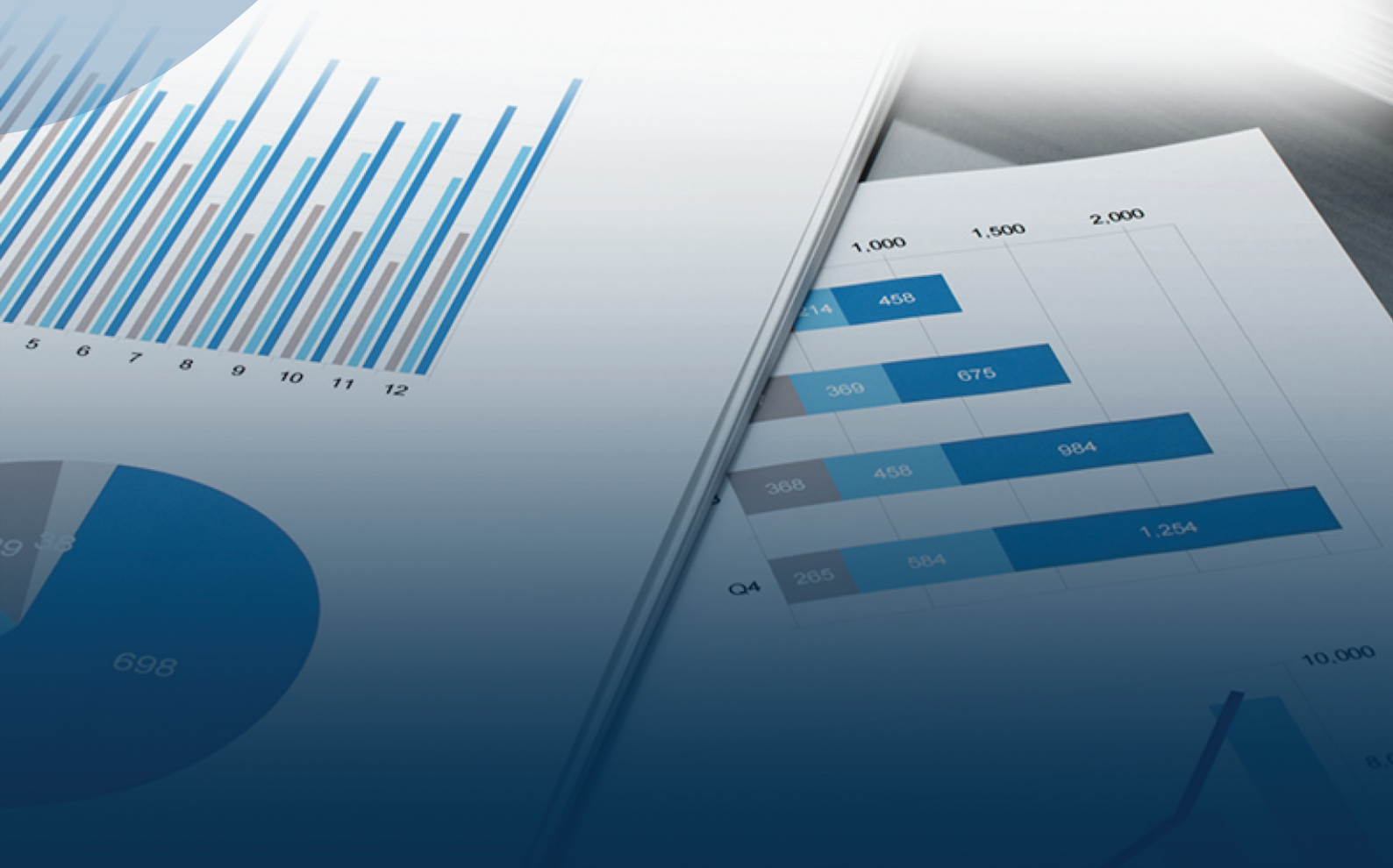




**Botswana
Meat
Commission**
Meat Perfection Defined



BOTSWANA MEAT COMMISSION CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

**BOTSWANA MEAT COMMISSION
GENERAL INFORMATION FOR THE YEAR ENDED
31 DECEMBER 2020**

BOARD OF COMMISSIONERS

V Senye	Chairperson (Resigned February 2021)
M Dube	Member (Resigned August 2020)
T Botshoma	Member
T Masire	Member
M Mokgosana	Member
O Kgotlafela	Member(Resigned March 2020)
G Mosimaneotsile	Member
G Gabaraane	Member
R Lemcke	Member

EXECUTIVE MANAGEMENT

Dr Mogome-Maseko	Chief Executive Officer (Acting)(Resigned June 2021)
L Q Nkani	Chief Financial Officer
B Saudu	EXCO, Chief Technical Advisor (Acting)
A Ngwigwa	EXCO, Human Capital (Acting)
O Lopotlako	EXCO, Compliance (Acting)
B Dioka	Board Secretary (Acting)

REGISTERED OFFICE

Plot 621
1 Khama Avenue
Lobatse

AUDITORS

Ernst & Young
P O Box 41015
Gaborone

BANKERS

Absa 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 FOR THE YEAR ENDED
31 DECEMBER 2020**

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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 2020, 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 of Commissioners 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.

BOTSWANA MEAT COMMISSION

COMMISSIONERS' RESPONSIBILITY STATEMENT AND APPROVAL OF THE FINANCIAL STATEMENTS

(Continued)

31 DECEMBER 2020

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 of Commissioners is primarily responsible for the financial affairs of the Group.

The Group and Commission have reported a total Loss of P2.2 million and Profit of P3.2 million, respectively (2019: a Loss of P92.2 million and P104.2 million, respectively), and their accumulated losses amounted to P1,314 million and P1,333 million, respectively (2019: P1,285 million and P1,311 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 5 and 8.

Disclosure of Audit Information

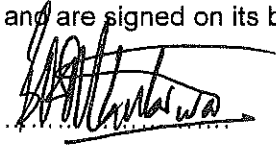
Each of the Commissioners at the date of approval of this report confirms that:

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 9 to 68, which have been prepared on the going concern basis, were approved by the Board on16/9/..... 2021 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 Financial Statements

Opinion

We have audited the consolidated and separate financial statements of Botswana Meat Commission ("the Commission") set out on pages 9 to 67 which comprise the consolidated and separate statements of financial position as at 31 December 2020, and the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in reserves and the consolidated and separate 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 consolidated and separate financial position of Botswana Meat Commission as at 31 December 2020, and of its consolidated and separate financial performance and of its consolidated and separate 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 Group and Commission in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with other ethical requirements that are relevant to our audit of the consolidated and separate financial statements in Botswana. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty relating to going concern

We draw attention to the going concern note of the consolidated and separate financial statements, which indicate that the Group and Commission reported a total deficit of BWP 2.2 million and a marginal profit of BWP 3.2 million respectively and the accumulated deficits for the Group and Commission of BWP 1.315 million and BWP 1.333 million respectively for the year then ended. The Group and Commission are unable to secure sufficient volumes of supply to produce sufficient revenues to cover costs and the Group and Commission are therefore dependent on the Government of Botswana for ongoing support. These conditions, along with other facts in Note 31, 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.

Key Audit Matters

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

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the consolidated and separate 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 risks of material misstatement of the consolidated and separate 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 consolidated and separate financial statements.

The Key Audit Matter applies equally to the audit of the consolidated and separate financial statements.



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Key Audit Matter	How the matter was addressed in the audit
<p>Impairment of non-current assets</p> <p>As at 31 December 2020 BMC performed an impairment assessment on the business as per IAS 36. IAS 36 <i>Impairment of assets</i>, requires that at the end of each reporting period, an entity has to assess whether there is any indication that an asset may be impaired. (i.e. it's carrying amount maybe higher than its recoverable amount).</p> <p>BMC performed an impairment assessment by performing the following:</p> <ul style="list-style-type: none"> • Assessing the recoverable amount through determination of a fair value less cost to sell range and comparing this to the carrying amount. The value-in-use for the three cash generating units (CGU) calculated using a discounted cash flow model resulted in negative cash flows with the key driver being negative margins during the explicit and terminal period for the CGU assessment, thus management defaulted to determining the fair value less cost to sell assessment in accordance with IFRS 13; and • Sensitivity analysis over the fair value less cost to sell calculation, by varying the assumptions used, (control premium, comparable peer companies size adjustments, country risk premiums, net debt items, and the marketability discount and cost to sell). <p>The impairment assessment of BMC was considered to be a matter of most significance to our current year audit due to the following:</p> <ul style="list-style-type: none"> • the significant judgements and estimates applied by management in determining the carrying amount of BMC. • as at 31 December 2019, BMC recognised an impairment of BWP 27 million. <p>This necessitated the involvement of our internal valuation specialists and increased discussions with management during the audit.</p> <p>The disclosures associated with the impairment of assets are set out in the financial statements:</p> <ul style="list-style-type: none"> - Accounting Policy 21 - Impairment of non-financial assets - Note 8.2 - Impairment of Property, Plant and Equipment 	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> • We obtained an understanding of management's policies and processes to identify the potential triggering events for potential impairment of non-current assets. • We assessed the appropriateness of the accounting policies and impairment methodologies applied by comparing these to the requirements of IAS 36. <p>We utilised our internal valuation specialists to evaluate the appropriateness of the approach adopted by management in the fair value measurements and conformity to applicable requirements of IAS 36 <i>Impairment of assets</i>. With the assistance of our valuation experts:</p> <ul style="list-style-type: none"> • We critically assessed the Impairment model developed by management including the assessment of key judgements and assumptions applied in the determination of the enterprise value to revenue assessment. • We tested the mathematical accuracy of the model used by management. • We assessed the reasonableness of the significant assumptions applied such as the use of the comparable peer companies, the size adjustment of the comparable peer companies, the control premium, the country risk premium, the adjustments to the net debt items, the marketability discount and cost to sell. • We independently determined the enterprise value and adjusted it for the following net debt items in line with valuation standards and practice: <ul style="list-style-type: none"> ○ Cash and cash equivalents ○ Short-term and long-term borrowings and Bank overdrafts • Based on the preliminary results of the assessment, BMC has a fair value less cost to sell range greater than the carrying amount. • BMC is not impaired as at 31 December 2020. • We also assessed the adequacy of the disclosures by comparing those to the requirements of IAS 36 <i>Impairment of Assets</i>, in the notes to the financial statements.



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Other Information

The Commissioners are responsible for the other information. The other information comprises the information included in the 1 to 68-page document titled "Botswana Meat Commission Consolidated and Separate Annual Financial Statements for the year ended 31 December 2020" comprises the Commissioners Report which includes, the Commissioners' Responsibility Statement and Financial Review by Management. The Commissioners are responsible for other information. 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 and Group'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 Commission or Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Commission and Group's financial reporting processes.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements 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 financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission and Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Commissioners.



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- 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 Commission and Group'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 Commission and/or Group 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.
- 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 Commission and Group 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.

We also provide the Commissioners with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Commissioners, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 consider and report that in our opinion:

- 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 Botswana Meat Commission Act (Cap 74:04) with which it is the duty of the Commission to comply. Instances of non-compliance are detailed in Note 31 in the consolidated and separate financial statements.

Ernst & Young
Practising member: Bakani Ndwapi
Partner
Membership number: 19980026
Certified Auditor
Gaborone
05 October 2021

BOTSWANA MEAT COMMISSION
STATEMENTS OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	NOTES	Consolidated		Commission	
		2020 P'000	2019 P'000	2020 P'000	2019 P'000
REVENUE	1	406,149	715,964	394,060	691,031
Freight, storage and other selling expenses		(43,524)	(86,573)	(21,335)	(58,290)
Livestock and meat costs	2	(259,229)	(540,266)	(259,229)	(540,266)
NET REVENUE		103,396	89,125	113,496	92,475
Fair value gain/(loss) on investment property	10	-	(4,890)	-	-
Production and administration costs		(241,459)	(355,798)	(238,216)	(355,829)
Impairment of trade and other Receivables		(8,915)	727	(7,397)	1,746
Government subvention		128,801	183,050	128,801	183,050
Other Costs and Gains (Losses)	4.1	18,721	(17,220)	21,506	(15,824)
Other income	3	6,193	11,126	1,394	4,459
OPERATING PROFIT / (DEFICIT)	4	6,737	(93,879)	19,584	(89,922)
Finance costs	6	(13,582)	(11,512)	(16,688)	(14,561)
Finance income		278	297	278	297
(DEFICIT) / PROFIT BEFORE TAXATION		(6,567)	(105,095)	3,174	(104,187)
Taxation	7	1,825	(1,004)	-	-
(DEFICIT) / PROFIT FOR THE YEAR		(4,743)	(106,100)	3,174	(104,187)
Other comprehensive Income/(loss)					
Items that will not be reclassified subsequently to profit or loss:		-	-	-	-
Items that will be reclassified subsequently to profit or loss:					
Foreign currency translation reserve		2,525	13,915	-	-
Other comprehensive income		2,525	13,914	-	-
TOTAL COMPREHENSIVE (DEFICIT) /INCOME FOR THE YEAR		(2,218)	(92,185)	3,174	(104,187)

NB: The P128.8 Million was received from the Government to assist working capital requirements.

**BOTSWANA MEAT COMMISSION
STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020**

	<u>Notes</u>	<u>Consolidated</u>		<u>Commission</u>	
		<u>2020</u> <u>P'000</u>	<u>2019</u> <u>P'000</u>	<u>2020</u> <u>P'000</u>	<u>2019</u> <u>P'000</u>
ASSETS					
Non-current assets					
Property, plant and equipment	8	173,167	198,655	111,599	129,936
Right of use assets	9	2,619	5,473	-	-
Investment property	10	5,310	5,310	-	-
Investments in subsidiaries and associates	11	10	10	7,484	7,484
		<u>181,106</u>	<u>209,448</u>	<u>119,083</u>	<u>137,420</u>
Current assets					
Inventories	12	32,533	100,576	32,429	100,472
Trade and other receivables	13	27,292	72,379	19,813	62,249
Prepayments		7,313	4,531	7,156	4,322
Amounts due from group companies	25.5	-	-	18,791	31,147
Cash and cash equivalents	14	72,023	49,490	47,618	20,094
		<u>139,160</u>	<u>226,975</u>	<u>125,807</u>	<u>218,284</u>
Total assets		<u>320,266</u>	<u>436,423</u>	<u>244,890</u>	<u>355,704</u>
RESERVES AND LIABILITIES					
RESERVES					
Capital reserves		707,853	707,853	659,740	659,740
Loan redemption reserve		340,066	315,066	340,066	315,066
Development reserve		3,681	3,620	3,681	3,620
Stabilisation reserve		390	390	390	390
Foreign currency translation reserve		3,825	1,300	-	-
Foreign exchange stabilisation reserve		19,294	19,294	-	-
Asset revaluation reserve		181,224	181,224	123,123	123,123
Accumulated deficit		(1,314,993)	(1,285,189)	(1,333,247)	(1,311,359)
Total reserves/(deficit)		<u>(58,659)</u>	<u>(56,442)</u>	<u>(206,247)</u>	<u>(209,420)</u>
LIABILITIES					
Non-current liabilities					
Borrowings	16.1	-	2,973	-	2,973
Deferred tax liability	17	6,316	9,307	-	-
Lease liability	9	2,060	2,214	-	-
		<u>8,375</u>	<u>14,494</u>	<u>-</u>	<u>2,973</u>
Current liabilities					
Taxation payable	7	520	1,350	-	-
Lease liability	9	681	2,966	-	-
Trade and other payables	18	89,254	272,236	93,533	284,615
Amounts due to group companies	25.6	-	-	77,510	75,718
Bank overdrafts	15	17,908	17,935	17,908	17,935
Borrowings	16.2	262,187	183,883	262,187	183,883
		<u>370,549</u>	<u>478,370</u>	<u>451,137</u>	<u>562,151</u>
Total liabilities		<u>378,925</u>	<u>492,865</u>	<u>451,137</u>	<u>565,124</u>
Total reserves and liabilities		<u>320,266</u>	<u>436,423</u>	<u>244,890</u>	<u>355,704</u>

**BOTSWANA MEAT COMMISSION
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020**

	<u>Notes</u>	<u>Consolidated</u>		<u>Commission</u>	
		<u>2020</u> <u>P'000</u>	<u>2019</u> <u>P'000</u>	<u>2020</u> <u>P'000</u>	<u>2019</u> <u>P'000</u>
CASH FLOWS GENERATED IN OPERATING ACTIVITIES					
Cash (used) in operations	26	(60,222)	(67,883)	(59,840)	(90,133)
Interest paid		(2,078)	(8,554)	(5,183)	(11,577)
Interest Paid (Lease Liability)	9	(272)	-	-	-
Taxation (Paid)/ Received	7	(1,675)	(2,455)	-	-
Net cash generated/(used) in operating activities		(64,246)	(78,892)	(65,023)	(101,711)
CASH FLOWS USED IN INVESTING ACTIVITIES					
Purchase of property, plant and equipment		(3,108)	(2,490)	(2,498)	(2,133)
Proceeds on disposal of property, plant and equipment		30,969	69	30,969	69
Finance income		278	297	278	297
Net cash generated/(used) in investing activities		28,139	(2,124)	28,749	(1,768)
CASH FLOWS FROM FINANCING ACTIVITIES					
Borrowings repaid	27	(24,172)	(17,640)	(24,172)	(17,640)
Borrowings received	27	88,000	160,000	88,000	160,000
Payment of Lease Liability - Principal	9	(2,496)	(2,330)	-	-
Net cash generated from financing activities		61,332	140,030	63,827	142,360
Net increase/(decrease) in cash and cash equivalents		25,224	59,025	27,553	38,881
Net foreign exchange difference on cash and cash equivalents		(2,664)	(4,164)	-	-
Cash and cash equivalents at beginning of year		31,555	(23,307)	2,158	(36,724)
Cash and cash equivalents at end of year		54,115	31,555	29,710	2,158
Comprising:					
Cash and cash equivalents	14	72,023	49,490	47,618	20,094
Bank overdrafts	15	(17,908)	(17,935)	(17,908)	(17,935)
		54,115	31,555	29,710	2,158

BOTSWANA MEAT COMMISSION
STATEMENTS OF CHANGES IN RESERVES
FOR THE YEAR ENDED 31 DECEMBER 2020

<u>Consolidated</u>	<u>Notes</u>	<u>Total</u> <u>P'000</u>	<u>Capital</u> <u>reserves</u> <u>P'000</u>	<u>Loan</u> <u>redemption</u> <u>reserve</u> <u>P'000</u>	<u>Development</u> <u>reserve</u> <u>P'000</u>	<u>Stabilisation</u> <u>reserve</u> <u>P'000</u>	<u>Foreign</u> <u>Currency</u> <u>Translation</u> <u>Reserve</u> <u>P'000</u>	<u>Foreign</u> <u>exchange</u> <u>stabilisation</u> <u>reserve</u> <u>P'000</u>	<u>Asset</u> <u>revaluation</u> <u>reserve</u> <u>P'000</u>	<u>Accumulated</u> <u>Surplus</u> <u>(deficit)</u> <u>P'000</u>
Balance at 1 January 2019		36,745	707,853	285,066	3,462	390	(12,615)	19,294	181,224	(1,148,929)
Deficit for the year		(106,101)	-	-	-	-	-	-	-	(106,101)
Foreign exchange effect		13,915	-	-	-	-	13,915	-	-	-
Transfers between reserves		-	-	30,000	158	-	-	-	-	(30,159)
Balance at 31 December 2019		(56,442)	707,853	315,066	3,620	390	1,300	19,294	181,224	(1,285,189)
Profit/(Loss) for the year		(4,743)	-	-	-	-	-	-	-	(4,743)
Foreign exchange effect		2,525	-	25,000	61	-	2,525	-	-	-
Transfers between reserves		-	-	-	-	-	-	-	-	(25,061)
Balance at 31 December 2020		(59,659)	707,853	340,066	3,681	390	3,825	19,294	181,224	(1,314,993)

<u>Commission</u>	<u>Total</u> <u>P'000</u>	<u>Capital</u> <u>reserves</u> <u>P'000</u>	<u>Loan</u> <u>redemption</u> <u>reserve</u> <u>P'000</u>	<u>Development</u> <u>reserve</u> <u>P'000</u>	<u>Stabilisation</u> <u>reserve</u> <u>P'000</u>	<u>Asset</u> <u>revaluation</u> <u>reserve</u> <u>P'000</u>	<u>Accumulated</u> <u>Surplus/(deficit)</u> <u>P'000</u>
Balance at 1 January 2019	(105,234)	659,740	285,066	3,462	390	123,123	(1,177,014)
Deficit for the year	(104,187)	-	-	-	-	-	(104,187)
Transfers between reserves	-	-	30,000	158	-	-	(30,159)
Balance at 31 December 2019	(209,420)	659,740	315,066	3,620	390	123,123	(1,311,359)
Profit/(Loss) for the year	3,174	-	-	-	-	-	3,174
Transfers between reserves	-	-	25,000	61	-	-	(25,061)
Balance at 31 December 2020	(206,247)	659,740	340,066	3,681	390	123,123	(1,333,247)

**BOTSWANA MEAT COMMISSION
STATEMENTS OF CHANGES IN RESERVES (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

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: GBP250 000) and US\$1 500 000 (2016: US\$1 500 000), set aside by certain subsidiaries of the Commission, to be utilised for stabilisation of the impact of foreign exchange fluctuations or for any other purpose which the Commission, with appropriate approval, may determine from time to time.

Asset revaluation reserve

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

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, as well as cannery, by-products, and tannery plants. 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. These 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 net 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 equal 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 less impairment in the separate financial statements of the Commission.

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.

INVESTMENT IN ASSOCIATE (CONTINUED)

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.

Investment in Associate Impairment

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss within 'Share of profit of an associate and a joint venture' in the statement of 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:

Group Companies (Continued)

- 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 values 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 available for use.

BOTSWANA MEAT COMMISSION
GROUP ACCOUNTING POLICIES (CONTINUED)
31 DECEMBER 2020

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. Repairs and maintenance are charged to profit or loss during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of assets when it is possible that future economic benefits will flow to the Group. Major renovations are depreciated over the remaining useful life of the related assets.

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 recognized in prior periods for assets may no longer exists or may have decreased, If any such indication exists, the recoverable amounts of those assets are estimated.

BOTSWANA MEAT COMMISSION
GROUP ACCOUNTING POLICIES (CONTINUED)
31 DECEMBER 2020
Impairment of non-financial assets (Continued)

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 recognized for the assets in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation is recognized immediately in the statement of comprehensive income.

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 recognized in profit or loss, the increase is recognized in profit and loss. A revaluation deficit is recognized in the statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognized 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 which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The Group 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.

10.EMPLOYEE BENEFITS

The Group operates a defined contribution plan.

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 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.

11. 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 grants for 2020 to the Commission totalled P128.8 Million. These funds were for payment of farmers.

12. 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.

**BOTSWANA MEAT COMMISSION
GROUP ACCOUNTING POLICIES (CONTINUED)
31 DECEMBER 2020
(INVESTMENT IN PROPERTY CONTINUED)**

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 the 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. 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. 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.

13. 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.

14. 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.

The Commission is exempt from paying income tax in Botswana.

b) Deferred tax

Deferred tax is recognized 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 assets are generally recognized for all deductible

Deferred Tax (Continued)

temporary differences to the extent that is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

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

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 for the period (continued)

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.

Uncertainty over Income Tax Treatment

The Group considers an uncertain tax position to exist when it considers that ultimately, in the future, the amount of profit subject to tax may be greater than the amount initially reflected in the Group's tax returns. The Group accounts for provisions in respect of uncertain tax positions in two different ways.

A current tax provision is recognised when it is considered probable that the outcome of a review by a tax authority of an uncertain tax position will alter the amount of cash tax due to, or from, a tax authority in the future. From recognition, the current tax provision is then measured at the amount the Group ultimately expects to pay the tax authority to resolve the position.

Uncertainty over Income Tax Treatment (continued)

Deferred tax provisions are adjustments made to the carrying value of deferred tax assets in respect of uncertain tax positions. A deferred tax provision is recognised when it is considered probable that the outcome of a review by a tax authority of an uncertain tax position will result in a reduction in the carrying value of the deferred tax asset. From recognition of a provision, measurement of the underlying deferred tax asset is adjusted to take into account the expected impact of resolving the uncertain tax position on the loss or temporary difference giving rise to the deferred tax asset. The approach taken to measurement takes account of whether the uncertain tax position is a discrete position that will be reviewed by the tax authority in isolation from any other position, or one of a number of issues which are expected to be reviewed together concurrently and resolved simultaneously with a tax authority. The Group's measurement of provisions is based upon its best estimate of the additional profit that will become subject to tax. For a discrete position, consideration is given only to the merits of that position. Where a number of issues are expected to be reviewed and resolved together, the Group will take into account not only the merits of its position in respect of each particular issue but also the overall level of provision relative to the aggregate of the uncertain tax positions across all the issues that are expected to be resolved at the same time. In addition, in assessing provision levels, it is assumed that tax authorities will review uncertain tax positions and that all facts will be fully and transparently disclosed.

Critical accounting estimates and judgements

There are two key areas of judgement that impact the reported tax position. Firstly, the level of provisioning for uncertain tax positions; and secondly, the recognition and measurement of deferred tax assets.

The Group does not consider there to be a significant risk of a material adjustment to the carrying amount of current and deferred tax balances, including provisions for uncertain tax positions in the next financial year. The provisions for uncertain tax positions cover a diverse range of issues and reflect advice from external counsel where relevant. It should be noted that only a proportion of the total uncertain tax positions will be under audit at any point in time, and could therefore be subject to challenge by a tax authority over the next year. Deferred tax assets are recognised based on business profit forecasts.

15. IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

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. 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, and offal's.

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

- Identify a contract with a customer;
- Identifying the performance obligations;

IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS (Continued)

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 under trade and other receivable in its statement of financial position as there are no other requirements required before the consideration is due other than the passage of time.

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.

16. IFRS 9 FINANCIAL INSTRUMENTS

1. CLASSIFICATION

The Group classifies financial assets and financial liabilities into the following categories:

- Financial assets measured at amortised cost; and
- Financial liabilities measured at amortised cost.

Classification depends on the purpose for which the financial instruments were obtained/incurred and takes place at initial recognition. Classification is re-assessed on an annual basis.

2. Initial recognition and measurement

Financial instruments are recognised initially when the Group becomes a party to the contractual provisions of the instruments. The Group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement. Financial instruments are measured initially at fair value. Transaction costs are included in the initial measurement of the instrument.

Trade date or settlement date accounting is applied depending on the classification of the financial asset. Classification and measurement of Financial Assets are categorised on the basis of two criteria:

- i) The business model within which financial assets are managed.
- ii) Their contractual cash flow characteristics (whether the cash flows represent 'solely payments of principal and interest' (SPPI)).

The Group assesses the business model based on the nature of the Financial Instrument. The criteria involved in determining the applicable business model includes (i) policies and objectives for the Financial instrument, (ii) how the performance and risks of the Financial Instrument are managed, evaluated and reported to management, and (iii) the frequency, volume and timing of sales in prior periods, sales expectation for future periods, and the reasons for such sales. The business model adopted by the Group is to hold to collect business model. The objective of the business model is to hold financial assets to collect their contractual cashflows.

Initial recognition and measurement (Continued)

The contractual cash flow characteristics of financial assets are assessed with reference to whether the cash flows represent SPPI. In assessing whether contractual cash flows are SPPI compliant, interest is defined as consideration primarily for the time value of money and the credit risk of the principal outstanding. The time value of money is defined as the element of interest that provides consideration only for the passage of time and not consideration for other risks or costs associated with holding the financial asset.

1. Subsequent measurement

Financial Assets

Financial assets at amortised cost which comprise trade and other receivables, amounts due to group of companies and cash and cash equivalents are subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Financial Liabilities

Financial liabilities which comprise accounts payable, amounts due from group of companies and lease liabilities are subsequently measured at amortised cost using the effective interest method, with interest expenses recognised on an effective yield basis.

2. Derecognition of financial instruments

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 transfers to another entity. The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired.

3. Impairment of financial assets

At each reporting date the Group assesses all financial assets to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Impairment of financial assets (Continued)

Indicators for changes in credit risk are, but not limited to; the probability that the debtor will enter bankruptcy, significant financial difficulties of the debtor and any other negative information about the financials of the debtor.

When a receivable is uncollectable, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited to the statement of profit or loss and other comprehensive income. Trade receivable are written off when the Group cannot legally collect, and it's taken through the necessary Governance structures. Subsequent recoveries of amounts previously written off are credited to the statement of profit or loss and other comprehensive income.

1. Impairment of trade and other receivables

The Group applies a simplified approach to measuring the expected credit losses (ECL) in accordance with IFRS 9. In accordance with this approach, the loss allowance on trade receivable is determined as the lifetime expected credit losses on trade receivables, this lifetime expected credit losses are estimated using a provision matrix which is presented on page 56. The model takes into account the Groups' historical default rates over the expected life of the trade receivable which is normally 12 months but also incorporates forward looking macroeconomic factors such as the Gross Domestic Product (GDP) and unemployment rates where the debtors are domicile.

2. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents are measured at amortised cost, which generally approximates fair value.

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 assets 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 values. 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 measures a number of items at Fair Value: Investment Property and Property Plant and Machinery.

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

19. Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets 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.

20. Debtors Impairment

The group applies 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 EXPECTED CREDIT LOSS 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 an ECL credit loss rate 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.

**BOTSWANA MEAT COMMISSION
GROUP ACCOUNTING POLICIES (CONTINUED)
31 DECEMBER 2020
Determining the probability of default rate (Continued)**

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

21. 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.

22. Inventory Valuation

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

23. 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.

24. LEASES

The Group leases consists mostly of administrative offices, meat handling property and printers. Leases are individually negotiated and contain a wide range of different terms and conditions on an average of five to ten years although this differs depending on the jurisdiction and type of property. Some leases will include renewal options, but these are generally renewals at market rates to be negotiated at the time of renewing the contract. These rates will only be included in the lease liability once it is reasonable that the Group will exercise the extension option.

BMC as a lessee: A lease liability and right-of-use asset for all leases are recognized at the lease commencement date, for all lease agreements for which the group is a lessee, 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.

Lease liability is measured at the present value of the remaining lease payments, discounted at the group's incremental borrowing rate at the date of initial application. The Right of Use Asset is determined using the present value of the Lease Liability. The Group uses commercial banks' prime lending rates adjusted to the rate for risks specific lease, to discount lease payments for the remaining term of the lease, as they reflect the minimum rate that can be lent should any company in the group require borrowings.

SHORT TERM LEASES

The Group defines short term leases as any lease that has a lease term of 12 months or less and where the terms of the lease contain:

- no extension periods that the Group will reasonably exercise which would result in the lease term being longer than 12 months; and
- no purchase option in the lease contract

LOW VALUE ASSETS

The Group assesses low value assets on the below basis:

- The underlying asset is not highly dependent on, or highly interrelated with, other assets; and
- These assets have individual values that are not significant when compared to our other leased assets.

RIGHT OF USE ASSETS

Lease payments included in the measurement of the right of use assets consists of the following:

- Any estimated costs to dismantle and remove the underlying asset or the site on which it is located, when the group incurs an obligation to do so, unless these costs are incurred to produce inventories;
- Less any incentives received;
- Any lease payments made at or before the commencement date;
- Any direct costs incurred; and
- The initial amount of the corresponding lease liability.

Right-of-use assets (Continued)

Subsequent Measurement of Right-Of-Use Assets

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. However, if a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Depreciation starts at the commencement date of a lease.

The residual value, useful life and depreciation method of each asset are reviewed at each reporting date. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate. Each part of a right-of-use asset with a cost that is significant in relation to the total cost of the asset is depreciated separately.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

LEASE LIABILITY

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;
- lease payments in an optional renewal period if the group is reasonably certain to exercise an extension option; and
- payments of penalties for terminating the lease.

The lease liability is presented as a separate line item on the Statement of Financial Position

The lease liability is subsequently measured by increasing the carrying amount to reflect the interest on the lease liability using the effective interest method and by reducing the carrying amount to reflect lease payments made.

Subsequent Measurement Of Lease Liability

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;

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 Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) when:

- there has been a change to the lease term, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- there has been a change in the assessment of whether the Group will exercise a purchase, termination or extension option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- there has been a change to the lease payments due to a change in an index or a rate, in which case the lease liability is remeasured by discounting the revised lease

Lease Liability (Continued)

- payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
- There has been a change in expected payment under a residual value guarantee, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate;
- a lease contract has been modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised payments using a revised discount rate.

BMC as lessor: 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.

SIGNIFICANT ESTIMATES AND JUDGEMENTS USED

The following are significant estimates and judgements used by the Group in application of IFRS 16.

- i. Incremental Borrowing Rate (IBR)
- ii. The Group uses hindsight in determining the lease term if the contract contains option to extend or terminate the lease. The Group has no intention to exercise early termination options, as well as deciding to extend or not to extend lease contracts.

**BOTSWANA MEAT COMMISSION
GROUP ACCOUNTING POLICIES (CONTINUED)
31 DECEMBER 2020**

25. Standards, Changes, amendments and interpretations.

a) Standards, Amendments adopted by BMC for the first time in 2020

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 2020. 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
IAS 1 & IAS 8	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. The amendments are effective for annual reporting periods beginning on or after 1 January 2020, with earlier adoption permitted.
Amendments to IFRS 3 'Business Combinations	Amendments to the definition of a Business	The IASB issued the amended IFRS 3 Business Combinations on 22 October 2018. The amendment was made to the definition of a Business. It aimed to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendment clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations. The amendments are effective for annual reporting periods beginning on or after 1 January 2020 and has no impact in the Groups Financial Reporting.
Amendments to IFRS 7, IFRS 9 and IAS 39	Interest Rate Benchmark Reform	The amendment applies to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the consolidated financial statements of the Group as it does not have any interest rate hedge relationships. The amendments are effective for annual reporting periods beginning on or after 1 January 2020 and would be applied retrospectively. The amendment has no impact in the Group Financial Reporting.
IFRS 16	Covid - 19 (Related rent concessions)	The amendments introduce an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. A lessee that applies the practical expedient is not required to assess whether eligible rent concessions are lease modifications, and accounts for them in accordance with other applicable guidance. The resulting accounting will depend on the details of the rent concession. For example, if the concession is in the form of a one-off reduction in rent, it will be accounted for as a variable lease payment and be recognised in profit or loss. The Group has performed the assessment on the above new pronouncement and amendment and conclude that they will be no material impact. The amendments are effective for annual reporting periods beginning on or after 1 June 2020. The amendment has no impact in the Group Financial Reporting

26. Amendment to IAS 1 & IAS 8 - Amendment to definition of Materiality

a. 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.

a. 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 was taken into cognisance on disclosures and presentations made in the elements of the financial statements :

Obscuring. Information in the financial statements is accurately and faithfully disclosed and presented in line with the activities that occurred in the business during the financial year and in accordance with the relevant accounting standards.

could reasonably be expected to influence. The BMC optimally disclosed and accurately presented the financial information in its financial statements for informing all users of the financial statements about the financial performance and position.

Primary users. The BMC mainly reports its financial statements to the shareholder being the Government. The other users of the financial are mainly being informed about the performance and financial position of the business.

b) The amendments have been factored in by the BMC in the current financial period on preparation of its financial statements.

27. Standards, amendments and interpretations to existing standards but not effective for 31 December 2020 year-end and have not been early adopted by the Group and Company:

There are other standards and interpretations that have been revised and issued but are not yet effective as shown below:

	Standard/ Interpretation	Amendment	Details
a)	Amendments to IAS 16	Property Plant and Equipment : Proceeds before Intended Use	The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss. The Group has performed the assessment on the above new pronouncement and amendment and conclude that they will be no material impact. The amendments are effective for annual reporting periods beginning on or after 1 January 2022, with earlier adoption permitted
b)	AIP IFRS 9	Fees in the "10 percent" test for derecognition of financial liabilities	The amendment clarifies which fees an entity includes when it applies the '10 per cent' test of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. The Group has performed the assessment on the above new pronouncement and amendment and conclude that they will be no material impact. The amendments are effective for annual reporting periods beginning on or after 1 January 2022, with earlier adoption permitted
c)	IAS 8	Definition of Accounting Estimates	The IASB has published definition of Accounting Estimates to assist entities in distinguishing between accounting policies and accounting estimates. The amendment is effective 1 January 2023 with earlier application permitted.
d)	Amendments to IAS 1	Classification of liabilities as current on non current	The amendments aim to help companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non current. The amendment include classifying the classification requirements for debt a company might settle by converting it into equity. The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with earlier adoption permitted.

BOTSWANA MEAT COMMISSION
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
31 DECEMBER 2020

	<u>Consolidated</u>		<u>Commission</u>	
	2020 P'000	2019 P'000	2020 P'000	2019 P'000
1 REVENUE				
Sale of meat and allied meat products	394,060	691,031	394,060	691,031
Shipping	1,090	3,463	-	-
Cold Storage Services	10,999	21,470	-	-
	406,149	715,964	394,060	691,031

In the prior year Financials (2019) Cold Storage and Shipping fees were disclosed in the same line. There has been a change in 2020 as these two have separate performance obligations.

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

For the year ended 31 December 2020

	Sale of meat and allied meat products	Shipping	Cold Storage Services	Total
Norway, Europe and United Kingdom	242,311	-	-	242,311
RSA and other SADC countries	83,259	1,090	10,999	95,349
Botswana	68,490	-	-	68,490
Total	394,060	1,090	10,999	406,149

For the year ended 31 December 2019

	Sale of meat and allied meat products	Shipping	Cold Storage Services	Total
Norway, Europe and United Kingdom	348,973	-	-	348,973
RSA and other SADC countries	231,454	3,463	21,470	256,386
Botswana	110,604	-	-	110,604
Total	691,031	3,463	21,470	715,964

	<u>Consolidated</u>		<u>Commission</u>	
	2020 P'000	2019 P'000	2020 P'000	2019 P'000
2 NET LIVESTOCK AND MEAT COSTS				
Opening Inventory (Note 12)	100,576	81,640	100,472	81,537
Livestock and meat purchases	191,186	559,201	191,186	559,201
Cattle purchases	291,762	640,841	291,658	640,738
Closing Inventory (Note 12)	(32,533)	(100,576)	(32,429)	(100,472)
	259,229	540,266	259,229	540,266
3 OTHER INCOME				
Sundry income	6,193	11,126	1,154	4,219
Income from related parties - Management fees	-	-	240	240
	6,193	11,126	1,394	4,459

NB: Sundry Income comprises of Insurance claims, rental from subleased property and rental from leased properties.

BOTSWANA MEAT COMMISSION
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2020

4 OPERATING DEFICIT

	<u>Consolidated</u>		<u>Commission</u>	
	2020 P'000	2019 P'000	2020 P'000	2019 P'000
OPERATING DEFICIT IS STATED AFTER TAKING THE FOLLOWING INTO ACCOUNT:				
4.1 OTHER COSTS and (Gains/ Losses)				
Net exchange (losses)/gains	(7,217)	(17,289)	(4,431)	(15,893)
Profit/(Loss)on disposal of property, plant and equipment	25,938	69	25,938	69
	18,721	(17,220)	21,506	(15,824)
4.2 Production and administration costs	(241,459)	(355,798)	(238,216)	(355,829)
Other Production and administration costs	(107,020)	(175,953)	(113,651)	(184,646)
Depreciation of property, plant and equipment	(22,220)	(21,499)	(15,804)	(16,267)
Depreciation on right- of-use-asset	(2,176)	(1,963)	-	-
Impairment	-	(27,141)	-	(27,141)
Auditor's remuneration	(2,409)	(2,318)	(1,786)	(1,740)
- current	(2,409)	(2,080)	(1,786)	(1,740)
- prior year	-	(238)	-	-
Commissioners				
- Fees and emoluments	(137)	(111)	(137)	(118)
Staff costs (Note 5)	(107,496)	(126,814)	(106,838)	(125,918)
Fair value Gain/ (loss) of investment property	-	(4,890)	-	-
Impairment of Trade and Other Receivables	(8,915)	726	(7,397)	1,746
Government Subvention	128,801	183,050	128,801	183,050
5 STAFF COSTS				
Wages and salaries	72,540	90,364	71,882	89,469
Pension fund costs (All pension fund costs relate to a defined contribution plan)	7,278	7,774	7,278	7,774
Staff allowances and other staff costs	27,677	28,675	27,677	28,675
	107,496	126,813	106,838	125,918
6 FINANCE COSTS				
Bank overdraft	1,196	1,709	1,196	1,703
Lease Liabilities	272	275	-	-
Borrowings	12,113	9,528	11,919	9,530
Related parties	-	-	3,572	3,326
	13,582	11,512	16,688	14,561

BOTSWANA MEAT COMMISSION
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2020

7 TAXATION	<u>Consolidated</u>		<u>Commission</u>	
	2020 P'000	2019 P'000	2020 P'000	2019 P'000
Botswana taxation:				
- current year	(602)	(713)	-	-
- prior years tax relief	-	-	-	-
	(602)	(713)	-	-
Foreign taxation:				
- current taxation	846	2,815	-	-
- deferred taxation	(2,070)	(1,097)	-	-
	(1,224)	1,718	-	-
Total taxation	(1,825)	1,004	-	-

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

However, the Mainline Subsidiary which is in Botswana is subject to tax.

Balance payable at beginning of year	1,350	990	-	-
Current tax charge	845	2,815	-	-
Tax (Paid) received	(1,675)	(2,455)	-	-
Tax set off against VAT liabilities		-	-	-
Balance payable at end of year	520	1,350	-	-

Disclosed in the statements of financial position as:

Taxation payable	520	1,350	-	-
	520	1,350	-	-

Tax Rate Reconciliation

Income tax	%	%	%	%
Standard Rate	-	-	-	-
Foreign Tax	-18.63%	1.63%	-	-
Effect of higher tax rate in subsidiary	-9.16%	-0.68%	-	-
Effective Tax Rate	-27.79%	0.96%	-	-
Profit before tax	(6,567)	(105,095)	-	-
Foreign tax	1,224	(1,718)	-	-
Tax on Mainline sub income	602	713	-	-
Total Tax	1,825	(1,004)	-	-
	-27.79%	0.96%	-	-

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 2020

8	PROPERTY, PLANT AND EQUIPMENT	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
8.1	<u>Consolidated</u>								
	Year ended 31 December 2020								
	Opening carrying amount	157,674	3	37,945	85	1,788	1,148	-	198,655
	Exchange differences	(274)	-	(812)	(14)	(511)	281	-	(1,331)
	Additions	-	-	2,306	615	45	142	-	3,108
	Inter Class Transfers	-	-	-	-	-	-	-	0
	Disposals	(9,037)	-	-	-	-	(8)	-	(9,045)
	Depreciation charge	(7,642)	-	(14,297)	(53)	695	(923)	-	(22,220)
	Depreciation on disposals	4,006	-	-	-	-	8	-	4,014
	Closing carrying amount	<u>144,727</u>	<u>3</u>	<u>25,141</u>	<u>631</u>	<u>2,016</u>	<u>649</u>	<u>-</u>	<u>173,167</u>
	Cost/valuation	241,127	4,595	192,786	20,813	18,026	36,901	-	514,260
	Accumulated depreciation and impairment	(96,400)	(4,592)	(167,645)	(20,182)	(16,010)	(36,253)	-	(341,093)
	Carrying amount	<u>144,727</u>	<u>3</u>	<u>25,141</u>	<u>631</u>	<u>2,016</u>	<u>649</u>	<u>-</u>	<u>173,167</u>
	Year ended 31 December 2019								
	Opening carrying amount	183,338	3	56,205	159	2,057	1,979	241	243,993
	Assets Revaluation	-	-	-	-	-	-	-	-
	Impairment	-	-	-	-	-	-	-	-
	Exchange differences	588	-	228	-	3	(7)	(1)	812
	Additions	1,297	-	707	-	405	81	-	2,490
	Inter Class Transfers	-	-	240	-	-	-	(240)	-
	Disposals	-	-	-	(324)	-	(120)	-	(444)
	Depreciation	(5,233)	-	(14,610)	(73)	(677)	(906)	-	(21,499)
	Impairment Charge	(22,316)	-	(4,825)	-	-	-	-	(27,141)
	Depreciation charge on disposals	-	-	-	324	-	120	-	444
	Closing carrying amount	<u>157,675</u>	<u>3</u>	<u>37,945</u>	<u>85</u>	<u>1,788</u>	<u>1,148</u>	<u>-</u>	<u>198,655</u>
	At 31 December 2019								
	Cost/valuation	250,439	4,595	191,293	20,213	18,493	36,486	-	521,528
	Accumulated depreciation and impairment	(92,764)	(4,592)	(153,348)	(20,126)	(16,706)	(35,338)	-	(322,873)
	Carrying amount	<u>157,675</u>	<u>3</u>	<u>37,944</u>	<u>85</u>	<u>1,787</u>	<u>1,148</u>	<u>-</u>	<u>198,655</u>

Included in Property Plant & Equipment are fully depreciated assets an an Original Cost of P63.5 million (2019 : P65.5 million) at the reporting date

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

Freehold land and buildings of Table Bay Cold Storage (Proprietary) Limited , a subsidiary registered in South Africa , with a carrying amount of P68.7 million are secured against an overdraft facility per note 15 through a reported bond favour of Standard Chartered Bank South Africa Limited.

Lease Hold Land & Buildings

The tenure of the lease is 99 years. The lease is silent on the use of the land.

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8 PROPERTY PLANT AND EQUIPMENT	FV Freehold Land and Buildings	Leasehold Land and Buildings	FV Plant and Machinery	Cost Motor Vehicles	Cost Furniture and Equipment	Cost Computer Equipment	Total
8 <u>Commission</u>	P'000	P'000	P'000	P'000	P'000	P'000	P'000
Year ended 31 December 2020							
Opening carrying amount	105,085	3	22,721	70	877	1,180	129,936
Additions	-	-	1,730	615	11	142	2,498
Depreciation charge	(4,886)	-	(9,782)	(53)	(325)	(757)	(15,804)
Disposals	(9,037)	-	-	-	-	(8)	(9,045)
Depreciation on disposals	4,006	-	-	-	-	8	4,014
Closing carrying amount	<u>95,168</u>	<u>3</u>	<u>14,668</u>	<u>631</u>	<u>563</u>	<u>566</u>	<u>111,599</u>
At 31 December 2020							
Cost/valuation	188,815	4,548	145,415	19,904	14,726	36,221	409,628
Accumulated depreciation and impairment	(93,646)	(4,545)	(130,747)	(19,274)	(14,164)	(35,620)	(297,995)
Carrying amount	<u>95,168</u>	<u>3</u>	<u>14,668</u>	<u>631</u>	<u>563</u>	<u>566</u>	<u>111,599</u>
Year ended 31 December 2019							
Opening carrying amount	131,631	3	36,253	143	1,176	2,005	171,210
Impairment	(22,316)	-	(4,825)	-	-	-	(27,141)
Additions	1,003	-	929	-	121	81	2,133
Depreciation charge	(5,233)	-	(9,636)	(73)	(419)	(906)	(16,267)
Disposals	-	-	-	(324)	-	(120)	(444)
Depreciation on disposals	-	-	-	324	-	120	444
Closing carrying amount	<u>105,085</u>	<u>3</u>	<u>22,721</u>	<u>70</u>	<u>877</u>	<u>1,180</u>	<u>129,936</u>
At 31 December 2019							
Cost/valuation	197,852	4,548	143,685	19,289	14,716	36,078	416,168
Accumulated depreciation and impairment	(92,766)	(4,545)	(120,965)	(19,221)	(13,838)	(34,863)	(286,198)
Carrying amount	<u>105,085</u>	<u>3</u>	<u>22,721</u>	<u>70</u>	<u>877</u>	<u>1,180</u>	<u>129,936</u>

Included in Property Plant & Equipment are fully depreciated assets an an Original Cost of P63.5 million (2019 : P63.5 million) at the

The details of the Commissions freehold land and buildings are available at the Head Office in Lobatse. The Commission is engaged in a project to update and obtain title deeds over the properties owned by the Commission as a number of title deeds over the Commissions properties are not available to reflect historic ownership to date.

NB: The assets in Lobatse have been secured under a deed of hypothecation
Against The Standard Chartered Bank Botswana Limited Loan.

Lease Hold Land & Buildings

The tenure of the lease is 99 years. The lease is silent on the use of the land.

PROPERTY PLANT AND EQUIPMENT (CONTINUED),
FAIR VALUE OF PROPERTY PLANT & EQUIPMENT

The fair value of the Property, Plant and Equipment which are revalued as per the Group policy (Freehold Land & Buildings and Plant & Machinery) is determined by an independent valuer with appropriate qualifications and experience in the valuations of the property, plant and equipment of the Commission. The Group carries out its revaluation every 3-5 years, with the last valuation having been carried out in 2017. 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 for Buildings and Plant & Machinery is determined using the depreciated replacement cost model and on Freehold land the market comparable method is used. This means that valuations performed by the valuer are based on prices of transactions involving properties of a similar nature, location and condition. Since the valuation is performed using significant non observable inputs, the fair value is classified as level 3 measurement.

The main input factors used in the model were the area of each property and the estimate of each property and estimated value per square per meter based on the conditions of the properties.

The following significant input, amongst others measures were used in the model:

- a) expected average life that each type of asset will remain in service before requiring replacement
- b) The cost of replacing the existing assets with their modern equivalent's assets; and
- c) The estimated useful life adjusted by the condition factor to determine the remaining useful life of the assets.

Significant increases (decreases) in estimated average life, replacement cost and estimated useful life would result in a significantly higher(lower) fair value of the properties. The higher the price of a comparable property, the higher the value of the property.

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. Live Cattle export in 2019 and 2020 also negatively affected throughput. The Maun plant has to quarantine cattle from red zone before slaughter which hampers 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 business currently operates through three (3) Cash Generating Units (CGU'S) being three factories (Slaughter house ,one cannery and the Head office.)

The Group assessed, as at 31 December 2020, whether there is an indication of asset impairment.

The Fair Value less Cost to dispose (FVLCTD) method was used for the purpose of accessing for impairment in the business Cash Generating Units, instead of the Discounted Cash Methodology as accordance with IAS 36 Impairment of Assets due to the negative cashflow during the explicit and terminal period. The recoverable amount was determined to be P46 million.

The following procedures were used to determine the impairment:

- a) Evaluation whether objective evidence of impairment exists for individual assets and the CGU's.
- b) performed an independent multiple valuation assessment based on a level 2 fair value assessment criteria. BMC is loss-making and in a net liability position and as a result management was unable to perform a profitability multiple such as price to earnings (P/E) or enterprise value to earnings before interest, depreciation and amortisation (EV/EBITDA) nor were to perform a book value multiple assessment. Management performed an enterprise value to revenue (EV/Revenue) assessment for BMC.

The following key assumptions were applied in the determination of the carrying values of the CGU's:

- a) Peer companies – Management used comparable peers in the packaged foods and meats industry.
- b) Control premium - As per an African valuation methodology survey, a control premium of 20.0% was applied to the range of EV/Revenue multiples to compute the enterprise value on a 100% controlling basis
- c) Size adjustments - The size adjustment is typically applied if the target business is smaller/bigger than the listed companies used in the comparable peer set. This is an appropriate methodology for valuation purposes to include a size discount. Based on BMC's revenue relative to its peers, adjustments were made across the peer set.
- d) Country risk premium - BMC operates mainly in Botswana which is an emerging market and the set of comparable peers we selected included entities operating in developed markets. We have applied a country risk adjustment to the peer set by comparing Botswana's country risk premium to each peer's country risk premium. A discount/premium was calculated based on the difference in geographies of operation.

Based on the above procedures performed above, Management determined that the fair value less cost to dispose exceeds the carrying amount of the CGU's hence no impairment to account for as at 31 December 2020.

9 Lease Liabilities

Carrying amounts of lease liabilities and movements during the period

	<u>BUILDINGS</u>	<u>FORK LIFT</u>	<u>RACKING SYSTEM</u>	<u>PRINTERS</u>	<u>TOTAL</u>
As at 01 January 2020	961	2,862	1,017	341	5,180
New Leases	-	-	-	98	98
Interest Charged	33	171	47	21	272
Payments	(902)	(691)	(1,049)	(126)	(2,768)
Exchange differences	14	(32)	(14)	(10)	(42)
As at 31 December 2020	106	2,310	-	324	2,740

	<u>BUILDINGS</u>	<u>FORK LIFT</u>	<u>RACKING SYSTEM</u>	<u>PRINTERS</u>	<u>TOTAL</u>
As at 01 January 2019	1,789	272	2,030	308	4,398
New Leases	-	2,732	-	105	2,837
Interest Charged	31	66	151	28	275
Payments	(858)	(207)	(1,164)	(101)	(2,330)
As at 31 December 2019	961	2,862	1,017	341	5,180

Minimum lease payments due:	DISCOUNTED		UNDISCOUNTED	
	2020	2019	2020	2019
Within 1 year	681	2,966	767	3,342
2-5 years	2,060	2,214	2,321	2,495
Present Value of minimum lease payments	2,740	5,180	3,088	5,837

Right of use Assets Recognition

Carrying Amounts of right of use assets recognised and movements during the year

	<u>BUILDINGS</u>	<u>FORK LIFT</u>	<u>RACKING SYSTEM</u>	<u>PRINTERS</u>	<u>TOTAL</u>
As at 01 January 2020	1,194	2,843	1,104	332	5,473
New Leases	-	-	-	98	98
Depreciation Expenses	(905)	(422)	(764)	(85)	(2,176)
Exchange differences	34	(434)	(340)	(35)	(776)
As at 31 December 2020	322	1,986	-	311	2,619

	<u>BUILDINGS</u>	<u>FORK LIFT</u>	<u>RACKING SYSTEM</u>	<u>PRINTERS</u>	<u>TOTAL</u>
As at 01 January 2019	1,789	272	2,030	308	4,398
2018 Prepayment B/F	201	-	-	-	201
New Lease	-	2,732	-	105	2,837
Depreciation Expenses	(796)	(161)	(925)	(81)	(1,963)
As at 31 December 2019	1,194	2,843	1,104	332	5,473

The following amounts are recognised in the statements of profit and loss and other		
	2020	2019
Depreciation on right - of use-assets	2,176	1,963
Interest paid	272	275
Total amount recognised in Profit or loss	2,448	2,238

	Consolidated	
	2020	2019
	P'000	P'000
10 INVESTMENT PROPERTY		
Opening carrying amount	5,310	10,200
Fair Value adjustment	-	(4,890)
Closing carrying amount	<u>5,310</u>	<u>5,310</u>
Fair value	<u>5,310</u>	<u>5,310</u>

The fair value of the investment property was determined as at 31 December 2020 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)

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Investment in Property (Continued)

The inputs used in the table below are level 3.

The size of the investment property is 8885.00 Metres squared

	Significant unobservable Inputs Range	(weighted average)	
		2020 P'000	2019 P'000
Caltex filling station (Valuation Technique used DCF Method)	Estimated rental value per month	29.330	29.330
	Rent growth p.a	6.8%	6.8%
	Long-term vacancy rate	33%	31%
	Discount rate	8%	8%
Rental income		117	352
Expenses on properties on which rental income is earned		240	240
Profit on Investment Property		(122)	112

	% Equity held	Consolidated		Commission	
		2020 P'000	2019 P'000	2020 P'000	2019 P'000
11 INVESTMENTS					
Subsidiary companies:					
Botswana Meat Commission (UK) Holdings Limited - UK London Shares at cost	100	-	-	2,866	2,866
Lobatshe 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>
Debentures in Clifton School					
These are debentures held at FairValue and they carry no interest and no fixed maturity date.					
Associates: GPS Norway					
GPS Food Group AS - shares at cost (33%)		-	-	-	-
Effect of foreign exchange rates		-	-	-	-
Share of the profit of GPS Food Group AS		-	1,778	-	-
		-	1,778	-	-
Impairment		-	(1,778)	-	-
		<u>10</u>	<u>10</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 using the equity method at Group level. GPS food Group AS is a wholesaler of meat and meat products situated in Norway Oslo Professor Birkelands vei 28a.

GPS Food Group AS-ASSOCIATE KEY FINANCIALS					
	2020	2019		2020	2019
Income Statement			Statement of Financial Position		
Sales Revenue	186,661	344,093	Current Liabilities	73,284	65,307
Profit Before Tax	(280)	6,533	Current Assets	89,065	80,728
Profit After Tax	(275)	5,387	Cash and Cash Equivalents	54,139	26,115
Interest Income	-	-	Non Current Assets	68	113
Total Operating Expenses	186,923	337,496	Non Current Liabilities	-	-
Depreciation	49	50	Total Equity	15,849	15,533
Income tax Expense	(6)	1,146			

IMPAIRMENT OF GPS NORWAY - THE RELATED DISCLOSURES

BMC UK Holdings Ltd own 33% shares in GPS Norway. Since its inception the Associate has not paid any dividends to BMC UK, thus no cash inflows have come through from the investment.

Currently the Associate Investment in GPS Norway is impaired to a nil amount

There has also been a dispute between GPS FOOD GROUP IRELAND and BMC since the expiry of Agency Contract in June 2019 .

That is GPS Food Group Ireland which used to sell BMC products in the EU and Norwegian markets.

Though the Investment in GPS Norway by BMC UK Holdings Ltd is independent the board has expressed its displeasure and would want to disinvest in

GPS Norway, in view of the following aspects:

- i. Flow of cash from the Associate
- ii. The cancellation of the GPS Food Group Ireland contract
- iii. The investment in associate for current year has been impaired

The Investment in the Associate is still impaired as was in the prior years, because the conditions in regards to the investment and the relationship with the company has not changed. The BMCs does not have active participation in the Company and still not receiving any dividends from the investment.

12 INVENTORIES	Consolidated		Commission	
	2020	2019	2020	2019
Finished goods	16,383	89,762	16,383	89,762
Obsolete inventory allowance - Finished goods	(3,975)	(8,592)	(3,975)	(8,592)
	12,408	81,170	12,408	81,170
Stores	20,124	19,405	20,021	19,301
	20,124	19,405	20,021	19,301
GRAND INVENTORY	32,533	100,576	32,429	100,472
BREAK DOWN OF FINISHED GOODS				
Meat Stocks	2,312	7,404	2,312	7,300
Deboned Meat Stocks	9,449	67,303	9,449	67,407
By-products	648	6,462	648	6,462
TOTALS	12,408	81,170	12,408	81,170

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	<u>Consolidated</u>		<u>Commission</u>	
	2020 P'000	2019 P'000	2020 P'000	2019 P'000
13 TRADE AND OTHER RECEIVABLES				
Trade receivables	66,858	95,374	60,647	94,342
Allowances for expected credit losses	(48,508)	(39,593)	(45,971)	(38,574)
Trade receivables - net	18,350	55,780	14,676	55,768
Value added tax	1,155	4,672	1,155	4,672
Other receivables	7,788	11,926	3,983	1,809
	27,292	72,379	19,813	62,249

Movement in the allowance for doubtful debts

Balance at beginning of year	39,593	40,320	38,574	40,320
Provision raised on new trade receivables	8,915	2,446	7,397	1,527
Provisions reversed on settled trade receivables	-	(3,173)	-	(3,273)
Balance as at end of years	48,508	39,593	45,971	38,574

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 as they are in different regions. 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 (2018: 30 days).

THE GROUP AND COMMISSIONS ARE SPLIT BY REGIONS AND MARKETS AS FOLLOWS

	GROUP		COMMISSION	
	2020	2019	2020	2019
EUROPE	3,487	24,356	541	23,603
SOUTH AFRICA	31,340	34,263	28,075	33,984
LOCAL	22,217	30,791	22,217	30,791
OTHER MARKETS	9,813	5,964	9,814	5,964
TOTAL	66,858	95,374	60,647	94,342

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.

14 CASH AND CASH EQUIVALENTS

Cash at bank and in hand	66,613	43,182	47,025	19,525
Short-term deposits	5,410	6,309	593	568
	72,023	49,490	47,618	20,094

15 BANK OVERDRAFTS

	<u>Consolidated</u>		<u>Commission</u>	
	2020 P'000	2019 P'000	2020 P'000	2019 P'000
Bank overdrafts comprise:				
<i>Trade finance</i>	-	637	-	637
<i>Banc ABC</i>	-	637	-	637
Standard Chartered Bank Botswana Limited	-	-	-	-
<i>Current account overdraft</i>	17,908	17,298	17,908	17,298
Standard Chartered Bank Botswana Limited	17,908	7,514	17,908	7,514
Banc ABC	-	9,785	-	9,785
	17,908	17,935	17,908	17,935

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31 DECEMBER 2020

	Consolidated		Commission	
	2020	2019	2020	2019
	P'000	P'000	P'000	P'000
15 BANK OVERDRAFTS (continued)				
<i>Overdraft/trade finance facilities limits</i>				
Amount utilised	17,908	17,935	17,908	17,935
Amount available	355,791	355,826	352,092	352,065
Total facility	373,698	373,762	370,000	370,000

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

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

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

1. An irrevocable unconditional Government guarantee for BWP300 000 000. This is held as security for the facility should the Commission not be able to pay, the bank will call on the guarantee. The date of origin of the Government guarantee is 04 August 2014.

16 TOTAL BORROWINGS RECONCILIATION

16.1 Long Term Borrowings	-	2,973	-	2,973
16.2 Short Term Borrowings	262,187	183,883	262,187	183,883
TOTAL BORROWINGS	262,187	186,856	262,187	186,856

NB:

The Government extended the Commission a loan of P160 Million in 2019 payable in 12 months at an interest of 5%, and another P88 Million in Feb 2020 payable in 12 months at an interest of 4.75%
 No repayments have been made to date.

BOTSWANA MEAT COMMISSION
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2020

	<u>Consolidated</u>		<u>Commission</u>	
	2020	2019	2020	2019
16 BORROWINGS (CONTINUED)	P'000	P'000	P'000	P'000
Borrowings Unsecured				
GOVERNMENT LOAN P160 Million				
Loan is repayable at a rate not exceeding 5% per annum.	-	-	-	-
Capital	160,000	160,000	160,000	160,000
Interest	10,705	2,683	10,705	2,683
Total	170,705	162,683	170,705	162,683
GOVERNMENT LOAN P88 Million				
Loan is repayable at a rate not exceeding 4.75% per annum.	-	-	-	-
Capital	88,000	-	88,000	-
Interest	3,481	-	3,481	-
Total	91,481	-	91,481	-
TOTAL GOVERNMENT OF BOTSWANA LOANS	262,187	162,683	262,187	162,683
Long Term	-	-	-	-
Current Portion of Government Loans	262,187	162,683	262,187	162,683
Government Loans	262,187	162,683	262,187	162,683
African Banking Corporation Loan	-	3,363	-	3,363
Standard Chartered Bank Botswana Limited Loan	-	20,809	-	20,809
TOTAL BPRROWINGS	262,187	186,855	262,187	186,855

A Government loan of P 160 Million at an annual interest rate of 5% was obtained in August 2019, and another Government loan of P88 Million at an annual interest rate of 4.75% was obtained in February 2020.

BOTSWANA MEAT COMMISSION
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31 DECEMBER 2020

	<u>Consolidated</u>		<u>Commission</u>	
	2020 P'000	2019 P'000	2020 P'000	2019 P'000
17 DEFERRED TAXATION				
Balance at beginning of year	9,307	10,742	-	-
Exchange differences	(922)	(337)	-	-
Profit and Loss	(2,070)	(1,097)	-	-
Balance at end of year	6,316	9,307	-	-
DEFERRED TAX TEMPORARY DIFFERENCES				
Deferred Tax Liability	-	-	-	-
Accelerated Depreciation for tax purposes	1,662	1,690	-	-
Prepaid Expenditure	204	288	-	-
Revaluation of assets	8,348	8,852	-	-
Total Deferred Tax Liability	10,213	10,831	-	-
Deferred tax asset	-	-	-	-
Provisions	(3,897)	(1,524)	-	-
Deferred Tax Liability	10,213	10,831	-	-
Deferred tax asset	(3,897)	(1,524)	-	-
Total Net Deferred Tax Liability	6,316	9,307	-	-
18 TRADE AND OTHER PAYABLES				
Trade payables	48,823	203,114	61,231	225,619
Accrued expenses	17,995	17,418	10,618	8,160
Payroll accruals	12,504	12,639	12,504	12,639
Withholding tax payable	8,678	33,708	7,942	32,861
Other payables	1,253	3,296	1,238	3,275
	89,254	272,236	93,533	284,615

WITHHOLDING TAX:

Represents withholding tax at 4% for slaughtered/procured cattle.

CREDIT PERIOD:

The average credit period for trade payables is 30 days (2019: 30 days). No interest is charged on the trade payables. The Group and Commission have financial risk management policies in place to ensure that all payables are paid within a reasonable time of the agreed credit terms as per the group policies.

BOTSWANA MEAT COMMISSION
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2020

19 FINANCIAL INSTRUMENTS

The group's activities expose it to a variety of financial risks: Capital risk, credit risk market risks (including currency risk and interest rate risk), and liquidity risk.

The group's overall risk management programme focuses on the unpredictability of its markets and seeks to minimise potential adverse effects on the group's financial performance.

Risk management is carried out by senior management under policies approved by the Board of Directors. The Board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, and the investment of excess liquidity.

19.1 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 2020 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>	
	2020	2019	2020	2019
	P'000	P'000	P'000	P'000
Debt	280,094	204,791	280,094	204,791
Cash and cash equivalents (note 14)	(72,023)	(49,490)	(47,618)	(20,094)
Net debt (i)	<u>208,071</u>	<u>155,301</u>	<u>232,477</u>	<u>184,697</u>
Reserves (ii)	(58,659)	(56,441)	(206,247)	(209,420)
Gearing Ratio	1.87	2.07	10.68	(8.28)

- 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.

BOTSWANA MEAT COMMISSION
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2020

20 Categories of financial instruments

The Commission financial assets are classified and measured at amortised costs

Financial assets

Amortised cost

Trade receivables	26,137	67,706	18,659	57,577
Amounts due from Group Companies	-	-	18,791	31,147
Debentures from Clifton	10	10	10	10
Cash and Cash equivalents	72,023	49,490	47,618	20,094
Total	98,170	117,207	85,077	108,827

Financial liabilities

Amortised cost

Trade payables	68,072	223,828	73,086	237,055
Borrowings	262,187	186,856	262,187	186,856
Amounts due to group companies	-	-	77,510	75,718
Bank Overdrafts	17,908	17,935	17,908	17,935
Total	348,166	428,619	430,691	517,563

Finance costs

Financial liabilities at amortised cost	13,582	11,512	16,688	14,561
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Finance income

Loans and receivables	278	297	278	297
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21 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>	
	2020	2019
	P'000	P'000
Total credit risk comprises:		
Cash and Bank	72,023	49,490
Amounts due From Group Companies	-	-
Trade and other receivables	26,137	67,706
Total maximum exposure	98,160	117,197

The Total maximum exposure for the Group not taking into account credit insurances considered in the calculations of ECL is P 48.4 Million.

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

COMMISSION
2020

	DAYS PAST DUE				TOTAL
	CURRENT	31-60 Days	61-90 Days	Over 90 days	
Expected Credit Loss Rate	1%	3%	6%	100%	
Estimated Total Gross Carrying Amount at Default	10,238	2,699	2,266	45,444	60,647
Expected Credit Loss	115	82	147	45,627	45,971

2019

	DAYS PAST DUE				TOTAL
	CURRENT	31-60 Days	61-90 Days	Over 90 days	
Expected Credit Loss Rate	2%	6%	10%	90%	
Estimated Total Gross Carrying Amount at Default	46,367	2,305	4,474	41,195	94,342
Expected Credit Loss	791	136	445	37,202	38,574

GROUP
2020

	DAYS PAST DUE				TOTAL
	CURRENT	31-60 Days	61-90 Days	Over 90 days	
Expected Credit Loss Rate	1%	5%	8%	100%	
Carrying Amount at Default	10,467	2,759	5,821	47,811	66,858
Expected Credit Loss	129	128	439	47,811	48,508

2019

	DAYS PAST DUE				TOTAL
	CURRENT	31-60 Days	61-90 Days	Over 90 days	
Expected Credit Loss Rate	8%	21%	59%	79%	
Carrying Amount at Default	46,874	2,331	4,523	41,646	95,374
Expected Credit Loss	3,562	489	2,683	32,859	39,593

Due the impacts of Covid 19 the Group and Commission has assumed 100% loss rate for all debtors over 90 days. The Group and Commission collection has significantly improved and ultimately improving the Loss rate.

22 Fair value hierarchy of financial instruments

The table below analyses financial instruments carried at amortised costs, by valuation method at 31 December 2020. 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
At 31 December 2020				
Borrowings Current	-	(275,091)	-	(275,091)
	-	(275,091)	-	(275,091)
At 31 December 2019				
Borrowings Current	-	(191,571)	-	(191,571)
Borrowings Non-Current	-	(4,201)	-	(4,201)
	-	(195,772)	-	(195,772)
Commission				
At 31 December 2020				
Borrowings Current	-	(275,091)	-	(275,091)
	-	(275,091)	-	(275,091)
At 31 December 2019				
Borrowings Current	-	(9,521)	-	(9,521)
Borrowings Non-Current	-	(34,960)	-	(34,960)
	-	(44,481)	-	(44,481)

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 for Government loan is 5% for the P160 Million loan and 4.75% for the P88 Million loan.

The values for trade receivables, trade payables, bank overdraft, and cash & cash, intercompany loans and Debentures their fair values approximate their carrying amount.

BOTSWANA MEAT COMMISSION
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	<u>Consolidated</u>		<u>Commission</u>	
	2020	2019	2020	2019
	P'000	P'000	P'000	P'000

23 FINANCIAL INSTRUMENTS (CONTINUED)

23 MARKET RISKS

23.1 Foreign currency risk management

The The Group and 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	11,980	18,809	7,107	1,365
United States Dollar trade payables	-	-	-	-
Great Britain Pound trade payables	1,301	1,834	1,301	1,834
Great Britain Pound payables (related parties)	-	-	22,510	21,148
United States Dollar payables (related parties)	-	-	46,480	44,900
South African Rand payables (related parties)	-	-	-	-
	<u>13,280</u>	<u>20,643</u>	<u>77,398</u>	<u>69,246</u>
South African Rand trade receivables	34,895	28,291	31,469	18,770
Great Britain Pound trade receivables	-	-	-	-
United States Dollar trade receivables	-	-	-	-
Euro trade receivables	1,670	-	541	17,568
South African Rand receivables (related parties)	-	-	17,232	17,568
Great Britain Pound receivables (related parties)	-	-	1,559	13,579
	<u>36,565</u>	<u>28,291</u>	<u>50,802</u>	<u>67,484</u>

Foreign currency sensitivity analysis

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

	Increase/decrease in exchange rate	<u>Consolidated</u>		<u>Commission</u>	
		2020	2019	2020	2019
		Pula '000	Pula '000	Pula '000	Pula '000
		Effect on profit before tax		Effect on profit before tax	
GBP	+5%	18	(92)	(1,113)	(470)
USD	+5%	-	-	(2,324)	(2,245)
ZAR	+5%	1,146	474	2,080	1,749
EURO	+5%	84	-	27	878
GBP	-5%	(18)	92	1,113	470
USD	-5%	-	-	2,324	2,245
ZAR	-5%	(1,146)	(474)	(2,080)	(1,749)
EURO	-5%	(84)	-	(27)	(878)

23 FINANCIAL INSTRUMENTS (CONTINUED)	Consolidated		Commission	
	2020 P'000	2019 P'000	2020 P'000	2019 P'000

23.2 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>135.82</u>	<u>115.12</u>	<u>166.88</u>	<u>145.61</u>
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24 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.

COMMISSION	2020			
	Within 1 year	2-5 years	Over 5 years	Total
Interest bearing loans and borrowings	275,091	-	-	275,091
Bank Overdraft	17,908	-	-	17,908
Trade Payables	71,849	-	-	71,849
Amounts Due to Group Companies	77,510	-	-	77,510

GROUP	2020			
	Within 1 year	2-5 years	Over 5 years	Total
Interest bearing loans and borrowings	275,091	-	-	275,091
Bank Overdraft	17,908	-	-	17,908
Trade Payables	71,258	-	-	71,258

COMMISSION	2019			
	Within 1 year	2-5 years	Over 5 years	Total
Interest bearing loans and borrowings	191,571	4,201	-	195,772
Trade Facilities	637	-	-	637
Bank Overdraft	17,298	-	-	17,298
Trade Payables	233,779	-	-	233,779
Amounts Due to Group Companies	75,718	-	-	75,718

GROUP	2019			
	Within 1 year	2-5 years	Over 5 years	Total
Interest bearing loans and borrowings	191,571	4,201	-	195,772
Trade Facilities	637	-	-	637
Bank Overdraft	17,298	-	-	17,298
Trade Payables	255,180	-	-	255,180

25 RELATED PARTY TRANSACTIONS AND BALANCES	<u>Commission</u>	
	2020 P'000	2019 P'000
The related parties of the Commission are the Government of Botswana refer note 16.1, its subsidiaries as disclosed in Note 11 and the Commissioners and senior management. The following related party transactions were entered into:		
25.1 Services charges		
Management fees Payable - Botswana Meat Commission (UK) Holdings Limited (subsidiary)	2,308	2,471
Storage expenses Payable - Table Bay Cold Storage (Proprietary) Limited (subsidiary)	1,301	1,365
Management fees Payable - Table Bay Cold Storage (Proprietary) Limited (subsidiary)	1,083	8,471
Management fees Receivable - Mainline Carriers Botswana (Proprietary) Limited (subsidiary)	<u>(240)</u>	<u>(240)</u>
	<u>4,452</u>	<u>12,067</u>
25.2 Interest paid		
Allied Meat Insurance Company Limited, Cayman Islands (subsidiary)	(3,161)	(2,945)
BMC UK Holdings Limited (Subsidiary)	<u>(411)</u>	<u>(381)</u>
	<u>(3,572)</u>	<u>(3,326)</u>
25.3 Subventions received from Government	<u>128,801</u>	<u>183,050</u>
25.4 Directors Fees	<u>137</u>	<u>111</u>

RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)	<u>Commission</u>	
	2020 P'000	2019 P'000
25.5 Amounts due from group companies		
BMC UK Holdings Limited (Subsidiary)	1,559	13,579
Table Bay Cold Storage (Proprietary) Limited (subsidiary)	<u>17,232</u>	<u>17,568</u>
	<u>18,791</u>	<u>31,147</u>
<i>These are in regard to Commissions debtors collected by the UK and TBCS subsidiaries and yet to be remitted to the BMC parent entity as at year end.</i>		
25.6 Amounts due to group companies		
BMC Meat Importers Limited, Guernsey (subsidiary)	16,836	15,577
Allied Meat Insurance Company Limited, Cayman Islands (subsidiary)	46,480	44,900
BMC UK Holdings Limited (subsidiary)	5,874	5,571
Mainline Carriers (Proprietary) Limited (subsidiary)	8,359	9,510
Lobatse Leathers (Proprietary) Limited (subsidiary)	161	161
	<u>77,510</u>	<u>75,718</u>

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.

The amounts due to Group companies are loans obtained from the subsidiaries by the parent Company at an average fixed interest rate of 7% and have no terms for repayments.

Mainline Carriers due amount is an intercompany net advance from the entity to the parent company.

BOTSWANA MEAT COMMISSION
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25.7 **Related party balances included in receivables**

Table Bay Cold Storage (Proprietary) Limited (subsidiary)

7,107	6,382
<u>7,107</u>	<u>6,382</u>

This is an intercompany net advance balance, that was settled subsequent to year end.

25.8 **Transactions related to board members**

Producer payments - Cattle Slaughter (Commission and consolidated)

<u>339</u>	<u>6,769</u>
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25.9 **Remuneration of key management personnel**

Short term benefits (Commission and consolidated)

<u>5,850</u>	<u>7,086</u>
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26 **NOTES TO THE STATEMENTS OF CASH FLOWS**

	<u>Consolidated</u>		<u>Commission</u>	
	2020 P'000	2019 P'000	2020 P'000	2019 P'000
Cash used in operations				
Operating surplus/loss	6,737	(93,880)	19,584	(89,922)
Adjustments for:				
Depreciation of property, plant and Equipment	22,220	21,499	15,804	15,823
Depreciation of Right of Use Asset	2,176	1,963	-	-
Impairment	-	27,141	-	27,141
Fair value (Gain)/Loss on investment Property	-	4,890	-	-
(Gain)/Loss on disposal of property, plant and equipment	(25,938)	69	(25,938)	69
Effects of changes in foreign exchange rates	7,217	17,289	-	-
	<u>12,412</u>	<u>(21,029)</u>	<u>9,450</u>	<u>(46,890)</u>
Movements in working capital				
Decrease/(Increase)in inventories	68,043	(16,889)	68,043	(17,344)
(Increase)/decrease in amounts due from group companies	-	-	12,356	(8,371)
Decrease/(increase) in trade and other receivables and prepayments	42,305	9,832	39,602	2,815
(Decrease)/increase in trade and other payables	(182,981)	(39,798)	(191,082)	(24,445)
Increase /(Decrease) in amounts due to group companies	-	-	1,792	4,101
	<u>(72,634)</u>	<u>(46,854)</u>	<u>(69,290)</u>	<u>(43,244)</u>
Cash used in operations	<u>(60,222)</u>	<u>(67,883)</u>	<u>(59,840)</u>	<u>(90,133)</u>

BOTSWANA MEAT COMMISSION
 NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)
 31 DECEMBER 2020

27 NOTES TO THE CASH FLOW STATEMENT (CONTINUED)
 COMMISSION AND GROUP
 CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

Group	01-Jan-20	PRINCIPAL	Loan	INTEREST	INTEREST	31-Dec-20
	P'000	REPAYMENT	Received	P'000	PAYMENT	P'000
Current interest bearing loans						
Botswana Government Loan	162,683	-	88,000	11,504	-	262,187
Term Loan - African Banking Corporation	3,363	(3,363)	-	49	(49)	-
Standard Chartered Bank Botswana Limited Loan	20,809	(20,809)	-	366	(366)	-
Total Liabilities from Financing	186,856	(24,172)	88,000	11,919	(415)	262,187

COMMISSION AND GROUP

Group	01-Jan-19	PRINCIPAL	Loan	INTEREST	INTEREST	31-Dec-19
	P'000	REPAYMENT	Received	P'000	PAYMENT	P'000
Current interest bearing loans						
Botswana Government Loan of P 160 Million	-	-	160,000	2,683	-	162,683
Term Loan - African Banking Corporation	9,112	(5,749)	-	296	(296)	3,363
Standard Chartered Bank Botswana Limited Loan	32,700	(11,891)	-	1,202	(1,202)	20,809
	41,812	(17,640)	160,000	4,182	(1,499)	186,856

BOTSWANA MEAT COMMISSION
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2020

28 CONTINGENT LIABILITIES AND ASSETS	Consolidated		Commission	
	2020 P'000	2019 P'000	2020 P'000	2019 P'000
28.1 Contingent liabilities				
1 Interest Claim - Feedlotters	13,375	-	13,375	-
High Court cost claims - Walgreen				
2 Investments	2,997	-	2,997	-
Claims instituted by Makhoks Feedlot for damages for alleged breach of Commission's obligations.				
3	-	8,983	-	8,983
Guarantees from Standard Chartered Bank				
4 Botswana Limited	-	14,160	-	14,160
In favour of Standard Chartered Bank London L	-	37,060	-	37,060
5 Guarantee in favour of Transnet	1,040	752	1,040	752
5 Customs and excise guarantee in South Africa	3,063	362	3,063	362
5 Guarantee to South African Revenue Services	445	2,175	445	2,175
	20,920	63,492	20,920	63,492

1. Feedlotters filed claims of interest charges on the principal amounts they were owed. The Court ruled in their favour and 75% of these has been settled subsequent to year end.
2. Walgreen investments also submitted to the BMC high court cost charges that had to be settled subsequent to year end.
3. Makhoks changed his claim and filed a claim with other feedlotters who are claiming late payment interest, which falls under Interest claims-Feedlotters.

Guarantees

4. The prior year guarantees on the BMC debts are no longer applicable as those debts have been paid up in 2020
5. These are guarantees on the performance of an obligation

28.2 Contingent Asset

GPS Food Group AS is an impaired Associate and BMC is likely to be reimbursed the cost of

	1,944	-	-	-
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The details of GPS Food Group have been disclosed under Note 11

28.3 Future capital expenditure

Authorised but not yet contracted for

	Consolidated		Commission	
	61,711	31,333	61,711	31,333

Capital expenditure will be funded from internally generated funds and external funding as necessary.

28.4 Operating lease commitments (Receipts)

Future minimum lease receipts:

Not later than one year

	1,377	1,189	-	-
	1,377	1,189	-	-

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.

29. EVENTS AFTER THE REPORTING PERIOD

a) Adjustable Events:

There were no adjustable events that happened after year end.

b) Subsequent to year end a new Board was appointed.

30. IMPACT OF COVID 19:

The Covid 19 pandemic occurred at the beginning of the Group reporting period 31 December 2020 therefore has an impact on the assets and liabilities in the financial statements of the abovementioned period. Management continues to monitor and assess and estimate the impact of Covid -19 on the current and future reporting periods.

On 30 January 2020, the International Health regulations Emergency committee of the WHO declared the outbreak a "public Health Emergency of International Concern". The Government took hid on the pandemic risk, like other governments across the globe, and implemented mitigating factors such as lockdowns, enforcing use of face masks, and utilized various platforms of the media to inform the nation on the risks of the pandemic and prevention and mitigating means against the disease. The pandemic has continued to mutate into further acute variants, some futile to human lives along the journey of 2020. The Government of Botswana, yet again as other governments across the globe, also took hid of this, such that during the festive season a curfew enforcement was implemented restricting movements from early evening hours. These mitigating measures gave adverse consequences to economic constrictions in regard to growth and underemployment, that have continued to haunt the subsequent year, 2021. 2021 is seeming hopeful with the advent of vaccination that has been significantly rolled out in Europe and America, and some few parts of Africa. Botswana has rolled out vaccination to the few elderly population and essential services professionals, as well with plans to roll it out to the majority of the active adult population (the vaccinations have been acquired).

Botswana Meat Commission and its customers have been impacted by the outbreak and by the measures taken in preventing the spread of the disease. the critical judgement and evaluation that management made is whether and, if so, what event in this series of events provides evidence of the condition that existed at the end of the reporting period for the Group's activities or its assets and liabilities. When making this judgement , the Group took into consideration all available information about the nature and the condition of the pandemic and measures taken.

BOTSWANA MEAT COMMISSION
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2020

The Covid 19 is expected to have a negative impact on the level of impairments due to challenges posed by the pandemic, especially in the tourism and entertainment. Management adjusted the ECL loss rate to 100% for outstanding debtors over 90 days. Management will continue to apply due diligence when assessing the creditworthiness of potential customers and work closely with valuers who appraise collateral especially for possible impact from the pandemic and prevailing conditions. The collections of payments from customers will be closely monitored so that the necessary action is taken timeously.

There is also some positive news in which the Norway market increased its prices by an average of 15% beginning of 2021 which will significantly improve the liquidity of the organization.

BOTSWANA MEAT COMMISSION

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2020

31.GOING CONCERN

The Group and the Commission reported a total Loss for the year of P2.2 million (2019: Deficit of P92.2 million) and Profit of P3.2 million (2019: Deficit P104.2 million), respectively. The accumulated losses of the Group and Commission amount to P1.3 billion (2019: P1.3 billion) and P1.3 billion (2019: P1.3 billion), respectively. These conditions shows a constant performance for the Commission.

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.

As part of 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 2021;

.A reduction of 11% in operational expenses by 2021;

.Enhance branding of Botswana Beef to grow current products' prices by 15% in 2021;

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

The Commission reported a Profit of P3.2 million for 2020 financial year (2019: a deficit of P104.2 million) and has accumulated losses of P1.3 billion (2019: P1.3 billion). 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.

33.FINANCIAL REVIEW BY BMC ON GOING CONCERN AND IMPACT OF COVID-19

The main features of the Financial performance and Financial position and principal uncertainties BMC faces are as follows:

a) Throughput

Throughput is low because of the following factors:

- I) Declining national head;
 - II) Delayed farmers payments resulting in lack of confidence in BMC by the cattle producing community.
 - III) The ongoing export of live cattle, making livestock scarce and exposing the BMC to price competition, as the farmers demand cattle price increase per Kg.
- b) The effects of Covid – 19 has been devastating to BMC business Locally and internationally.
- c) BMC Financial resources are mainly from meat sales and Government subvention as reflected in the Income Statement.
- d) No Goodwill has been recognised in the Statement of Financial Position as the BMC Group has not acquired any businesses that have given rise to goodwill; and

BMC does not present environmental reports and value – added statements.

	2021 2 Months to Feb P'000	2020 P'000	2019 P'000
Plant Details			
Plant Utility	2%	19%	51%
Throughput	649	30,330	79,157
Gross Revenues	14,521	406,149	715,964
Net Revenues	7,026	103,396	89,125
Deficit / Surplus	(3,368)	(4,743)	(106,100)

BMC Group needs support from the shareholder in order for it to be a going concern business. The Government has provided going concern support letter.