>	<u>179,000</u>	<u>-</u>

**BOTSWANA MEAT COMMISSION**  
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24 RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)	Commission	
	2018 P'000	2017 P'000
<b>24.1 Amounts due from group companies</b>		
BMC UK Holdings Limited (Subsidiary)	3,356	4,208
Table Bay Cold Storage (Proprietary) Limited (subsidiary)	19,420	-
	<u>22,776</u>	<u>4,208</u>
<b>24.2 Amounts due to group companies</b>		
BMC Meat Importers Limited, Guernsey (subsidiary)	14,702	13,791
Allied Meat Insurance Company Limited, Cayman Islands (subsidiary)	43,276	37,810
BMC UK Holdings Limited (subsidiary)	5,464	5,312
Table Bay Cold Storage (Proprietary) Limited (subsidiary)	-	1,545
Mainline Carriers (Proprietary) Limited (subsidiary)	8,014	6,408
Lobatse Leathers (Proprietary) Limited (subsidiary)	161	161
	<u>71,617</u>	<u>65,027</u>
<b>BMC Meat Importers Limited, Allied Meat Insurance Company Limited and Table Bay Cold Storage facilities are Subsidiaries of Lobatse Leathers, hence Consolidated under Lobatse Leathers</b>		
<b>24.3 Related party balances included in receivables</b>		
Government of the Republic of Botswana (Commission and consolidated)	-	6,529
Table Bay Cold Storage (Proprietary) Limited (subsidiary)	205	1,524
	<u>205</u>	<u>8,053</u>
<b>Transactions related to board members</b>		
Producer payments - Cattle Slaughter (Commission and consolidated)	2,096	2,096
<b>Remuneration of key management personnel</b>		
Short term benefits (Commission and consolidated)	11,075	7,472

**25 NOTES TO THE STATEMENTS OF CASH FLOWS**

	Consolidated		Commission	
	2018 P'000	2017 P'000	2018 P'000	2017 P'000
<b>Cash used in operations</b>				
Operating surplus/loss	(70,239)	(212,200)	(76,924)	(211,420)
Adjustments for:				
Depreciation of property, plant and equipment including Impairment	22,875	58,727	17,751	54,285
Fair value adjustment for biological assets	-	1,728	-	1,728
Fair value gain on investment Property	(426)	(77)	-	-
(Gain)/Loss on disposal of property, plant and equipment	13	(8)	13	(8)
Effects of changes in foreign exchange rates	(231)	10,859	-	8,700
Renegotiation of Government Loans Adjustment	-	10,655	-	10,655
Government financing obtained	-	-	-	-
Share of profit of associates	-	(1,788)	-	-
	<u>(48,008)</u>	<u>(132,104)</u>	<u>(59,161)</u>	<u>(136,059)</u>
<b>Movements in working capital</b>				
Decrease/(increase) in biological assets	18,878	11,002	18,878	11,002
Decrease/(increase) in inventories	2,367	11,407	2,206	11,999
(Increase)/decrease in amounts due from group companies	-	-	(18,568)	5,255
Decrease/(increase) in trade and other receivables	(5,991)	(17,668)	31,215	(3,806)
(Decrease)/increase in trade and other payables	174,922	59,131	180,095	55,947
Increase /(Decrease) in amounts due to group companies	-	-	6,590	6,086
	<u>190,176</u>	<u>63,872</u>	<u>220,417</u>	<u>86,482</u>
Cash used in operations	<u>142,168</u>	<u>(68,234)</u>	<u>161,256</u>	<u>(49,577)</u>

**BOTSWANA MEAT COMMISSION**  
**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)**  
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**26 NOTES TO THE CASH FLOW STATEMENT (CONTINUED)**  
**COMMISSION AND GROUP**  
**CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES**

Group	1-Jan-18	Loan Conversion	Cashflows	Amount Utilised in 2018	Loan Received	31-Dec-18
	P'000	P'000	P'000	P'000	P'000	P'000
<b>Current interest bearing loans</b>						
Government Loan of P 150,000	162	(162)	-	-	-	-
Term Loan - African Banking Corporation	15,838	-	(6,726)	-	-	9,112
Govt loan P104mn in 2012	90,243	(90,243)	-	-	-	-
Govt loan P250mn in 2012	326,163	(326,163)	-	-	-	-
Govt. Loan P240MN interest free	175,040	(175,040)	-	-	-	-
Standard Chartered Bank Loan	-	-	-	-	32,700	32,700
<b>Total Liabilities from Financing</b>	<b>607,446</b>	<b>(591,608)</b>	<b>(6,726)</b>	<b>-</b>	<b>32,700</b>	<b>41,812</b>

**COMMISSION AND GROUP**

Group	1-Jan-17	Loan Conversion	Cashflows	Changes in Fair Value	Loan Received	31-Dec-17
	P'000	P'000	P'000	P'000	P'000	P'000
<b>Current interest bearing loans</b>						
Government Loan of P 150,000	162	-	-	-	-	162
Term Loan - African Banking Corporation	21,083	-	(5,245)	-	-	15,838
Govt loan P104mn in 2012	86,280	-	-	3,962	-	90,243
Govt loan P250mn in 2012	326,163	-	-	-	-	326,163
Govt. Loan P240MN interest free	168,347	-	-	6,693	-	175,040
<b>Total Liabilities from Financing</b>	<b>602,036</b>	<b>-</b>	<b>(5,245)</b>	<b>10,655</b>	<b>-</b>	<b>607,446</b>

27 CONTINGENT LIABILITIES AND ASSETS	2018	2017	2018	2017
	P'000	P'000	P'000	P'000
<b>27.1 Contingent liabilities</b>				
Claims instituted by Makhoks Feedlot for damages for alleged breach of Commission's obligations.	8,983	-	8,983	-
Claims by GPS group on alleged breach of contract	14,994	-	14,994	-
Guarantees from Standard Chartered Bank Botswana Limited	14,160	14,160	14,160	14,160
In favour of Standard Chartered Bank London	37,060	37,060	37,060	37,060
Guarantee in favour of Transnet	752	752	-	-
Customs and excise guarantee in South Africa	362	362	-	-
Guarantee to South African Revenue Services	2,175	2,175	-	-
	<b>78,486</b>	<b>54,509</b>	<b>75,197</b>	<b>51,220</b>

1. The Makhoks Claim was on the fact that at the time BMC was operating feedlots, BMC had rented the Makhoks feedlot and Makhoks would buy feed and later on BMC calculate the cost of feed, Makhoks is claiming that BMC calculated using a lower rate than the rate they incurred buying feed. Claim is still ongoing

GPS are claiming breach of contract under the European regulations from the Commission, as they are saying they are entitled to commission at the end of their contract as a sales agent. Claim is still on going

**Guarantees**

These are financial guarantees, which are guarantees BMC 's financial debts.

**28 COMMITMENTS**

**28.1 Future capital expenditure**

Authorised but not yet contracted for	28,818	48,723	28,818	48,723
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Capital expenditure will be funded from internally generated funds and external funding as necessary.

**28.2 Operating lease commitments (payments)**

Future minimum lease payments:				
Not later than one year	2,110	1,808	-	-
Between one and five years	7,455	5,080	-	-
	<b>9,565</b>	<b>6,888</b>	<b>-</b>	<b>-</b>

The leased property constitute a Cold store comprising 5917 square meters with surrounding tarmac situated in Cape town Auckland Street, Paarden Eiland. The lease is for a duration of 3 years with an option to renew for a further 3 years.

**BOTSWANA MEAT COMMISSION+A1:K74**

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	<u>Consolidated</u>		<u>Commission</u>	
	2018	2017	2018	2017
	P'000	P'000	P'000	P'000
<b>29 COMMITMENTS (CONTINUED)</b>				
<b>29.1 Operating lease commitments</b>				
Future minimum lease receipts:				
Not later than one year	1,189	605	-	-
	<u>1,189</u>	<u>605</u>	<u>-</u>	<u>-</u>

**30 EVENTS AFTER THE REPORTING DATE**

**BOTSWANA MEAT COMMISSION**  
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**31 GOING CONCERN**

The Group and the Commission reported a total deficit for the year of P76.7 million (2017: Deficit of P474 million) and P90 million (2017: Deficit P464 million), respectively. The accumulated losses of the Group and Commission amount to P1146 million (2017: P1031 million) and P1177 million (2017: P1050 million), respectively. These conditions shows an improvement for the Commission compared to previous years and gives confidence that the Commission and Group can turn around its fortunes

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 Commission has approached Several banks for Funding and still holds an invoice discounting Facility with Standard Chartered Bank

As part improvements to its value chain and monitoring performance, the commission has developed a three year strategy termed Mahisa Strategy for the years 2019 to 2021.

Some of the Highlights of the strategy are;

- .A 3% reduction in production expenses at Lobatse abattoir in 2019;
- .Achieve breakeven by end of 2019 and a net-profit of 2% henceforth;
- .A reduction of 11% in operational expenses by 2020;
- .Enhance branding of Botswana Beef to grow current products' prices by 15% in 2019;

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

The Commission reported a deficit of P90 million for 2018 financial year (2017: a Deficit of P464 million) and has accumulated losses of P1177 million (2017: P1050 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 therefore not complied with the Act in this regard.